EXECUTIVE COMMITTEE MEETING

WEDNESDAY, MAY 24, 1995

U.S. Senate,

Committee on Finance,

Washington, DC.

The meeting 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 Roth, Chafee, Grassley, Hatch, Simpson, Nickles, Moynihan, Baucus, Bradley, Pryor, Rockefeller, Breaux, Graham, and Moseley-Braun.

Also present: Lindy L. Paull, Staff Director and Chief Counsel; Lawrence O'Donnell, Jr., Minority Staff Director.

Also present: Joseph Gale, Minority Chief Tax Counsel; Margaret Malone, Minority Advisor for Income Maintenance Policy; Dr. Alexander Vachon, Legislative Assistant to Senator Dole; and Kathy Tobin, Income Security Analyst.

The Chairman. Let me announce, we are getting conflicting signals. The Republican cloak room says we are going to have five votes starting about 20 minutes to 10:00; the Democratic cloak room says not before 10:15. I am trying to find out right now if we can get a better idea.

If we are going to start for just 10 minutes, there is no point in starting the meeting right now. If we are going to start at 10:15, that may mean 10:30 and we could get going. Jay and I both called, just now, our respective cloak rooms and got different answers.

So, for the moment, we will not start. I will check and see if I can find out a little bit more and make the decision in about five minutes about whether to start now or to start later. We are getting conflicting signals as to when there are votes.

Senator Rockefeller. I will be on your cloak room.

The Chairman. I said, let us just wait about five minutes and I will check once more, because they have five stacked. Our cloak room says starting about 20 till 10:00. Let me just check once more and see.

Senator Moynihan. Then we had better wait.

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

The Chairman. We will start now. Our cloak room now says starting by 10:00, and both Senator Moynihan and I have been long enough here to realize that the leaders can use their leader time, you can use time off the bill, or you can do a variety of things, all of which will have the effect of delaying, delaying, delaying the vote, so we will go ahead.

The formal mark-up will be delayed until tomorrow, because we knew we were going to have votes and there is no point in trying to do a mark-up when you are here for awhile, gone for 45 minutes, back for 20 minutes, gone for 30 minutes, and back. We will do the walk-through today. But we will start through now and go as far as we can on the mark-up.

Let me say at the start, there is nobody that I admire more, revere more or that I count as a better friend in this Senate than Pat Moynihan. He and I are going to disagree on this bill. He said yesterday, I certainly hope it can be a civil disagreement, and I have never had any disagreement with Pat but a civil disagreement. It is a difference of philosophy, although we have taken his Jobs Program in 1988 and extended and expanded it in this bill.

But it is basically this, as far as welfare is concerned. The mark that I will lay down will endeavor to give to the States as much flexibility as possible to administer welfare the way they want with the exception that there will be strong work requirements in it and a provision that if the State wants to go inside the work requirements--ours are two years and five years--if the State wants to make them shorter than that, they may, but they are stiff work requirements.

Obviously, the States have to report what they do with the money, and there are some other restrictions, but, as far as AFDC itself is concerned, it will give the States extraordinary flexibility.

The Child Protection Block Grant programs we have decided not to block grant, correct?

Ms. Paull. That is correct, Mr. Chairman.

The Chairman. So we can cross that off the agenda.

The Supplemental Security Income, which is a big item, almost bigger than AFDC, actually, though it is much less known than AFDC, is solely a federal program. It is not a State-match program. On this we will attempt to say that alcoholics and addicts cannot have money.

We will change the Zeppley decision a bit to what I think Congress intended when it passed the SSI law, and then the court interpreted it much more broadly, but pretty

much left it to us to change if we wanted.

It was not an antagonistic decision so much, as it does not seem to us, the court said, that Congress specifically decided to distinguish between children and adults, and, as they did not specifically decide, we will just say they did not and leave it to Congress if they want to change it. Then on legal aliens, they are, by and large, excluded.

On child support payments, we have broadened the law. It is similar to the House. I did not go as far as Senator Bradley wanted, because his bill cost more money, but on this one there is no disagreement among governors, the President, and Congress.

I think that the enforcement of child support payments is critical, and the interstate enforcement of them is very difficult for States. By the time they go through the process of trying to enforce a judgment in Oregon or in Tennessee, or vice versa, they just have a dickens of a time, and we have tried to strengthen that.

But, as I say, it is a difference of philosophy. I looked at the figures the other day that the Social Security Administration puts out, and what they define as public aid.

Now, this is not just AFDC, it is a variety of programs basically aimed at the poor. They have aggregated them and added up what we spend on them over the years. I will

phrase this in constant 1991 dollars as if there has been no inflation at any period in this time so that you can compare, dollar for dollar, what we spent years ago and what we spent now as if there had been no inflation.

Fifty years ago, we were spending on all of these programs that Social Security counts as public aid programs, of which AFDC is one of the bigger ones, $10 billion; in 1991, which is the last year they have figures, $180 billion. $10 billion to $180 billion.

In terms of constant dollars per person, per capita, as statisticians would call it, 50 years ago it was $70 per person, now is $713. As a percent of our Gross Domestic Product 50 years ago, seven-tenths of a percent, now three.

So, by any measure, we have spent money. By any measure we have attempted to run this program at the federal level. We say we give the States flexibility, but every year, if I am correct, Kathy, they have to file 43 different forms every year to qualify with the different restrictions that we have put upon them.

Whatever we have attempted to achieve in this area, in my judgment, has not worked. I do not mean that as criticism of President Clinton, or President Reagan, or President Bush, or anybody else. Just, if the purpose was to get people out of poverty, and especially to get them to work for whatever reason, what we have tried has not

worked. So the mark is a philosophical difference from what we have had in the past. It is worthy of debate. I told Senator Dole, I hope we do this on the floor, not in reconciliation, because it is worthy of a good debate on the floor.

The problem with reconciliation, as powerful a tool as it is, it is 20 hours, for everything. Medicare, Medicaid, Social Security, welfare, defense, whatever happens to be there that somebody wants to argue about, it is all wrapped up in 20 hours.

I do not think welfare would get the attention it deserves wrapped into that kind of a bill. And Senator Dole said, fine, unless there is a filibuster and we cannot break the filibuster, in which case he would put it in reconciliation.

So, with that, Senator Moynihan, the floor is yours.

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

Senator Moynihan. First, thank you for courtesy in this, as in everything else.

Our particular work today is H.R. 4, the Personal Responsibility Act, but you have very generously asked Margaret Malone to walk us through S. 828, the Family Support Act of 1995, which we introduced the other day.

To make a point, if I may, it seems to me we have a philosophical issue, yes. But I would like to offer you a thought--this has been said by someone else--we are at a constitutional moment in the United States just now, or we seem to be.

The Supreme Court a few weeks ago, on a 5:4 decision, ruled that the Congress had no power to restrict the entry of weapons into a school under the Interstate Commerce Clause. In fact, I voted for that bill; I expect most persons here did. We stopped asking ourselves that question.

Just two days ago, the court, by another 5:4 decision, struck down State term limits for Congress, upholding the authority of the constitution to describe this. But four members, including the Chief Justice, said no. The point was made that the constitution, although it begins, "We the

people," it refers to the people of the several States, and the United States is always referred to in the plural in the constitution.

This was an argument we very much had in the 1930s, 60 years ago. Francis Perkins describes with great succinctness, meeting a Supreme Court Justice--I believe it was a Chief Justice--in a garden party in 1935. He asked her what she was up to and she described the Social Security Act.

But then, in the manner she had of getting people to help her, she said, but you great men, every time we pass one of these bills, you declare it unconstitutional, and, oh, what shall we do? He said, well, tell me more about it. Then he leaned over to her and said, the taxing power, my dear; all you need is the taxing power.

That is why this bill is in this committee. These issues were duly tested. The court duly looked it up and said, the Congress has the power to lay and collect taxes.

Well, these issues are under dispute now. The Supreme Court has taken them up in ways that have not been heard since the 1930s. We are taking up the question of whether welfare, which is clearly a constitutional subject--the preamble, as we call it, says the constitution is being established in order to promote the general Welfare. But that need not be the choice of the people, and we are going

to, here, decide.

The issue, specifically, is whether the provision of Title 4A of the Social Security Act of 1935 will be stricken, such that the provision of support for dependent children is no longer a federal requirement that is universal, although the provision is not uniform in the country.

I do not know a better moment, I do not know a better place, for this sort of debate. I would like to say to my revered colleague, the Chairman--we have been 19 years together here--the Chief of Staff has informed me that the President would veto a bill that took away the guarantee for children under the Social Security Act, but that is his prerogative under the constitution and we can talk about that further.

But to your question of a filibuster, I would assure you, no one Senator can guarantee this, but it would not be our intention whatever to make this a test of strength as against a season of argument and reason.

The Chairman. And it is my intention not to try to rush this through in three or four hours on the floor. And I think it ought to have full debate because it is, perhaps, the first of the philosophical major debates we will have, and I assume, if Bob Dole wants to bring it up, it will come up in June.

Senator Moynihan. Would you agree that we are at kind of a constitutional moment?

The Chairman. Yes, I think we are.

Senator Moynihan. Thank you, Mr. Chairman.

The Chairman. We all know Ms. Malone, Ms. Paull, and Ms. Tobin, but I have asked Dr. Vachon to join us also. He is a Legislative Assistant to Senator Dole, and Senator Dole's Chief Advisor on disability matters. Before joining Senator Dole, he headed the National Disability Policy Center in Washington, DC, and he has consulted widely. He is past Chair of the Special Interest Group on Disability of the American Public Health Association.

He got his Ph.D. in clinical psychology from the State University of New York at Stoneybrook, Senator Moynihan, and from 1983 to 1985 he was the Switzer Fellow at the National Institute on Disability and Rehabilitation, in residence at Columbia University, and probably knows as much about that particular subject--and it is a big issue on SSI--as anybody we have.

Kathy Tobin, do you want to start, or Lindy; how are you going to do it?

Ms. Tobin. Lindy will start.

The Chairman. All right.

Senator Rockefeller. Mr. Chairman.

The Chairman. Yes.

Senator Rockefeller. That will be it on statements?

The Chairman. No. If you want to make an opening statement, go right ahead.

Senator Rockefeller. I really would.

The Chairman. Good. Go right ahead.

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

Senator Rockefeller. Mr. Chairman, I wish I could say the usual positive words that are important on a day like this and on a bill that is of such national significance, but, in honesty, I also have to express a lot of disappointment and my worries.

Instead of sitting down this morning to discuss a welfare system proposal developed in a bipartisan fashion, something that some of us have been working on for 15 years or so, we are to be told about the Chairman's plan, and also the Ranking Member's plan. The Chairman's plan was unveiled only yesterday.

Instead of preparing to debate a proposal that strives to achieve nationwide welfare reform, we are about to be presented with a plan that basically passes the buck, in my judgment, and not very many bucks, at that, to the States for administering welfare.

Instead of getting a proposal that both promotes work and protects innocent children, we are about to consider a plan that does not do enough of that work, in my judgment. It presents a framework for work, but not money, and, as Senator Moynihan indicated, would end this country's basic protection for children. That is, if not a constitutional

moment, certainly a major moral moment in this country's history.

Chairman Packwood, typically, has invested a great deal of time this year on hearings to prepare all of us for welfare reform so that we could do this in a bipartisan fashion. From the beginning I really was hopeful that the process would be bipartisan, that it would be balanced, that it would be, as they say, of timely nature.

I proudly participated in the last time this committee produced a welfare reform bill. That was an open procedure, that was under Senator Moynihan's guidance, and that did take on the characteristics that I cherish in serious legislating.

Instead, I feel as if some kind of political dye was cast on this thing from the very beginning and I am not happy to say that. The rage for block grants on the other side of the aisle totally mystifies me. There is one former governor on the other side of the aisle, but he was not a governor the first time we had block grants in 1981 under President Reagan. I think few are aware of what block grants can do to States.

In this particular case, block grants having to do with welfare reform, Medicaid, and other things, my legislature in West Virginia spent the last four years trying to figure out how to come up with any money at all for Medicaid, much

less what it will have to do under this.

So I do not know where the logic is for block grants. I do not know where the fiscal prudence is for block grants in addressing, again, a serious problem like the welfare system by just writing a series of checks to the States. The 43 reports that the Chairman referred to are nice, but reports do not have to be enforced and usually are not.

I want to enact serious welfare reform. I think this is one of the most serious problems facing the country. It is one of the main reasons I am on the Finance Committee, to do a serious job about this.

The system, I think, should be changed to work and I think work and personal responsibility are, and should be, the rule and not the exception. Welfare should be the last resort, I agree, not a comfortable resting place, not a hide-out. But welfare is also a way that this country cares for children born into some of the most difficult, miserable, and dangerous situations.

We are talking about children in my State, for example, in a county like McDowell County, children who cannot do one single thing about their situation. Two out of three people on AFDC are children, and these children born in McDowell County, there is nothing they can do about the times unemployment exceeds 20 or 30 percent, and their parents, no matter how strong their values might be, cannot

find the job because there are no jobs around. Nobody has been able to bring jobs into McDowell County, or even its neighboring counties.

We are talking about children in Oregon, New York, Delaware; you name the State. You cannot do one thing about fathers that go AWOL if you are a child. You just cannot stop that. And mothers who are suddenly divorced or make mistakes, ranging from having another child to losing a job, in my view, welfare reform should be about raising standards and challenging States and others.

The poor who can work, should work. I mean, that is axiomatic. It is bipartisan; everybody agrees completely. The poor who can support their children should support their children. The law should be very much on their tail, so to speak, if they refuse.

But welfare reform should not, in my judgment, be about punishing children who had nothing to do with being born poor, just as I had nothing to do with being born otherwise, or an absent parent, or the circumstances that they live in.

In the presentation which I interrupted which is about to be made, I hope to encounter parts of the Chairman's proposal to support. There are very good parts to it. I really congratulate the Chairman, and particularly Senator Chafee, on the child welfare and foster care part. It was

an enormous, enormous achievement, Senator Chafee, in my judgment. The child support enforcement, I think, is good. The mark-up has an alternative on SSI for disabled children. I do not think it is as good as Senator Conrad's bill, but it sure is better than the House bill.

In any event, Mr. Chairman, I think you get my point. I think the American people expected--I know, at least, I expected--us to do this carefully, thoughtfully. The hearing process was very, very good.

The putting together of the legislation was very, very quiet and unavailable until, I guess, last night. I wish we had been able to do this together. I hope this entire committee will somehow find a way to listen to each other during the course of this debate, if we have debate, indeed.

I think this committee should produce a package that will really promote work and responsibility for adults and preserve the 60-year safety net that protects innocent children. This does not, this takes away the guarantee. This is absolutely historic, what is being done. That is done through block grants. It is just simply removing the guarantee for completely innocent children.

I will stop there, and I thank the Chairman.

The Chairman. On the Chairman's mark, I will put you down as "undecided."

Senator Simpson?

OPENING STATEMENT OF THE HONORABLE ALAN K. SIMPSON, A U.S. SENATOR FROM WYOMING

Senator Simpson. Mr. Chairman, I commend you for present this to us, a daunting task. You have been in those before. This is a starting point. Not perfect, but it places us on the right track. It should be a high priority item. There is so much we can do to improve on the current system, and I share with my friend from West Virginia.

I attended a great many of the hearings with regard to this issue as a new member of the committee, and became convinced that whatever we have been doing has not worked. So, if we really care about all of the people we say we care about, and we do genuinely, then we had better do something different because it does not work.

So, if something does not work, we should correct it. I think this is a start, getting tough on welfare addicts, is a phrase that was used in the hearings by one witness. But I do not think there is anyone at this table who is going to approach this in anything but a humane and responsible manner.

I have not the slightest desire to do anything punitive to children, the aged, or destructive for those disadvantaged, or the most vulnerable. Who does? Is there

anybody here that does? I do not know of anyone, and know you all.

So as we try to do things differently without losing a nickel of the money as we send it out, it is just as difficult as we try to slow the growth of the other programs which are still being referred to as cuts, and I have listened to that for the last days and months.

What will happen to the poor and the aged under Medicare if we allow it to go up only 7.1 percent instead of 10.5 percent? Then we say, well, how wonderful, and how compassionate, because it is going to go broke in seven years. So, tell us how good you will feel in seven years with regard to the fact that we will be belly up instead of just people getting shorted.

So I think it is time to do something and I think that, indeed, we all can agree on the tracking down of the deadbeat parent.

The block grant issue is difficult. I did not think it was something to be done at one time. We should not be too hasty in turning it all over to the States in one fell swoop, but I think it is important to do it and I think there is a good distinction here about what we do block grant and what we do not.

The issue of the SSI, the drug addicts and alcoholics, I still think Senator Cohen was on the right track with

what he presented. Then, of course, the definition of children's disability was a fascinating hearing, an ill-defined issue in some ways. We do not want to purge children from the SSI rolls, yet we certainly do not want to believe that parents coach their children to act up in school. There has got to be some balance there.

So this issue of disability with alcoholics, as I say, and addicts, that is a tough one because of self-induced disability, if that can be described, in some cases.

But I look forward to healthy debate, and I appreciate your listening to my views on public assistance programs by immigrants. It has been our policy--and I hope we all recall--that for 100 years newcomers are held to be, and should be, self-supporting, and that immigrants who become a "public charge" within a few years of entry should be deported. That has been the law of the land for over 100 years. A court decision then destroyed all of the effect of that.

So, it has been pleasing to work with the Chairman, the Majority Staff, Minority Staff, Lindy, Lawrence. They have always been very helpful to me as a new member. I think we have some things which are compatible with changes which I will be proposing in the immigration reform package, which will come soon, including the requirement of the promise of support made by the sponsor of an immigrant, and making it

enforceable and in effect for at least 10 years until the sponsored person has made a reasonable economic contribution to the country.

I trust the changes we make here will further goal of assuring that sponsors of immigrants are truly responsible for the needs of their relatives rather than the American taxpayer, but also that we allow deserving immigrants some access, indeed, clear access, to the safety nets in society and that we not encourage immigrants to become citizens for all the wrong reasons.

So I look forward to working with you. It will be a spirited debate. I hope it is as spirited on the floor as it will be here, and I thank the Chairman.

The Chairman. Senator Chafee, and then Senator Breaux. I would hope we could keep the remainder of the opening comments relatively short so we can finish them before we start to vote.

OPENING STATEMENT OF THE HONORABLE JOHN H. CHAFEE, A U.S. SENATOR FROM RHODE ISLAND

Senator Chafee. Thank you very much, Mr. Chairman. First, I want to thank you for the time that you have given me and you have given the others, and you were very attentive and thoughtful in your responses to the points that I raised, and I am grateful to you. I also want to thank the staff, Ms. Paull, Ms. Tobin, and others who worked with our staff.

Mr. Chairman, I will make four very quick points. First, I am very glad that this will not be in reconciliation. I think reconciliation is a tool that we should use with great chariness and with great concern. There is no prolonged debate, there is no chance to really discuss things, and reconciliation, it seems to me, is it is a very, very dangerous weapon and we ought to use it with considerable care.

Second, Mr. Chairman, I want to thank you for, as I understand in the mark that we will be discussing today, you have kept the foster care, the adoption services, the training and administration, as it is under current law.

The Chairman. I have kept all of those as they are under current law.

Senator Chafee. I am very appreciative to you for

doing that. I think that is a wise move.

Third, I do have concerns about the SSI. We will be discussing that with Dr. Vichon this morning. Our folks have been working with Senator Dole's and Senator Conrad's staffs, and Dr. Vichon, to see if we can arrive at some suggestions that have been made, so we will continue working, hopefully, on that.

Fourth, day care. Mr. Chairman, I must say, at home I have been spending considerable time visiting day care centers and listening to staffers and others who have small children here in DC.

The one thing that has come across to me is, I am stunned at the cost of day care. In Rhode Island, sometimes it is as low as $60 a week per child, but that is rare. Usually it is much higher. Here in Washington, DC, they are paying $100-125, and in some instances $160.

Just at, say, $60 a week for two children, there is $120 a week for somebody on welfare who is going off and getting a low-paying job. I do not know how the dickens they do it.

In this program, we have taken the AFDC child care programs and block granted them. I am supportive of that. I am convinced that the governors are just concerned about proper care for the children during the day, as anybody else is, but it is something that, because of my personal

concern, I will be watching as we go through these next several years.

Thank you very much, Mr. Chairman.

The Chairman. Senator Breaux.

OPENING STATEMENT OF THE HONORABLE JOHN BREAUX, A U.S. SENATOR FROM LOUISIANA

Senator Breaux. Thank you, Mr. Chairman. I thank you for arranging this briefing. I have not had a chance to look at your draft in great detail. From what I can tell, there are some features in it that I think improve the House product that is over here, and I am anxious to hear the details. I know the House product.

I think we all have said this morning, in one way or the other, that we clearly understand that welfare is broken and it must be fixed. It does not serve very well either the people who are on it, nor does it serve well the people who are paying for it. So there is pretty much general agreement, I think, in the Congress that something has to be done.

But, in looking over the House product that is pending, that has already passed, I am reminded of the old television ad, "Where is the beef?" You can properly ask the question, "Where is the reform?" I think there is none in the House package.

What they essentially did, in my opinion, was to drop back 10 yards and punt the ball to the States. They said, look, we have a heck of a problem on welfare, we do not know how to solve it, so we are not going to solve it. We

are just going to send it to the States and hope you do something with the welfare problem.

I am concerned that, in addition, when they send it to the States, they send less money to the States to help them solve the problem and expect them to do more. I am concerned that that product cut off teen mothers with babies and children, and I think that is wrong.

Now, one of our colleagues has said many times that it is time for people who have been riding in the wagon to get out of the wagon and start help pulling the wagon. Well, I would suggest that theory throws children and babies out of the wagon and into the street. Again, that is not the answer to welfare reform.

I am also concerned that the House-passed package has no maintenance of effort by the States. It just says, we hope you do what you want to do and we do not care if you spend any money in doing it. Under that type of an approach, this program becomes 100 percent federally funded and 100 percent run by the States, with no requirement, no restrictions, and, I am afraid, no results.

So I think that the goal here is to get a bill that will pass, that the President will sign. I hope that we will present him that package. This is not a veto strategy, in my opinion. We need a bill. I think it has to be done in a bipartisan fashion and I am anxious to see

how the Chairman's approach--I know there are others--deals with some of these very, in my opinion, crucial issues.

From what I can tell I think it is an improvement, I would say to the Chair, from my perspective, over what the House has certainly sent us, and I am anxious to work with the committee to try and produce an even better product.

Thank you.

The Chairman. I will go by the order on the list here, unless those do not have a statement.

Senator Grassley?

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

Senator Grassley. Mr. Chairman, I have joined my colleagues in the last year in the hope that we could accomplish real welfare reform. I have four chief goals in mind in saying this: to provide a system that will meet the short-term needs of low-income Americans as they prepared for independence; to provide, most importantly, this one, greater State flexibility; to reduce the incidence of out-of-wedlock births; and, finally, to save the taxpayers some of their hard-earned money.

The mark before us today moves in the right direction of some of these goals, but unfortunately it does not go far enough. The bill before us provides for a block grant of AFDC program to the States so that they can meet the needs of low-income Americans in a community-oriented, cost-efficient manner. That is very good. It will give the States some flexibility in designing their programs to meet the needs of their citizens.

Iowa has demonstrated that it can change the system. Two years ago we revamped our welfare program. State leaders had to come out here, hat in hand, on bended knees to get a waiver to implement the program. There were some modifications demanded to satisfy federal bureaucracy. The

waiver was finally approved and the State began its program in October of 1993.

In the last 18 months, the number of employed AFDC recipients has increased from 18 percent to 34 percent. That dramatic increase shows the ingenuity of States, even my own State, to move people from welfare to work and the importance of providing much greater flexibility for State leaders.

Unfortunately, this mark before us falls short of a needed amount of flexibility to allow States to be successful in their efforts. Now, while States get a block grant to try new ideas, on the one hand, they are left with massive burdens on the other.

The draft before us mandates that the States maintain the Jobs Program, a program that has no scientifically-proven benefit to recipients. If a program is not proven to work, then why should we mandate it to the States?

Why not simply require the States to have more people working next year than this year, and then allow the States to design their own program to meet that goal?

Why not simply allow States to keep a Jobs-type program, if that is the approach that they believe will accomplish the goal of moving people from welfare to work?

It seems to me that we are dramatically tying the hands of State legislature by mandating a specific approach from

the federal level to reach the goal of getting more people to work.

Now, there is another issue of concern to me, and that is for those States that are currently under a waiver program. When Iowa came to the Federal Government for a waiver, they were required to have a cost neutrality clause in their contract agreement; if they wanted to try new ideas, they had to bear the burden of any additional costs incurred by the Federal Government.

Being sensitive to the deficit, I can understand that agreement, but, Mr. Chairman, we are now doing major welfare reform that changes the rules midstream. The States that have been doing innovative things through waiver agreements with the Federal Government are going to pay a very high price.

Why should States pay the price of our change of heart, when we should be rewarding their ingenuity? The bill allows States to cancel their waiver agreements with the Federal Government, but it does nothing to address the up-front costs that the States have already invested in their program.

Iowa's program had up-front investments in the first 2-3 years that they expected to recoup in the fourth or fifth year. By changing the rules midstream and not providing for States to be held harmless, the Senate bill is going to

cost my State millions of dollars.

Another concern that I have is that the portion of the bill which relates to child support alters the longstanding partnership between the State and the Federal Government. It does so through new mandates which decrease the amount of child support recoveries which are used to offset the costs incurred in the cash assistance programs. It further does so by altering the amount of support to be assigned when a family begins receiving assistance in the amount and order of distribution of collections.

The proposed changes would also decrease the funding flexibility needed by the States to develop innovative approaches to combining resources and efforts in several program areas to help families move towards self-sufficiency.

The funding change proposed includes a maintenance of effort requirement on State investment in the program which could, if all States obtain the maximum allowed federal funding rate, result in a huge increase of federal cost of this program.

We also need to be carefully examining the deadlines given to the States on the policy changes being proposed in a manner that recognizes software development requirements and State legislative sessions. These are three examples of ways that the bill will tie the hands of governors and

State leaders.

Another concern I have with the bill is its approach to out-of-wedlock birth problems in our Nation. Senator Moynihan has spoken eloquently over the years of his concern about this problem. The House bill establishes a clear goal that States had to address their problem of illegitimacy.

In my judgment, the House approach went too far in terms of telling States how they had to accomplish the goal; unfortunately, I do not think the committee bill goes far enough.

The problem of illegitimacy is well-documented, and I am not going to take time to review the research on this point. I do not know, of course, all of the answers; I do not know whether any of us do.

Unfortunately, while the House bill is too prescriptive, the committee bill does not even make a clear requirement that States have to address the issue. The committee bill says that States have to have a written document of how they will address the issue, but the committee bill does not make this one of the issues that has to be certified by the Chief Executive of the State, like with other major issues of concern in the bill.

States should not be told how to address the illegitimacy problem, but they should be told that they

must address it. To ignore the issue of illegitimacy and think that we will reform welfare is like expecting a bumper crop when we did not even plant the seed.

On the last goal I had, that is, to save the taxpayers some of their hard-earned money, the bill moves in the right direction. Frankly, this is a not a goal of good welfare reform, but a result. If we take steps to move people from welfare to work, with greater flexibility to the States, and reduce illegitimacy, we will, in the long-run, save the taxpayers money. This would be a positive result.

I hope that we can address some of these concerns in the mark-up session.

The Chairman. Senator Moseley-Braun?

STATEMENT OF THE HONORABLE CAROL MOSELEY-BRAUN, A U.S. SENATOR FROM ILLINOIS

Senator Moseley-Braun. Thank you, Mr. Chairman.

At the outset, I concur with Senator Breaux in his statement that there is consensus on this committee that reform of this system is needed, but I would remind my colleagues that, as we address welfare reform, the fact is, welfare is not an end all, or be all, it is a response to poverty.

In this $7 trillion economy, we still have 40 million people living in poverty; some 14 million of those people are in the welfare system in the States, and nine million of those people are children.

In our country right now, some 22 percent of American children live in poverty. That represents a 40 percent increase since 1970 alone. Our country has a child poverty rate that is double that of Canada, Australia, and more than four times than that of France, the Netherlands, Germany, and Sweden.

Now, the problem with this legislation, as I see it--and we just received it yesterday and have not had a chance to thoroughly review it--and was touched on by Senator Moynihan, and that is, this bill has no guarantee of support for children.

This approach that we are taking does not protect poor children in the final analysis. It essentially gives the States a blank check--a reduced one at that--and tells the States to go ahead and innovate with no standards necessary for the protection of poor children at the end of the day.

In some regards, with regard to their parents--you could call this a field of dreams approach--if you kick them off the rolls, they will work. Certainly, anyone who can work should work.

However, I have to raise the question, what will we do when the jobs do not miraculously appear? There is no provision in this legislation for jobs or job creation where jobs do not already exist. Yes, it refers to the Jobs Program, but in the absence of job creation we are still confronted with the problem of poverty.

I have this chart here which just talks about areas of high poverty rate in the City of Chicago, and we have areas in the city where 33 percent of the people live in poverty. In a previous conversation with the Chairman, I think I mentioned to you some areas of some of these blocks in which private employment is about one percent, falls below the 10 percent mark. If there are no jobs, the people cannot work.

Mr. Chairman, the tragedy of it--and I know I sent around to the members of the committee, and I really

commend to my colleagues, this article from Chicago History Magazine, spring of 1995, called "Friendless Foundlings and Homeless Half-Orphans." I hope that everyone has had a chance to read this, because this article talks about the state of America's children before we had a social safety net for them. I brought the pictures.

Now, the fact is, I thought about it when I wanted to bring these pictures out. You know, I am the first woman in history to serve on this committee, and maybe because we women tend to think of these things in people terms, I thought it was important to remind the committee, what are we talking about?

This was Chicago at the turn of the century. This is what happened to poor children before we had a social safety net for them. This right now is Thailand today. They do not have a social safety net.

If we eliminate the guarantee for children in this legislation, we could very well have a picture for the 21st century America that looks more like Thailand and looks more like 19th century America as opposed to the concept that I believe the American people expect us to deliver as part of this debate.

Frankly, reform, which I support, should not be synonymous with the draconian dismantlement of the safety net. We can and should have a fair and workable system.

Mr. Chairman, I fear that this bill, unfortunately, does neither.

I would encourage the committee that, as we go through the intricacies of how the block grants will be put together, and what the requirements will be, and the different chapters of the bill, that we not lose sight, that as we try to move the parents from welfare to work we, at the same time, recognize our obligation to see to it that children in this country are not reduced to the circumstances that they faced before we embarked on what was a noble experiment when it was started.

Thank you.

The Chairman. Senator Nickles, Senator Roth, then Senator Baucus.

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

Senator Nickles. Mr. Chairman, thank you very much. I want to compliment you for legislation you have introduced. I think it is a good beginning point. I would agree with Senator Grassley. I think we can make some improvements. Other people have said possible improvements can, could, and should be made.

Mr. Chairman, the status quo is not good enough. We have 336 federal welfare programs, according to GAO, and 155 federal Job programs. They are stacked on top of each other, and they are awfully expensive. We have spent trillions over the last few decades, and really we have not been successful in the war on poverty. It may have helped some; in other cases we probably have hurt.

The addiction to welfare is becoming more prevalent in many places in our society. We have to break that addiction. We have to break this welfare dependency cycle that we have created that is now being passed on from generation to generation.

I would agree with the Chairman. I think, in many cases, States can, could, and should do better. I also say I am not sure the States will in all cases, and we have to have some kind of a system to maybe monitor their efforts,

reward those who do a good job, and I would include in Senator Grassley's comments, monitoring illegitimacy. I remember our meeting that we had in Maryland, and we were talking about illegitimacy and how it has risen and continues to rise.

We have got real serious problems. I do not know if this legislation does enough. Maybe we can do some more. I am not saying the House has the exact right solution. I am still looking for that right solution, but I think we have to do some things to encourage the family unit, because the breakdown of the family unit is becoming more prevalent all the time.

When people start giving statistics that 30 percent of the kids are going to be born out-of-wedlock, and two-thirds of the black children are going to be born out-of-wedlock, that is a real problem. I am afraid some of our welfare programs even encourage that, or certainly do not discourage it. Maybe we can come up with something better. We have to come up with something better.

Mr. Chairman, I distributed to our committees--and actually I sent it to all Senators--an article that was in the recent May issue of Reader's Digest, "Welfare Gone Haywire." I have heard some of my colleagues say, well, boy, some of these proposals are tough on kids.

This is a welfare recipient in Louisiana who has seven

children, all of whom she has been able to qualify, after repeated efforts--many, many efforts--to get on SSI program to where they all receive $458 each a month. Her and her husband are successfully qualified, and so their family together receives $46,716 a year tax-free. They are abusing the system, they are milking the system, they are working the system. We cannot allow that to continue. That is not fair. So, we have to change it.

I would agree with President Clinton, in his campaign speech, when he said, "We have to change welfare as we know it." We have got to. We have got do a better job. I think it is long overdue. I compliment the House. Other people have been critical of the House for their efforts. I did not really think, Mr. Chairman, it would even be possible.

When people started talking about making these kinds of big changes, I can see us doing a lot of things, but to revamp the welfare system that has taken decades to build up, to be able to do that in this first year in Congress, or maybe to be able to do it, would be a remarkable accomplishment. I think the House has taken a good step in the right direction, and I think your bill is a good step in the right direction.

I look forward to working with you and other members of the committee to see if we cannot make it better, to help

eliminate welfare addiction, and put some responsibility back into families.

The Chairman. Thank you.

Senator Roth?

OPENING STATEMENT OF THE HONORABLE WILLIAM V. ROTH, JR., A U.S. SENATOR FROM DELAWARE

Senator Roth. Thank you, Mr. Chairman.

The Chairman. Let me announce that the vote has started. There are six votes. I will tell you exactly what they are. The Harkin Amendment, the Feingold Amendment, the Bumpers Amendment, the Snow Amendment, the Dodd Amendment, and the Hatfield Amendment.

Senator Bradley. And how many more Senators have to speak, Mr. Chairman?

The Chairman. There are about five more to go.

Senator Bradley. So maybe if we limit it to a minute each all of us would be able to get it?

The Chairman. If we were to limit it to a minute each, I think it would probably be unfair to do that now, and we will just come back and do the opening statements. We will go as far as we can now and we will come back and finish the opening statements and the walk-through of the bill, and Senator Moynihan's bill, today.

Senator Roth. Well, thank you, Mr. Chairman.

It is just 60 years since the Social Security Act was passed, and it created the Aid to Families with Dependent Children. Our reexamination might begin with an assessment as to whether the purpose of the welfare system has been

met. According to the Act itself, the legislation was adopted to help maintain and strengthen family life and to help such parents or relatives to attain or retain capacity for the maximum self-support and personal independence.

Now, in 1936 the average monthly number of children on the program was 361,000. Today, that has risen to nine million children and it is estimated that, if nothing is done, within 12 years the number of children on AFDC will grow to 12 million. So, this is not a system which helps to maintain and strengthen family life.

When we talk about the welfare system we are really talking, however, about a complex of some 80 means-tested programs which provide not only cash assistance, but medical care, food, housing, education, training, and social services. In this fiscal year, federal and State governments will spend approximately $387 billion on these programs.

Here is what the General Accounting Office recently said about the array of programs. "The means-tested programs are costly and difficult to administer. On the one hand, these programs sometimes overlap one another. On the other hand, they are often so narrowly focused that gaps in service interclash. We note that, although advanced computer technology is essential to efficiently running the program, it has not been effectively developed

or used. Due to their size and complexity, many of these programs are inherently vulnerable to fraud, waste, and abuse.

We also point out that some of our work has shown that the welfare system is often difficult for clients to navigate. Finally, administrators have not articulated goals and objectives for some programs that have not collected data on how well the programs are working."

Time is running out, but let me say, Mr. Chairman, I do think that we ought to give consideration to creating performance standards. Performance standards can be done in such a way that it creates no mandates, no burdensome reporting requirements, but it would impose upon the State standards for which they would be expected to achieve.

I would also just like to point out another program that has created real problems is the Earned Income Tax Credit. This is a program that has grown tremendously in cost. The waste is as much as 30-40 percent. It is estimated that if something is not done to correct this program, Mr. Chairman, that the cost of waste and fraud could be $36 billion by the year 2002. So, I will also be proposing an amendment to clarify and reform this piece of legislation.

I would ask that my full statement be placed in the record.

The Chairman. Without objection.

[The prepared statement of Senator Roth appears in the appendix.]

The Chairman. Senator Baucus.

Senator Baucus. Mr. Chairman, I do not know how much time is left on this.

The Chairman. There is not very much.

Senator Baucus. I suggest we return.

The Chairman. We will come back 10 minutes after the last vote, assuming we have all six. All right. Thank you.

[Whereupon, at 10:23 a.m., the meeting was recessed.]

AFTER RECESS

[11:53 a.m.]

The Chairman. The committee will come to order, please. We appreciate everybody's patience. We were a little longer than we thought we would be.

The first person on our list is Senator Baucus. Then we have Senators Pryor, Bradley, and Hatch.

Senator Chafee. Mr. Chairman?

The Chairman. Senator Chafee.

Senator Chafee. Could you outline what your plans are? I was hoping you would say we are going to quit for lunch.

The Chairman. No. I think we will just walk right through the bill, because we are going to have more votes this afternoon again. We are going to be interrupted. So when we finish the opening statements we will walk through the bill, and through Senator Moynihan's substitute. Then we will start tomorrow on amendments and voting.

Senator Baucus?

OPENING STATEMENT OF THE HONORABLE MAX BAUCUS, A U.S. SENATOR FROM MONTANA

Senator Baucus. Thank you, Mr. Chairman.

Mr. Chairman, I have not had time to fully evaluate your proposal, but I look forward to walking through it.

My initial reaction, however, is that you have produced a solid plan which, with some amendments, will help welfare recipients get back on their feet and restore the people's confidence in their social safety net.

The basic goal of a welfare system is not to provide money to poor people, neither is it to punish people for being poor. It is to help people get back on their feet and contribute to society. The system we now have fails to reach that goal.

We have all learned that giving money for nothing gets you just that: nothing. The time has come to reform the current system and create a new one based on personal responsibility, self-sufficiency, State flexibility, and good old-fashioned work ethic.

This bill helps us toward that system. It avoids measures that punish recipients without promoting work, like the family cap in the House bill; it avoids punishing children by sustaining essential child welfare programs such as foster care and adoption assistance; and at the

same time it promotes responsibility by cracking down on deadbeat dads and requiring recipients to work.

Under this plan, welfare recipients who could be working, or at least actively looking for work, must do so or their benefits would be cut. At the same time, States will be able to exempt individuals from this requirement when they are undergoing particular hardship.

We must also remember that to move people from welfare to work, job training and education are vital. Only this way can we both make sure opportunity is available and make sure people exercise personal responsibility to take it.

Welfare reform should also let States take the lead. They should be able to get additional aid during a recession, national disaster, or when the number of poor children simply rises.

We should have hardship waivers for particular regions and States, including Indian reservations, when those regions are undergoing severe economic distress, and we should make sure that individuals in thinly-populated areas have welfare facilities reasonably accessible to them.

But, most important, States must have the room to design programs that fit their unique circumstances. We in Montana have a welfare population very different from those in big, urban States.

Our State has a well-designed program with a back to

work requirement. This program meets our needs, it is common sense, and it has galled me to no end to see Montana have to jump through one federal hoop after another to simply let its own program run. It has been like pulling teeth, and I hope to hear today about how this proposal would affect Montana's current waiver.

Finally, although your proposal does not include provisions relating to child nutrition, I want to say for the record that I strongly support keeping child nutrition programs an entitlement. I oppose turning them into block grants. Block granting might be right for AFDC, but it is not right everywhere, every time. It is wrong for child nutrition, adoption assistance, and foster care.

Welfare reform is about putting people back to work and helping those receiving aid to reach self-sufficiency. It is not about punishing children or making them the victims of our deficit control efforts. As a member of the Agriculture Committee, I will work to protect child nutrition programs.

I think we are off to a solid start in this committee, but let us forget about party labels and work to pass meaningful welfare reform this year.

Thank you, Mr. Chairman.

The Chairman. Thank you, Senator Baucus.

Senator Bradley?

OPENING STATEMENT OF THE HONORABLE BILL BRADLEY, A U.S. SENATOR FROM NEW JERSEY

Senator Bradley. Mr. Chairman, thank you very much.

As I was listening to some of the statements made by a number of the Senators today, I was reminded of the gap that exists between our experience and the experience of the people that these programs are attempting to help. It is literally vast.

If you ever spend any time talking to recipients of welfare or talking to those who are not academics but caught in the midst of the storm of poverty, violence, and family disintegration, it bears little resemblance to the kind of stereotypical presentations that we have heard today by a number of members of this committee.

I think that that is the root of the problem because the majority of America does not have the faintest idea about the life of people caught in the midst of this turmoil, and frequently they become a kind of tool of sorts to send other kinds of messages. I think that is unfortunate. I do not think that is going to solve the problem, nor do I think that that plays to our best instincts as a people.

Now, when it comes to the Welfare Reform bill that is before us, I will say, on behalf of the bill that we

received last night and in support of the Chairman's efforts, that it does not indulge in the gratuitous meanness that was a fundamental aspect of the House bill. I compliment him for avoiding the cheapest of cheap shots that the House bill was absolutely riddled with.

I also would compliment him on the child support enforcement provisions of the bill. I think that reflects the broad bipartisan consensus that if someone has a child they have an obligation to support that child. I think you borrowed creatively from the House bill and that bill that has been introduced on the Senate side, so I think that those are two good aspects of your bill.

I would say, however, that I think that it is a missed opportunity, to say the least, because in a way it is a kind of collective shrug of indifference toward the poor in this country.

It is neither compassionate, nor is it tough, nor does it send any kind of strong message about people assuming their responsibilities, nor does it send any message about the limits of society's willingness to do so. It does nothing to maintain the safety net. It does nothing to enhance the partnership between States and the Federal Government, it simply passes it on.

I would hope that we would do better than a block grant. As I recall, there was one governor here who said

he really liked it, with no strings attached. There were not a lot of others who said they want no strings attached.

All of the objections that were made today by a number of Senators about what they intend to do and how they ensure to have the welfare population do this, and do that, none of those things will be achieved in this bill because all we do is send the money back to the States. We do not even require the States to maintain the same effort that they are now making.

So you could easily find a governor in some State deciding, well, instead of maintaining the State's share of welfare I think I will give my people a tax cut, or I think I will spend it on something else. It is all quite possible.

I suppose my deepest lament about the bill--and here I echo, I think, Senator Moynihan's words--is that we are essentially going to stand alone among advanced industrial countries in saying that we, as a national government, have no responsibility to poor children.

In fact, we are eliminating their individual entitlement to some help--some help--and we are saying, we are sending this money, pot of money as it is, back to a State politician to do with what he or she wants to do with it and abdicating our responsibility and commitment to children who are poor in this country and who have had an

entitlement to some help, $64 a month, or less in many States. Some help. I think that is regrettable.

I know the committee will work its way. I hope there will be some flexibility. There are a number, I think, of very strong alternatives on this side. There are a number of strengthening amendments that are a part of the discussion on this side, and I hope that possibly we could move this bill a little bit more away from the direction that it is now headed.

The Chairman. We will go to Senator Graham, next. Do you have an opening statement, Senator Graham?

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

Senator Graham. Mr. Chairman, I have a short statement. I am inclined to support the concept of increased State role in developing programs that will move people from dependence to independence. I am concerned as to whether it is necessary to take on some of the disabilities that are being suggested in order to achieve that objective.

For instance, I was governor of my State in 1982 when we had a serious economic recession. We were benefitted by the fact that, while our State revenue was declining, we could look to the Federal Government to provide additional resources during that period of time to meet the increased welfare rolls that our State was facing.

I think that kind of a fiscal partnership is an important quality and has served our Nation well, and should not be casually disregarded.

Number two, if we are going to move to block grants, then I think an issue of fundamental fairness and equity has to be faced. I do not know what the chart is for the Chairman's bill, but I am looking at the State-by-State allocation of the block grant from the House.

I know that the District of Columbia, for AFDC, would

receive under the block grant $2,042 for each poor child; across the Potomac River in Virginia, each poor child will receive $758.

A question that that raises, obviously, is, how can Virginia, with almost one-third the funds, be expected to do what the District of Columbia is expected to do in terms of moving the parents of that poor child from dependence to independence?

I am concerned about the issue of the treatment of legal aliens. As I understand it, the proposal is going to be that States would make the decision as to whether to include legal aliens in those eligible for these benefits.

If legal aliens were distributed across the country evenly, that might be an arguable position, although it, I think, begs the fundamental issue, which is, it is the Federal Government, through its standards, its sponsorship enforcement, which has allowed illegal aliens in the country in the first instance, and now we are saying it is going to be the States' responsibility to pay for those legal aliens who are unable to be fully self-sufficient.

The fact is, legal aliens are not equally distributed across the country. My State has about twice the proportion of legal aliens as its population in the country. So, the burden is going to be very disproportionate. I believe that this is an issue that

ought to be assessed in a broader context, such as overall immigration reform, and not focused in this welfare reform legislation.

So, those are some of my concerns, within the context that I support the premise of giving States greater flexibility to shape programs that best meet their needs.

I do not think that we have to give up the partnership with the Federal Government which has served States so well, particularly during periods of economic adversity. And, if we do, we do not have to do so through a formula that is as discriminatory as one that would give the District of Columbia child three times as much as the child just a few hundred yards away in Virginia will have available.

The Chairman. As a matter of fact, that is the present distribution formula. If this committee wants to get into a debate about the distribution formula, it can. I took what we had and chose to stick with that formula.

The formula will vary from State to State, depending upon what the State wants to do. Of course, the match is based upon the Medicaid formula. I am assuming we may get into a debate on the Medicaid formula when we get to Medicaid, but I did not attempt to change that situation.

Senator Breaux. Mr. Chairman, may I be allowed to make just a brief comment on something that Senator Nickles

pointed out? Senator Nickles raised a point and gave us the article entitled "Welfare Gone Haywire," which points out a situation in my State of Louisiana where a certain family had both the mother, the father, and all seven children on SSI disability payments. And a question was raised whether the children were truly disabled, and questioning that they are making $46,716 a year on Social Security Disability.

I would just point out, the Chairman's legislation, as well as Senator Moynihan's legislation, as well as the legislation that I and others have been working on, and I know Senator Conrad's, all addresses this problem. The Slattery Commission has made a recommendation on changing how those standards are applied.

There is a problem out there. I think that is the bad news. The good news is, I think that everybody's version of welfare reform tries to address this very, very serious Social Security Disability problem.

The Chairman. That is correct.

Now, I believe we are ready to start. Ms. Paull, Ms. Tobin, Ms. Malone, Dr. Vichon.

Lindy, are you going to start?

Ms. Paull. Yes, I am going to start. Thank you, Mr. Chairman and members of the committee.

Just to restate the agenda, the Chairman's mark only

addresses the issues in H.R. 4 that was in the committee's jurisdiction. It does not address any issues outside of the committee's jurisdiction because that bill had significant provisions in other committees' jurisdictions.

The bill has basically three features. As the Chairman said, there are block grants, the AFDC programs, and the Temporary Family Assist Grant.

Under AFDC, there are seven programs under current law and it consolidates them all into one program, with the exception of a little bit of a hybrid. The Jobs Program that was crafted by the Finance Committee in 1988, under the leadership of Senator Moynihan, is retained in a more flexible way, but the funding is folded into the block grant. So, there is a little bit of a hybrid going on with respect to the Jobs Program.

The new program, the Temporary Family Assist Grant program, will give the States quite a bit of latitude and freedom in designing a program that meets the needs of their constituencies.

They will be able to continue to set the need standards the way they do today, and will have a lot more latitude with respect to the income eligibilities and the categories of people they are going to serve and the services they are going to provide.

The seven programs that are consolidated into the one

program is the AFDC cash benefit program, AFDC administration Jobs Program funding, AFDC work-related child care, transitional child care, at-risk child care, and emergency assistance.

The level of the block grant is set at the actual federal spending level for fiscal year 1994. That is the most recent spending level that we have numbers on right now. The House bill had a different kind of a formula for setting it. This is the actual expenditures that the Federal Government gave to every State and the territories who participate in these programs.

The funds are to be used to provide benefits to needy families with minor children. Basically, the focus of the program is being changed into more of a work program. After receiving benefits for two years--and this is after the effective date of the new program--then the recipients are required to participate in work activities.

After receiving benefits for five years they are no longer eligible for federal funding, although the State has flexibility to keep hardship cases on the rolls beyond that period.

Those periods are measured, whether or not consecutively. You can have different spells of nine months or a year and then go off and come back on, and you keep measuring them.

The Chairman's mark also establishes a new revolving loan fund for the States. The revolving loan fund is available pretty much at the discretion of the State to be used on this program. You cannot borrow more than 10 percent of your annual grant amount at any one point in time, and the State needs to pay it back within three years, with interest, under short-term Treasury rates.

The States are required to file a plan with the Secretary of HHS and update it annually. The plan is to describe the program that they have. On page four, the elements of the Chairman's plan are outlined. In addition, the States must certify that it does operate a Jobs Program, it does operate a child support enforcement program, and it has a child welfare/adoption assistance/foster care program, and income and eligibility verification systems.

The States are given the option to not provide benefits to non-citizens if they wish, and the deeming rule under current law is retained, but increased to five years from three years.

Senator Chafee. Mr. Chairman, if we have a question do you want us to interrupt, or to wait? How do you want us to handle this?

The Chairman. I would just as soon let her go through it, if I could, John.

Ms. Paull. In addition, States who do not use all of their funding in one year can carry that funding over to the next year.

Within six months at the end of the year, States are required to provide a report to the HHS describing the benefits that they have been providing, describing a series of information about the people that they have been providing benefits to, and so that the program can be monitored by the HHS.

After three years of the program, HHS is to report back to the Congress on how the program has been going, how the States have been using the money, who has been served under the new program.

There are some penalties for failing to comply with the rules, penalties for both failure to comply with your plan and the proper use of the funds, failure to meet your Jobs participation requirements, which we will discuss in a minute, failure to have an income and eligibility verification system--that is supposed to reduce fraud--and defaulting on your revolving loan amounts.

The current law coordination with other federally-funded programs is retained so that if you are receiving, for example, SSI for one of your children, that child does not also get counted for funds for this program, and foster care is the same thing.

With respect to the out-of-wedlock pregnancies, the State plan is required to provide an action plan for how the State plans to deal with increases in out-of-wedlock pregnancies with some special emphasis on teen pregnancies. In addition to that, States are required annually to report back to the HHS with its other data on that issue. I think one of the problems in this area is there is not a great amount of good data on what is going on.

As was pointed out by the Chairman, this block grant does not impose a restriction on teen mothers and mothers who have children while they are on the welfare rolls, however, the States have great latitude in designing whatever plan they want and they can pick and choose whether or not that is an appropriate design for their State.

With respect to the Jobs Program, the basic change is to provide a little bit more flexibility in the types of services that can be offered. Under the current law, you basically have to offer four kinds of services, and then two of a couple more. Basically, we just opened up all of those services; you can pick and choose among all the services that you want to offer.

We have added on to those services community service programs that are approved by the State, and also the Jobs Placement Voucher Program that Senators Breaux and Brown

have been interested in.

One of the big changes is the change in the participation rates for the Jobs Program. The Jobs participation rates, the number of the case load that is supposed to be participating in the Jobs Program, is due to expire at the end of this year.

Right now, there are a series of exemptions that are laid out on page seven and eight of the mark-up document that operate so that about 60 percent of the case load is exempt from the participation requirements.

For a period of transition, the first three years of the block grant, States have the option to continue to compute their participation rates using the old exemptions, the exemptions under current law. After three years, they must no longer use the exemptions.

The new participation rates for the overall case load are shown on page nine. I think they are roughly equivalent, until you get after the three years, the types of participation rates that Senator Moynihan was looking at in his bill.

In addition, just to point out, job search is no longer going to be counted towards job activity, so you have to be participating in either a work experience or a directly-related educational experience. The 20-hour per week standard of what you count as participation will continue

on. That is a current law standard.

For two-parent families, there are some tougher requirements, even than under current law. The participation requirements under current law are retained; they expire in 1998. They start at 60 percent, then 75 percent, and then it expires in 1998. There will be a permanent 90 percent requirement for two-parent families. One parent out of the two-parent family would be required to participate.

The current law, the 16 hours per week rule that applies to the one parent out of the two-parent family, would be made 30 hours per week. So, that is a two-part toughening on that.

I think that basically summarizes the AFDC block grant and the Jobs Program changes. As the Chairman noted, 11 of the child protection programs that are in the House bill--actually, there is one big block grant that consolidates 23 programs from several committees' jurisdictions--are under our committee's jurisdiction, and all of them are being retained as they are under current law.

The next part of the bill is the Supplemental Security Income piece. There are three pieces to that bill. I will briefly describe the first two pieces, and then Dr. Vachon will describe the proposal that deals with disabled children.

The first proposal is that individuals who are qualifying for SSI solely on the basis of drug addiction or alcoholism will no longer be able to qualify solely on that basis. However, many of these people will qualify also under a different standard. Not all of them, but may of them will.

This is similar to the House bill. It does not impact, just to say, the Social Security Disability Income program, which has a three-year rule that was enacted last year.

The people who have qualified and are on the SSI rolls today on the basis of an addiction will be given through the end of next year to finish their rehabilitation programs, determine whether or not they re-qualify under some other disability, and then they will be removed from the rolls.

The second category of people that were addressed are non-citizens. The proposal is to have a general rule basically that non-citizens will no longer qualify for SSI cash benefits unless they have worked in the United States for a sufficient period that they have qualified for Social Security Disability Income. That would be 20 quarters, or roughly five years--it can be different spells--or Social Security Old Age, which is 40 quarters, or almost 10 years.

There is a special rule for people who come into the country as asylees or refugees. They will be eligible for

up to five years upon their entry into the United States. Then there is another category of non-citizens, those who have worked in our Armed Forces. They and their spouse and children will remain eligible for SSI.

Once again, this proposal is basically effective on the effective date of the bill. Those people who are on the roll today will continue on through the end of next year.

With that, Dr. Vachon, if you could give us some discussion of the children with disabilities.

The Chairman. Doctor.

Dr. Vachon. The childhood SSI Disability provisions are six basic provisions. The first provision, for the first time the Chairman's mark would add a definition of childhood disability to Title 16. Currently, there are two definitions of adult work disability in the statute which Social Security is required to translate into childhood definitions.

Second, the Chairman's mark makes two changes to the regulations to tighten eligibility for the program, to ensure that only children with severe disabilities qualify for the program.

The first one, a very technical change, is to change one regulation so that maladaptive behavior can only be counted once in making a decision if a child is disabled; currently under regulations that particular disabling

condition can be counted twice in making a decision.

The Commissioner is also directed to eliminate an evaluation and procedure called the Individualized Functional Assessment that captures less than severe disabilities in the disability determination process.

Third, there are provisions regarding how these rule changes will affect current recipients of children's SSI. The Chairman's mark would, first, direct the Commissioner to reevaluate all these children within one year.

No child, however, will be removed from the rolls until they had a chance for a disability review. They would have a chance to re-qualify during that process. All their rights to appeals and due process procedures are preserved. Notwithstanding such review, in the interest of fairness, no child will be removed from the program until January 1, 1997.

Senator Chafee. No child would be removed until January 1, 1997?

Dr. Vachon. That is correct, sir.

Fourth, the Chairman's mark contains various provisions to conduct ongoing disability reviews to ensure that children who are on the program remain disabled.

The fifth basic provision is, the Commissioner of Social Security is directed to contract with the National Academy of Sciences to conduct a study of its disability

determination procedure. It happens that Social Security has never actually examined the validity of its disability procedures. They do not actually know if people on the program are really disabled.

Last, the Chairman's mark would create a national commission on future disability to look at two issues. First, to examine and provide recommendations regarding growth in both the SSI and SSDI programs. SSI is projected to grow from $24 billion last year to $43 billion in the year 2000; SSI and SSDI together, to over $105 billion.

The Commissioner would also examine complaints by people with disabilities that the SSI and SSDI programs provide considerable disincentives to work. So, it is both to examine growth, and to examine the concerns of people with disabilities.

The Chairman. Doctor, thank you.

What I am going to do before we ask questions is, I am going to ask Margaret Malone to go through Senator Moynihan's bill. I know there will be other amendments tomorrow, but to at least put it in juxtaposition of what we are talking to.

So, Margaret, if you would do that.

Ms. Paull. Mr. Chairman?

The Chairman. Yes.

Ms. Paull. Kathy has a small description of the child

support enforcement piece in the Chairman's mark.

The Chairman. I apologize. Margaret, we will do that, first, and then get to you.

Kathy?

Ms. Tobin. Thank you.

First of all, what we are going to do is try to strengthen interstate enforcement, but we are going to do that by preserving States' rights. The way we do that is, we have kind of taken bits and pieces from Senator Bradley's child support bill and incorporated them into our own.

The biggest difference between the two bills is, the Chairman's mark includes State new-hire registries. What that is, is a place where employers will send their W-4 forms. This is a form of tracking new employees. That is the biggest problem. By the time the child support agency catches up, some of these people have moved on to another job.

The decision to use a State new-hire registry was based on 70 percent of the cases for child support are within the same State, and that was going to be the priorities for the State.

For the interstate cases, there will be a federal registry. Once the W-4 forms go into the State registry they will be forwarded on to the federal registry, to be

cross-referenced with the Federal Parent Locator Service. That is the same as Senator Bradley's bill. We just have one step extra, that it begins and originates at the State level.

Another registry that the Chairman's mark establishes is a disbursement unit. That is a single unit within the State where money will be collected and sent back out to the employers. That is just, again, to streamline the current system where sometimes the courts are doing it, and sometimes the agencies are doing it. We are trying to streamline this process. There is one agency in a State.

There is a provision that if they have local disbursement units, States can do that--some States already do--but they have to be linked to the central State registry. That State registry, again, reports to the federal registry.

The Federal Parent Locator System is expanded. Within the Federal Parent Locator System we will include the federal case registry and the National Directory of New Hires.

The Secretary will be instructed to compare support orders, to match Social Security numbers. That will be done every few days to make sure that compliance is happening quickly, that these interstate cases are being serviced.

As far as reimbursement for services for child support, the Chairman's mark continues the current 66 percent federal match. However, States will be given incentives that can increase the federal match based on how well their overall performance is: are they establishing paternity, are they collecting on the money? They will be able to get up to 12 percent additional matching funds.

One thing to note is, the way the current system works is if a State collects money from a support order, if it is a person that is on AFDC, the State retains the money. They only pass through a $50 amount, and the rest is divided between the State and the Federal Government.

The Secretary of HHS will use part of that money that the Federal Government collects. One percent of that will go to improving technical assistance to other States to bring their systems up to par. Two percent of the federal share will go the operation of the Federal Parent Locator Service to make sure it is operating properly.

Unlike the Bradley bill, the Chairman's mark does eliminate the $50 pass-through. In exchange for that, however, an individual that comes on to the AFDC rolls under current law has to assign their arrearages.

What that means is, if someone owes them $100, a person coming on the rolls says, well, I am coming onto the AFDC rolls but I will give you that $100 to help pay for my AFDC

benefit costs.

What the Chairman's mark does is, it says that money is going to stay with the family and when the family moves off welfare, this is the cushion for the family. It just adds up in the end so they can make an easier transition from welfare, and they have a little bit of money, and that will help them transition off.

That is the summary, Mr. Chairman.

The Chairman. Thank you.

Margaret, how many appearances have you made in that chair over the years?

Ms. Malone. Mr. Chairman, I have not counted. A good many.

The Chairman. We are very lucky that you stay with us. Thank you very much, Margaret.

Ms. Malone. Thank you, Mr. Chairman.

Members should have in front of them a document entitled "The Family Support Act of 1995," which provides a detailed description of Senator Moynihan's bill, S. 828, which was introduced last week.

The Family Support Act of 1995 retains AFDC as an entitlement to individuals and to States. It amends the Family Support Act of 1988 in a number of ways, the primary one being to increase the participation rates for AFDC recipients and applications under the Jobs Program from 20

percent in 1995 to 50 percent in the year 2001.

That increase represents about a doubling of the current number of individuals who are participating in the Jobs Program, from approximately 600,000 to 1.2 million between 1995 and the year 2001.

To help States pay for these increased participation rates, the federal matching rate for the Jobs Program and for child care is increased from a minimum of 60 percent under current law to a minimum of 70 percent, or, if higher, the States's Medicaid matching rate plus 10 percentage points. And the funding cap for the Jobs Program is phased up $1.3 billion in 1995 to $2.5 billion in the year 2001.

The bill also requires States to encourage placement in jobs by using performance measures that reward staff performance or another management practice that the State may choose. It provides for a job voucher program that uses private profit and non-profit organizations to place recipients in private employment. This is a proposal that was introduced by Senator Breaux.

It eliminates certain federal requirements to give States additional flexibility in operating their Jobs Programs. For example, it allows States to decide when, and for how long, individuals would have to participate in job search programs.

It allows States to provide job services to non-custodial parents who are unemployed and unable to meet their child support obligations. The 1988 law allowed five States to try that approach, and this bill will allow all States to do that.

Senator Moynihan. Non-custodial parents means absent father.

Ms. Malone. Absent fathers or mothers.

There are several provisions relating to teen parents. For purposes of AFDC eligibility, teen parents who are under the age of 18 are required to live at home or in an alternative adult-supervised setting, and teen parents who are under the age of 20 are required to attend school or participate in another Jobs activity that is approved by the State. In addition, States are given the flexibility to establish programs, penalties, or incentives to encourage teens to stay in school.

The bill allows States to test alternative strategies in their AFDC programs without requesting a waiver. States may adopt their own AFDC rules with respect to the disregard of earnings, the establishment of income and asset requirements, and eligibility for the unemployed parent program.

This authority will last for a period of five years, during which time the Secretary of HHS is required to

evaluate the impact of this provision on the receipt of AFDC, the earnings achieved, the program costs, and other factors.

The bill also establishes an interagency welfare review board which is to expedite waiver requests that involve more than one federal agency. In considering an application for a waiver under the Social Security Act there will be a presumption for approval in the case of a request for a waiver that is similar in substance and scale to one that the Secretary has already approved, and decisions on such waivers must be made within 90 days after a completed application is received.

There are several child support enforcement proposals, which I will not describe. Many are similar to those that are in the Chairman's mark and they are largely those that are in the bill that was introduced by Senator Bradley.

In addition, there are provisions relating to the SSI program for disabled people.

Senator Moynihan. I think there are rather similar.

Ms. Malone. They are quite similar, yes. There are very few modifications.

There are provisions related to SSI benefits for children. The bill includes provisions that would tighten disability eligibility criteria for children by imposing a more rigorous standard for measuring how a child functions.

Senator Moynihan. Again, I think, Mr. Chairman, from here on out we are similar.

The Chairman. We are similar on our SSI provisions.

Senator Moynihan. We are very much on the same thing.

Ms. Malone. There is one provision in Senator Moynihan's bill that is slightly different, and that is, it would require parents to establish treatment plans for their disabled children and to follow those treatment plans.

Then there are provisions related to alien deeming. A sponsor's income and resources will be deemed to be the income and resources of the individual for a period of five, rather than three, years for purposes of the AFDC, SSI, Medicaid, and food stamp programs.

Then there are three revenue provisions which perhaps Mr. Gale might want to address. In any case, the bill is paid for. The expenditure over the period 1996 to 2002 is $13.7 billion. There are offsets for these new expenditures amounting to $14.6 billion.

The Chairman. Margaret, thank you.

Questions on either the Chairman's mark or Senator Moynihan's proposed amendment? Senator Grassley.

Senator Grassley. All right. If I am wrong on any of my understanding of what is in the mark, I invite you to correct me.

The draft language does not address the concern that I raised about cost neutrality for States which have been operating a waiver program. When the States negotiated their waiver agreement they were required to sign a contract with the Federal Government.

Now, we at the federal level are modifying the contract before its term is completed, so I believe that States should be held harmless from the standpoint of the fact that we are changing the contract.

So my question is, why was this issue not addressed with cost neutrality language?

Senator Moynihan. Ms. Paull, would you respond?

Ms. Paull. Yes. We did put some language in the bill that started to go in that direction that deals with the existing waivers that States have gotten for their programs. We could not quite come to closure on the issue of the cost neutrality issue and we would be happy to continue working with your staff on that issue.

Senator Grassley. All right. Well, if you are open to do that, then that ought to solve it. I think it can be worked out. I think, from the standpoint of fairness, that the States, when they signed these contracts, could have never foreseen the rapid change of political consensus on welfare reform that has taken place in the United States and this Congress just over the last four or five months.

Let me put this in perspective. Less than one year ago, I participated in a news conference proposing welfare reform. The welfare reform I was proposing at that particular time was very sweeping compared to what Republicans--for instance, in the House of Representatives--were getting behind all of the last Congress. Now, what we are dealing with right here before this very well makes my proposal of a year ago look very liberal, in a sense.

Now, governors signing these contracts two years ago, if they had anticipated this, would have never locked themselves into something where they were investing a lot of money up front to create jobs and to get people turned around into the process of work, reaping the reward in the fourth and fifth year of the contract.

I mean, you have answered in good faith.

Ms. Paull. Yes.

Senator Grassley. If you want to comment, please do.

Ms. Paull. I was going to say, we have not been able to get our hands around all of the circumstances either that the States are currently in.

Senator Grassley. All right. Sure. Yes.

Now, another point that I raised in my opening remarks was the illegitimacy issue. Why was this not one of the areas for which the governors were required to provide certification? They have to certify on child support

enforcement, on protection, foster care, adoption assistance, jobs, and I could go on and on. Why was illegitimacy not included in the list?

Now, let me make clear, I do not support what the House did. I think a conservative micromanagement of this issue with the States, is substituting too much micromanagement for what we had--I will call liberal micromanagement--over the last 40 years.

But I still think that if there is any one thing that has been so clear in any of our hearings, that a father not being in the home, or lack of two parents in the home, is the major problem at the basis of our welfare problem.

So it seems to me that, in as flexible a way as we can to let it be carried out, we have to recognize what has been so clearly brought to our attention by experts across the political spectrum and across the sociological spectrum, that we have got to identify it, and we are leaving it out of this legislation.

Ms. Paull. Well, this is one area, as you said, I think the States are doing a lot of experimenting in right now. We were not sure what they would certify because there is no requirement under current law.

What we did put, however, in the Chairman's mark was a requirement that the State--and there are not a lot of requirements here--address how it is going to reduce out-

of-wedlock pregnancies, especially with respect to teen pregnancies, where you see 70 percent rates, in their plan. That gives the States the flexibility to keep this experimenting going because we do not know what is happening.

Senator Grassley. All right. Then would it be legitimate for me to ask this.

Ms. Paull. Of the reporting requirement.

Senator Grassley. Yes. You may have a point, what do you certify if you do not have a benchmark. I think that is what you are saying, right?

Ms. Paull. Yes, sir.

Senator Grassley. Could we delay two, three years, such certification? Then in the meantime you have a benchmark that is established that you measure their progress against. The goal, obviously, is reducing illegitimacy.

Ms. Paull. Yes. That is the goal, I think, that everybody can agree on.

Senator Grassley. Yes.

Ms. Paull. The problem is, once again, certify what, when States are really trying very hard to innovate in this area. So even if you delay it, maybe there is one State that is going to come up with some great plan.

The Chairman. Chuck, I can tell you one thing we ran

up against.

Senator Grassley. All right.

The Chairman. This was a Right to Life lobbyist that caught me and said, Senator, this is the only time we are probably on the same side of an issue. They are understandably afraid that if we make illegitimate births, or illegitimacy the standard, you are going to encourage abortion.

Senator Grassley. But that argument was debunked when 150 some members of the House were Pro-Life, out of 170, voted against that point of view.

The Chairman. I understand that. All I am telling you, is what the view of the organization is.

Senator Grassley. All right.

The Chairman. We tried to look at something where we could measure teenage pregnancies rather than births, and there was just no way to measure it.

Ms. Paull. Well, the Centers for Disease Control are doing some work on this right now, and we are trying to monitor it. That is the problem, is kind of, how do you certify something where you are not sure what they are supposed to do? But they are directed that their plan is not complete until they have described how they are addressing this issue in their State.

Senator Grassley. Well, you may raise a point that I

have to give some more thought to.

Ms. Paull. All right.

Senator Grassley. Because I think you raise a legitimate point, and I have got to have an answer. If I do not have an answer, we will not be able to do it. But, if I got an answer, I expect some consideration of that point of view, not because Chuck Grassley says so, but because every witness we had pointed out that this is central and core to the problem in the need for welfare reform.

That is the end of my questions.

The Chairman. Senator Bradley, then Senator Rockefeller.

Senator Bradley. Thank you, Mr. Chairman.

Are the States required to set eligibility standards and benefits? As I look at it, I am not sure. Are they required to serve everybody who meets that standard?

Ms. Paull. The States are given a lot of flexibility in determining that standard, but when they determine it, that is what they have described in their plan and that is who they are going to serve with this money. That is what the money is being spent for, yes.

Senator Bradley. But my point is, do we tell them anything or is it totally up to them? For example, there is a provision in the bill that I see that says they are to

use this money to assist needy families. That is basically what the requirement is. We do not get into other eligibility or standards. I think that we want to actually make sure that the money is used for the purposes that we have laid out.

Ms. Paull. Right.

Senator Bradley. We do not want to get into a situation where a State gets the money simply if it has a kind of token program to help needy families. I mean, as I read the current language, you could almost say the State would establish a program where poor kids could get surplus cheese if it were available, and that would qualify. I am sure that is not what is intended.

So what I wonder, is if we could maybe work together to try to figure out, is there a way that we can assure that there are some basic eligibility standards and benefits, because it seems to me that that's fairly central to this.

Ms. Paull. Well, the theory behind this is to taken the seven programs that are currently serving and consolidating them into one, and give the States more flexibility. The trade-off for them is, they get the same amount of money and a lot more flexibility to design their plan. Certainly we could work with you to see if that language could be shaped up.

Senator Bradley. All right.

Ms. Paull. The theory behind this is to do what we are doing today smarter and giving the States a lot more freedom.

Senator Bradley. Then the other point, is there anything that would prohibit the State from essentially mandating the cost for the welfare to county governments? In other words, the State has an obligation but they choose not to meet the obligation and, instead, push the cost further down to county governments.

Ms. Paull. I do not believe the bill addresses that.

Senator Bradley. Well, it is clearly not the intention, I do not think, of the Finance Committee to send this money back to States and then have States essentially push the cost back on the county government. I mean, maybe we ought to have an unfunded mandate on this bill. No unfunded mandates.

Ms. Paull. This one is being paid to the State for the purpose of providing benefits to needy families in the State. Are you saying that they are going to keep it and make the local governments do it? That is not the intent here.

Senator Bradley. Well, maybe we can shop a number of amendments by you that go to the point of making sure that the State will serve all needy families, not just a few.

Ms. Paull. All right.

Senator Bradley. And not just certain kinds of needy families. Then maybe something to deal with this, no State receiving the allotment under the block grant should mandate or shift the cost of providing income support and services currently provided under the Aid to Families with Dependent Children to the counties and localities. I mean, we certainly do not want that. So the State is making a certain effort now. This is not really maintenance of effort.

Ms. Paull. Right.

Senator Bradley. But it prevents the State from having the exit, from saying, well, you know, we are spending X hundred million now on our part of welfare. Well, now that we have this flexibility we are no longer going to spend it, but we are going to require the counties and the cities to do it. Maybe we ought to just have a clear statement that, if you want any of the federal money, you cannot do that, you cannot push this down on the counties.

Ms. Paull. We will look at that.

I just want to point out, though, when you are giving flexibility here, the idea was also to give the States the flexibility to choose if they wanted to not make payments to teen moms, or require them to stay in their homes, if they wanted to. So in crafting something that says, you

have to give everybody the same, there was intended to be some flexibility there.

Senator Bradley. All right.

The Chairman. Senator Rockefeller.

Senator Rockefeller. Thank you, Mr. Chairman.

On this block grant funding, Ms. Paull. Senator Graham was mentioning earlier about having presided over a session a governor, and I did the same thing in 1982. Our unemployment went to 18 percent; that was the official figure. The fact of the matter is, we took in less money in 1983 than we took in in 1982. In other words, literally the State revenues went down, not relatively, but literally.

What happens, in fact, if a State does run into one of these situations and let us say in the middle of year I had to lay off 6,000 State highway workers just as a way to try to do that, so you can see there was a lot of pressure there. Could States reduce their benefits to some families who apply later in that year, or could a State create a waiting list?

Ms. Paull. Once again, the States are given a fair amount of latitude to develop a program here, so they would be able to, midstream, lower the benefit level, which is what your question is.

Senator Rockefeller. Yes.

Ms. Paull. Also, the funds a State does not use in one year is carried over to another to help out on this. We do go back and look to see how much variation has occurred in the last few years, and also States are allowed to borrow up to 10 percent. I know that States have a problem.

Senator Rockefeller. No. But I understand what you are saying.

Ms. Paull. There is some flexibility there.

Senator Rockefeller. I also want to associate myself with the comments, Senator Packwood, that Senator Bradley made, that you have stayed away from what the House did, and I should have said that. I mean, they really did a hatchet job on this, and you declined to do that. I have some differences, but I should have pointed that out.

The Chairman. When I was, for a year, a clerk on the Oregon Supreme Court ----

Senator Rockefeller. This is off his time.

The Chairman. [continued]. The decisions you always wanted to look up were the ones that started out, "The learned trial judge." Then you knew it was going to be reversed at that stage.

Go ahead, Jay.

Senator Rockefeller. Thank you.

I want to give you four cases of real families in West

Virginia and tell me what would happen, Ms. Paull, to the best of your ability.

The first, is a single mother of three children. She has an eighth grade education, but adult education indicates that she functions on a third- to sixth-grade level. Not untypical. She has no work experience whatsoever. She lives in Marion County which has an unemployment rate now of almost nine percent.

What happens to her three children if she cannot find a job, which I surely think she will not be able to find, and ultimately, therefore, get cut off? What happens to her children?

Ms. Paull. Well, once again, the States have some latitude here on the hardship cases. You are describing a person that you, I think, believe is unemployable--I am not sure about that--or has significant hurdles to overcome to become employable. The States do have some latitude.

Senator Rockefeller. A 10 percent fund, right?

Ms. Paull. Right.

Senator Rockefeller. Can I ask how you arrived at the 10 percent as opposed to setting criteria? For example, I do not know if I will have time to ask it, but there is a later question of a mother that has a three-year-old son with a seizure disorder and needs a trachea tube, which is not at all uncommon. Would establishing criteria rather

than a specific 10 percent rainy day fund for these kinds of situations make more sense?

Ms. Paull. Well, once again, we were trying to give as much flexibility to the States as we could. What might be a hardship case in West Virginia might not be somewhere else; I do not know. We were trying to leave that to the States to determine, what are their really toughest cases, and give them some latitude. The 10 percent figure is an arbitrary figure.

Senator Rockefeller. It is.

Ms. Paull. Yes.

Senator Rockefeller. You know, most of the folks that follow these things fairly closely think it is probably insufficient for quite a number of States, and that is the reason I suggested the criteria approach to be built into the Packwood proposal.

Mr. Chairman, may I continue?

Senator Moynihan. Go ahead.

Senator Rockefeller. All right. Thank you.

Another example. A Raleigh County mother who must be at home to take care of her disabled child. Again, nothing enormously unusual here. As I understand it in this mark-up, it will exempt the mother from work requirements because she must care for a disabled child. Am I right about that?

Ms. Paull. Only for the first three years.

Senator Rockefeller. For the first three years. What happens at the end of five years?

Ms. Paull. We are in the same territory here. Once again, the State is given the latitude to keep people on for longer than five years in the case of a hardship.

Senator Rockefeller. But, then again, if the figure is arbitrarily set at 10 percent as opposed to criteria, why can you not argue that having a thought through criteria is far better policy and more fair as throughout the various States? You indicated there might be a difference as between States.

Ms. Paull. There might be. The criteria we set here might not work somewhere else. Then we would have tougher rules for somebody else if you leave it to the State to determine what the hardship cases are in the State, because there are pockets of very different types of populations.

Senator Rockefeller. But the problems I have described are pretty standard. I do not think they vary too much in upstate New York or downstate West Virginia, or midstate Alabama, or whatever. I am not sure they vary that much.

Ms. Tobin. It is important to note, though, the State can use their own funds. All we are saying is, federal funds will not be used after five years.

Senator Rockefeller. Oh, I know. I know.

Ms. Tobin. So if the State decides that they have met their 10 percent hardship cases, then the State has other remedies.

Senator Rockefeller. They can dip into their own funds, can they not?

Ms. Tobin. Yes, they can.

Senator Rockefeller. And you know how anxious States are to do that, do you not?

Ms. Tobin. But that is a State option.

Senator Rockefeller. Yes, that is a State option. But, see, what I am trying to say is, it is no State option whatsoever. I mean, the West Virginia legislature spent the last four years basically debating nothing, but how can they come up with enough Medicaid money to match what is an enormously favorable 76 federal match? We cannot do it. There is going to be another special session this fall to try to do it.

So, that whole concept, I mean, you really put it out there for me. You say, theoretically, the State can come up with its own money. The State will not make that decision, because you know that coming up with money for a disabled child six years out is not going to carry the day in State legislatures. You simply know that. That is why it seems to me a criteria is better as opposed to setting

it at 10 percent. I really feel strongly about this. I mean, it is not a matter of money, I do not think.

I think the criteria really is fair, and I think the 10 percent really is unfair because it creates exactly the situation that you described, that the State would have to dip into its own resources. There may be some States--and Oregon is probably one of them--that would do it, and Wisconsin might, Minnesota might, Massachusetts might, but I guarantee you Alabama will not.

Ms. Paull. Have we seen some criteria? I mean, you are focusing on a lot of medical cases.

Senator Rockefeller. But I am trying to make points with you.

Ms. Paull. We can end up with this whole long list of rules, where the States would have a lot more latitude under the Chairman's mark. But, clearly, we would take a look at it.

Senator Rockefeller. Can I ask one more question?

The Chairman. Go ahead, Jay.

Senator Rockefeller. In the work requirements, providing job placements in child care is not inexpensive.

Ms. Paull. No.

Senator Rockefeller. In fact, I think it is probably fair to say that it costs thousands of dollars more to create that type of situation for an AFDC person than it

does for somebody in the private sector, obviously. I mean, you are talking about a fairly major expenditure of money.

Under the new block grant program, what, in fact, are the incentives for the States to invest in job placement and child care?

Ms. Paull. Well, once again, it is two years, and you need to be in a work program, basically, is the general rule for the use of these funds. So, there is a big incentive because the federal funds are contingent on that.

In addition to that, the issue that you have raised, and I think is one difference from the House bill, we did consider the issue of child care in determining what is participation for that two-year standard.

We utilized the 20-hour rule that is under current law rather than going higher, with the recognition that these are families with children. If you have children in school, you can accommodate a 20-hour week. If you do not have children in school, the State is going to have to guarantee, as they have to under current law, child care for you. This is turning the program into a work-oriented program.

Senator Rockefeller. Thank you, Mr. Chairman.

The Chairman. Senator Moseley-Braun.

Senator Moseley-Braun. Thank you very much, Mr.

Chairman.

I would like to pick up a little bit where Senator Rockefeller started with some of his examples about real people in West Virginia. Certainly we have in Illinois some 713,000 people presently in the AFDC system, 69 percent of whom are children.

So, to take up the issue of the block granting of these federal funds, just sending the money to the States and letting them write the rules. If a State decides that, say a mother and infant child, do not qualify for the hardship exemption, have used up the time that is allotted under whatever that States rules will be, and if that mother has tried to find a job--you used the term unemployable--let us assume for a moment that she is unemployable or that there is no work available, as the chart I had up earlier showed for a lot of communities.

Is there any prohibition in this legislation against a State allowing a child to be destitute? That is to say, with no income support whatsoever. Is there any requirement in this legislation that the children in these situations not be just left penniless?

Ms. Paull. No.

Senator Moseley-Braun. There is not?

Ms. Paull. There is nothing in this legislation.

Senator Moseley-Braun. So then what are we supposed

to do with the children in that situation?

Ms. Paull. Once again, the family has been on the rolls, is supposed to have been in employment and training for three years, and is supposed to get into gainful employment.

Senator Moseley-Braun. Yes. But, again, let us assume for a moment that after three years, this baby is now four years old.

Ms. Paull. Yes.

Senator Moseley-Braun. Let us assume for a moment that mother has played by the rules, tried to get work, has been unable to get work. There is nothing in here to create jobs, so we will just start with that. There are no new jobs created here.

Ms. Paull. Right.

Senator Moseley-Braun. Assume for a moment that the child is ----

The Chairman. There are no new jobs created under the present system.

Senator Moseley-Braun. No, no. And I am not arguing that. I just made the point that, in the absence of some jobs being created for people, you now have a woman with a four-year-old child. What happens to that child? So a State could very well just allow that child to be homeless and hungry, and we would not, on the federal level, have

any responsibility at all for that?

Ms. Paull. The federal responsibility is for a five-year period under this block grant.

Senator Moseley-Braun. So a six-year-old child then would be homeless and hungry.

Ms. Paull. Well, the States have the flexibility for hardship cases.

Senator Moseley-Braun. That is 10 percent.

Ms. Paull. Right.

Senator Moseley-Braun. So in Illinois, out of 713,000 recipients, you are talking about 70,000 people, right?

Ms. Paull. Right.

Senator Moseley-Braun. So we have gotten down, and we have not been able to find work. I start with the proposition that everybody that can work, should work. All right.

Ms. Paull. Right.

Senator Moseley-Braun. But let us assume for a moment that we have not found 713,000 new jobs to put these people into.

Ms. Paull. Right.

Senator Moseley-Braun. 70,000 of them get into the safe harbor. We still have an awful lot of people, 600,000 plus people, out there. Again, 69 percent of those people who are children, who cannot work in any event.

My question is, if a State decides, we are not doing anything, and we will have children sleeping in the alleys again, then that is all right?

Ms. Paull. I am saying, the approach of this bill is to give the States more flexibility in designing their program so that people will become more self-sufficient.

Senator Moseley-Braun. Children cannot be, by definition, children.

The Chairman. Well, let me interrupt it this way.

Ms. Paull. Yes.

The Chairman. If Senator Moseley-Braun wants to beat on somebody, beat on me rather than ----

Senator Moseley-Braun. I am not beating, Mr. Chairman.

The Chairman. No.

Senator Moseley-Braun. It is just stunning to me.

The Chairman. I understand. And there is a difference in philosophy in this bill. You are asking questions, and the answer is, we are going to say to the States, here is the money.

Senator Moseley-Braun. Yes.

The Chairman. The States have said, we can do the program with this money. We are going to say, all right, you do the program.

Now, if you are going to give a situation where, in

every case, is every State going to do perfectly? The answer is, no. If you are going to say, as we are going to say, we think there is a better likelihood that we are going to have a better system under a State flexibility system than we have now, that is what we say. That is a difference in philosophy. But if you are going to say, can somebody fall between the cracks, yes. Do they fall between the cracks now? Yes.

Senator Moseley-Braun. Mr. Chairman, I am not just arguing the notion of State flexibility, and, if you want to posit this, is the glass half empty or half full, certainly we have to have innovation and certainly somebody has got to do better because the system is broken and it needs to be fixed. I am not arguing that, and I am not intending to beat up on anybody.

I am just trying to get to the salient bottom-line question here, which is, are we going to have children dying in this country because some State does not come up with the right set of procedures to provide income maintenance and support for their parents? I guess the answer is, yes, we will, and that that is not a federal responsibility anymore. I just find that incredible.

The Chairman. We have children dying now under the federal responsibility.

Senator Moseley-Braun. Mr. Chairman, I am not here

trying to defend the current system.

The Chairman. No. But what you are basically saying, I think, is, because you mentioned Alabama, although I recall when we had the Mississippi ----

Senator Moseley-Braun. I mentioned Illinois.

The Chairman. Illinois. I thought you said Alabama, too. We had the Mississippi public health director here. I was impressed with how high the Mississippi rate was on vaccination. His theory was, when you get 'em, stick 'em. But Mississippi does quite well on vaccinating people.

All I am saying is, if you are going to presume that the States are callous and cruel and their legislators have no heart or care, and when children are dying in the streets from malnutrition they are going to thumb their nose the other way and say, let them eat cake, I guess you can have that presumption. That is not my experience in dealing with State legislators and governors.

Senator Moseley-Braun. But, Mr. Chairman, that is not my presumption at all. If anything, I am questioning these experts to get their answer as to whether or not this legislation, this federal legislation, has a prohibition against the States saying, let them eat cake. That is my question, and I put the question to the witness.

Ms. Paull. I think the answer is, no, there is no prohibition.

Senator Moseley-Braun. My second question. The States are allowed to divert some 20 percent of income assistance to other functions. My State, for example, has huge problems with paying its Medicaid bills. Is that correct, that is in this bill?

Ms. Paull. That is not in this bill.

Senator Moseley-Braun. That is not in this bill.

Ms. Paull. It was in the House bill.

Senator Moseley-Braun. But it is taken out. All right. Then I will ask another question.

Ms. Paull. All right.

Senator Moseley-Braun. With regard to the numbers in this legislation, how much, in terms of payments to the States, in terms of block granting, has been allocated for the work component, the child care component, the cash assistance component, or have you run the numbers in that regard?

Ms. Paull. The funding for the seven current law programs is combined together and the States will receive exactly what they received in 1994, the last year that we have a tally up. It is the actual expenditures the Federal Government made to each State. We do have those numbers available State by State.

Senator Moseley-Braun. We do.

Ms. Paull. Yes.

Senator Moseley-Braun. Now, the second question is, under the formula for distributing block grant funds to the States would we be providing basically the same amount of money per poor child in each State, or is there a difference in the amount that poor children in Illinois would receive versus poor children in Alabama or Oregon?

Ms. Paull. There is a difference today.

The Chairman. Well, again, there is a difference now.

Senator Moseley-Braun. I know that.

The Chairman. We do not change the distribution formula to the States.

Senator Moseley-Braun. So, to the extent there are any inequities built into the formula we have now, we are just going to perpetuate that in the block grants?

The Chairman. I have said, that is the Medicaid formula. When we get to Medicaid, my hunch is, we may debate the formula. I have been through that issue for a quarter of a century, and I discovered that Senators tried to figure out a way to jimmy the formula so that 30 States gain and 20 States lose, and then they put it up for amendment and hope that the 30 State Senators vote for the gain. But it is the Medicaid formula and it is the Medicaid match that the welfare allocation is based on.

Senator Moseley-Braun. So there would be those same differentials built in.

The Chairman. Within the limits of the money we have, I am perfectly amenable to hear amendments as to who would get more and who would get less.

Senator Moseley-Braun. Well, it would seem to me that States do not eat, children do.

The Chairman. They do not what?

Senator Moseley-Braun. Eat. States do not eat, States do not need to be housed, children do. These are people issues. It would seem to me that the formula would be better calculated if it were predicated on a per capita based on the number of poor children. That is what we are trying to get at.

The Chairman. That is virtually what the Medicaid formula is based on. It is not per capita. The Medicaid formula is heavily based on income in the State, on wealth or poverty of the State.

Senator Moseley-Braun. Again, in States like mine which are considered to be wealthier States based on per capita income overall, it does not take in the differential in wealth distributions in these States.

If you will, those poor children wind up disadvantaged by the fact that a lot of other people in their State have money. But we will move on, because you are right. This legislation just perpetuates the formula that we have now, even if it does not have a real rational basis in terms of

child poverty.

Ms. Paull. Well, it runs off of the actual expenditures to the Federal Government. There is another element involved here. The States are, under current law, setting the benefit amounts.

Senator Moseley-Braun. I am sorry. What was the word you used?

Ms. Paull. Setting the benefit amounts.

Senator Moseley-Braun. Yes.

Ms. Paull. So when the State sets the benefit amount, then the federal and State governments match to pay for that. That is another element that goes into how much the Federal Government spent last year. That is not related to the formula.

Senator Moseley-Braun. Which actually gets to my last question, Mr. Chairman, if I might, since you did not have the red light on. I do not want to take advantage of the time, and I thank you for your allowing me to continue.

But my last question has to do with exactly the point you just raised, which has to do with benefit amounts.

Ms. Paull. Yes.

Senator Moseley-Braun. Under this the States will be able to set their benefit amounts, so one State could have $100 a month, another State could have $200 a month, another State could have $300 a month.

Assuming for a moment there are no guidelines, no rules with regard to benefits, what about eligibility standards, does this block grant allow for the States to have different standards of eligibility?

Ms. Paull. Right. Absolutely.

Senator Moseley-Braun. Absolutely.

Ms. Paull. That is one of the biggest problems under current law.

The Chairman. They have different standards of eligibility now.

Senator Moseley-Braun. I understand they do, Mr. Chairman. But I am trying to get to the point that, again, if we set up different rules with regard to eligibility, then a child's welfare may well depend on where they happen to have been born. That happenstance of geography should not result in part of our country doing a better job by children than other parts of our country. That is my only point.

Ms. Paull. That is the current system, though, Senator.

Senator Moseley-Braun. I understand that. I am trying to get to this legislation. Since we are reforming the system we do not want to perpetuate things that are wrong with the current system. If anything, we want to fix them. So I just wanted to ask you the question as to how

this legislation provides for uniform rules in terms of benefits and in terms of eligibility.

The Chairman. Well, this legislation does not provide that. The very point of this legislation is, it is not meant to provide uniform rules. Alaska has the highest benefit standard of any State in the Union. I do not know if you are suggesting that everybody should have Alaska's standard.

Senator Moseley-Braun. No.

The Chairman. Alaska has a more expensive place to live.

Senator Moseley-Braun. No.

The Chairman. I am not quite sure what you are driving at, but this bill is not designed for the Federal Government to set, nor does it now, uniform benefit standards.

Senator Moseley-Braun. Let me make it clear, Mr. Chairman. What I am driving at is the notion that, in the absence of some kind of uniformity, what you could well have is Alaska with a set of standards that allows for a family to get that level of benefits to which you refer--and I have the numbers here somewhere--and another State deciding that a person with more than one child in the family, that child number two, child number three, or child number four gets nothing, and that that would be all right

under this proposal.

Ms. Paull. That would be at the option of the State. That is correct.

Senator Moseley-Braun. I have no further questions. Thank you.

The Chairman. Senator Grassley. Oh, excuse me. Senator Graham just came in, and Senator Grassley has gotten to ask questions.

Do you have some right now, Bob?

Senator Graham. Yes, I do.

The Chairman. Go ahead.

Senator Graham. Thank you, Mr. Chairman.

I would like to continue the line of questioning that Senator Moseley-Braun was asking from this perspective. As I read page nine, lines 14-18, each eligible State for the fiscal years 1996 through 2000 will receive a grant in an amount equal to the State's Family Assistance Grant for that year, and that grant will be based on the 1994 grant; is that correct?

Ms. Paull. That is right.

Senator Graham. And the amount will be level throughout that period.

Ms. Paull. Level.

Senator Graham. The projections are that currently in fiscal year 1995, Florida represents six percent of the

poor children in America and receives 3.5 percent of the AFDC allocation; that over the next decade, nine percent of the Nation's population increase is projected to occur in Florida, and assuming that there is a proportionate number of poor children in that increased population, yet there will be no increase in funding between the year 1994 and the year 2000. What is the rationale of that?

Ms. Paull. Well, the rationale for the level of funding was to basically remove all of the rules so that the States can use the money more efficiently. They do not have to comply with all of the federal regulations and they can go about the business of running their program. That was a trade-off type of arrangement that some governors had come and requested. They wanted to do more with the same dollars, basically.

Senator Graham. Would the practical effect of that not be that, in those States which have a declining population--and I think there were approximately a dozen such States between 1980 and 1990--that they will have more dollars per poor child than they had in 1994 because there will be fewer poor children to serve?

Ms. Paull. It is possible. We did take a look at the population growths over the next three years. We considered trying to design a population adjuster to this. It got awfully complicated, to be honest with you, Senator.

When we looked at the population growth over the next three years we saw that the highest population growth State, which was California--I think your States are probably in the top five--was expected to grow roughly 3.5 percent, I think.

That is overall population, so you do not know how much growth there would be on these rolls. So we could not get anything, to be honest with you, that could work. We would be happy to work with you to see if there is some adjustor that makes some sense.

The data is really not there for who might be the poorer people who come on the rolls, you have the overall population. That is one of the reasons why the revolving loan fund was revamped to just be 10 percent of your grant, so that would give you the flexibility.

We also looked at what adjustments the differences are year-by-year for the last four years in the federal share of the money that went to States. There was not a lot of difference. We tried all kinds of different averaging and stuff and it did not make a lot of difference.

This issue has been raised by a couple of Senators and we could not quite get something to work. If you have some ideas, we would be happy to work with you to see what we could come up with. There is not a lot of money available, and we did not think we could design something that

actually reduced people's money.

Once again, when you look at those populations there are not big drops coming. There is some growth coming, but it is not in big leaps and bounds. Your 10-year figure is further out than what we had looked at. It is complicated.

Senator Graham. So you are saying that this formula is basically the status quo, and the reason that this formula was adopted was because of the difficulty of constructing what might have been a more responsive formula that would have related to things like the change in the demographics of where poor children in America are residing.

Ms. Paull. Yes, because we did not have good data on that. But, once again, what we did was make the revolving loan fund a lot more accessible, too. I know it is a loan.

Senator Graham. But since that loan fund is equally available to all of the States and other jurisdictions that are covered under this, if you have State A, which is growing at a rate of three percent a year, and State B, which is losing population at the rate of three percent a year, over the period from 1994 to the year 2000, which is the period covered by these formulas, the fact that A and B both have a 10 percent revolving loan fund is almost a meaningless factor in terms of the gross discrimination against the poor children in State A.

Ms. Paull. We need better data on who they are going to be. That was our problem. We would have tried to adjust it in some way, because I think that is a legitimate concern.

Senator Moseley-Braun. Senator Graham, would you yield for just a moment?

Senator Graham. Yes.

Senator Moseley-Braun. If you do not mind, this is in keeping with your point about the problem and the discriminations against poor children, given the differences in States. There is no requirement in this legislation that a State maintain even the funding that it is giving now, is there?

Ms. Paull. No, there is no maintenance of effort requirement.

Senator Moseley-Braun. So what you could wind up with is Florida or Illinois having increasing populations of poor children, decreased State contribution, and just the limited amount of federal contribution that this mark provides.

No further questions.

Senator Graham. What is the rule for this?

The Chairman. I would kind of like to go to Chuck for just a couple of minutes and let him ask some, and then I will come back to you.

Senator Graham. All right. Then I will come back for further questions.

The Chairman. All right.

Senator Grassley?

Senator Grassley. This question may also be directed to you, Mr. Chairman. The Jobs Program. I do not read anything about the Jobs Program that shows that it is any great success, or has been any great success. I have not seen any scientific studies that indicate that it is getting the job done.

I know under our State waiver requirements and our agreements, when a State is going to demonstrate whether or not their goals are successful they have to use scientific measures for that. We require that in our waiver agreements. What is there about this program that we are mandating that the States have to continue to use it just exactly the way it is mandated by the Federal Government?

Ms. Paull. Well, every State has a Jobs Program today and it was, in part, the least disruptive thing to do. Since they are all operating Jobs Programs, they know the rules for them, and we wanted to make sure that, at the outset, there was a very tough work requirement that this program moved towards.

But, on the other hand, we wanted to give more flexibility in designing a Jobs Program, so there are a

number of changes to the Jobs Program to provide States more flexibility in designing their program.

Senator Grassley. All right. I think that part of your statement is probably the real reason. We want to show that we have got a very strong work requirement, is that right? I mean, there is a feeling that we might be criticized if, at the federal level, we do not say that we have a strong work requirement?

The Chairman. The President already criticized the House bill has not having a strong enough work requirement.

Senator Grassley. All right. And that may be legitimate, as a practical, political matter to get a bill passed. But does it have to specifically be the Jobs Program for us to show the people that we have a strong work requirement?

Ms. Paull. Well, it has to be a Jobs Program.

Senator Grassley. Yes.

Ms. Paull. This is the one that is present in every State today.

The Chairman. But we have given the States, within the Jobs Program, a lot greater flexibility than they have now.

Senator Grassley. All right.

The Chairman. It is almost not quite correct to call it the same Jobs Program.

Senator Grassley. Yes.

The Chairman. We have used the name but they have a lot greater flexibility.

Senator Grassley. All right.

Well, the Chairman remembers that I did not have any disagreement with him on the point that, at the federal level, we wanted to have a strong work requirement. I guess I would only ask--and this is where I am going to drop this--does the Jobs Program, even with some changes you are allowing the States to make, the direction we ought to be going, and do we have to do that to show the President and other people that we have got strong work requirements?

It seems to me that this is not the sort of a program that we ought to be using as a gauge, that we have got a successful federal program that is getting the job done, and require that the States do it. That would be my point.

The other thing would be this, getting back to the point that you and I discussed before on illegitimacy. Let us suppose we know for every State, do we not, that X percentage of the births are out-of-wedlock. I mean, we have some statistics on that. All right.

We have on page six that the State has to take some action to prevent or reduce incidence of out-of-wedlock pregnancies, with special emphasis upon teenage pregnancy.

All right. The States have to have that in a plan.

All I speak about when I use the word certification is, there ought to be either some penalty if they do not reduce it as we indicate we want them to do, or there ought to be some reward if they did well. I, quite frankly, favor rewards more than punishment, bonuses instead of penalties.

That is all I would really be saying that we need to do when I said, well, home come we do not make the State certify. Then you said, well, you cannot make the State certify because you do not have anything to measure it against. But it would be that simple, what I would be asking.

Ms. Paull. Well, here we get into the whole issue of, how do you measure out-of-wedlock births or pregnancies and whether or not you design something that does not encourage abortions, quite frankly.

Senator Grassley. All right.

Ms. Paull. That is the whole issue of trying to design an incentive.

Senator Grassley. All right. That is what has driven the decision on having it this way in this bill.

Ms. Paull. That is right.

Senator Grassley. If that is the reason, then at least now I know what the reason is.

Ms. Paull. To be able to penalize somebody you have

to be able to get into that measurement formula.

Senator Grassley. Yes.

Ms. Paull. It is a problem. It is hard to give them a carrot.

Senator Grassley. Yes. The only point I would make to the Chairman is, I think that our Party dealt with this in the House, and I think answered the criticisms that we get from the Pro-Life people. Maybe not to the satisfaction of the Pro-Life people, but I think the numbers were so overwhelming that, at some point, you disregard the special interests of the special interests or you do not get anything done.

Ms. Paull. Well, we ran some examples and did discover that you could get a reward when you have not reduced your out-of-wedlock births, or other circumstances. So we have not been able to come up with something to measure it.

Senator Grassley. Well, it is not an easy thing, I admit, so I ought to not make your life more difficult, for now, at least.

The Chairman. I want to just make a suggestion. I have just been handed this note, in case any of you want to eat. I would like to eat.

The cloak room called to say that they expect to begin block voting, and, with all pending amendments, within 20-

30 minutes could be as many as 20 stacked votes without intervening debate. So, to the extent we could wind down with our questions, I would appreciate it.

Senator Graham?

Senator Graham. Well, Mr. Chairman, I have received the message that you were sending. Maybe I will defer this to tomorrow. But I would like to talk about the provision on page 30, beginning at line nine, which provides for a State option to prohibit assistance for certain aliens which is going to allow a State-by-State judgment as to whether to provide welfare benefits for persons whoa re legally in the country but not citizens or nationals of the United States.

Do you have some statistics on a State-by-State basis as to where these populations are; that is, how many of the persons who would be covered by this section there are in total in the United States and how they are distributed among the States?

Ms. Paull. I think we can get that for you. I have seen some basic statistics on the top five States, but I am not sure we have that.

Senator Graham. Well, if you could try to have that information for tomorrow.

Ms. Paull. All right.

Senator Graham. One of the concerns I have is,

according to this, the decision will be made at the State level as to whether to accept these persons into the population covered or exclude them.

Ms. Paull. That is correct.

Senator Graham. The consequences of that decision in many States, actually, is at the local level. On McNeal-Lehrer recently they had a segment which showed what the consequences will be in Los Angeles County, where the county is the level of government responsible for general assistance, and also responsible for the delivery of much of the indigent medical care.

Are we not creating a situation here in which it might be in the States' interest to exclude this population with the consequence being felt at another level of government which actually has the ultimate responsibility for the provision of service?

Ms. Paull. This language was to affirmatively give States that option. I believe they think they have it today anyway, to not provide benefits to non-citizens under this program. This was to affirmatively give them that option, and also to increase the deeming period, which is under current law, from three years to five years.

Senator Graham. Before tomorrow could you give us statistics?

Ms. Paull. Statistics.

Senator Graham. Statistics, and also, what is the current state of the law? My information was inconsistent with what you just said.

Ms. Paull. The opposite. All right. I think that is not clear.

Senator Graham. I am also concerned about the issue of the effect of this on mobility of population. If you have two States that might be geographically proximate, one of which has elected to provide services for this population and the other two reject them, would you not be creating a situation in which there would be an incentive for this population or substantial portions of it to move to the State where those benefits are still being made available?

The Chairman. You do not get this chance very often in politics. I had the chance to answer that question the other day. A New York Times reporter called me and she asked this very question, with some sharpness.

I said to her, I seem to have here an article from the New York Times of just 10 days ago that says that all the studies indicate that this would not happen, and it seems to have been written by you. That stopped the questions on that subject.

What she did say, is this--those were probably the studies--but budget directors, governors, and welfare

directors are convinced of the theory, whether or not it is true.

Senator Graham. Well, I saw that New York Times article also, Mr. Chairman. If I recall it, and maybe we could get a copy so that we could all be certain of what it said, it was talking about a general welfare population and the fact that there was not evidence that differential in standards resulted in mobility.

I will say that those persons who have front-line responsibility for these programs disagree with that based on anecdotal or other experiential material, but this section goes to a different issue, that is, the specific population of persons who are legal immigrants in the United States, not the general welfare population, but that is some part of it.

And we are not talking about differential in standards, but a cliff effect; either total eligibility or total ineligibility. The question of, would there be a magnet effect into those States which continued to provide services for that population from States, particularly geographically proximate States, which did not. Common sense would tell you that there would be such an effect. I wonder if you have any assessment of that issue.

Ms. Paull. The only work that has been done so far is not with respect to immigrants, but with respect to

different benefit levels among States.

Ms. Tobin. I do not know of any studies that talk about the cliff that you are speaking of if no benefits were allowed. I do not know of any studies that address that.

Senator Graham. As I read the provisions on page 11, lines 12-16, "a State to which a grant is made may, at its option, prohibit the use of any part of the grant to provide assistance under the State program funded under this part for an individual who is not A) not a citizen or national of the United States, and B) does not have a sponsor." So this would allow the cliff effect. It is not a matter of a differential in benefits, it is a matter of benefits versus no benefits.

Ms. Paull. That is correct. But, in the absence of the State taking that option, the current law, the three-year deeming rule for a sponsor, is increased to five years. For other States, in other words, who choose not to exercise the option.

Senator Graham. Would that not argue, if you were going to consider this, that it be made concurrent, i.e., prospective with the change in those things that will make the sponsor more responsible?

Ms. Paull. You could do that, sure.

Senator Graham. I mean, the change in the deeming

rule, what effect would it have on people who were already legally in the United States under the standards that applied to their sponsorship at the time they entered the United States?

Ms. Paull. I am not sure if we did a special transition rule for people who were in the United States already. You will have a small category or people who may be approaching their three-year deeming period who might get caught by this. I do not think we thought of that when we were drafting it.

The Chairman. Let me say this. I do want to cut it off because I am going to have to run, and I think the staff has been here a long time. But we will start at 9:30 in the morning.

Senator Graham. Will we have some continued time for questions?

The Chairman. I think not. I think we are going to start on amendments. You can offer them as the amendments, or you can get to them this afternoon and they will answer them this afternoon.

Ms. Paull. Sure. We would be happy to.

The Chairman. But I would like to get started.

Senator Moseley-Braun. Can I ask just one little question?

The Chairman. One little question.

Senator Moseley-Braun. One little, tiny question. Have you calculated what the net savings are to the Federal Government under Title 1?

Ms. Paull. Yes. I think it is roughly $6 billion over five years. $6.4 billion over five years.

Senator Moseley-Braun. Thank you.

The Chairman. Thank you. Good job, folks. Thank you very much.

[Whereupon, at 1:45 p.m., the meeting was recessed, to reconvene at 9:30 a.m., on Thursday, May 25, 1995.]

I N D E X

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UNITED STATES SENATE
COMMITTEE ON FINANCE

EXECUTIVE SESSION
MARK UP ON WELFARE REFORM

Wednesday, May 24, 1995, 9:30 a.m. and
Thursday, May 25, 1995, 9:30 a.m.
215 Dirksen Senate Office Building

AGENDA

1. H.R. 4, the Personal Responsibility Act of 1995. The Senate Finance Committee will consider the following provisions:

Title I	Block Grants for Temporary Assistance for Needy Families.
Title II	Child Protection Block Grant Program. [with respect to programs in the Finance Committee's jurisdiction.]
Title VI	Supplemental Security Income.
Title VII	Child Support.

Pursuant to Committee Rule 2(a), the official notification and this agenda are being delivered at least 48 hours in advance. The Chairman will rule out of order nongermane items (offered as a single amendment or as part of a larger amendment).

Summary of Chairman's Mark

THE FAMILY SELF-SUFFICIENCY ACT OF 1995

BRIEF SUMMARY

Aid to Families with Dependent Children (AFDC) and Related Programs. -- The AFDC program along with related programs are consolidated into a single grant, the "Temporary Family Assistance Grant," under which States are given great latitude in providing assistance to needy families with minor children. To be eligible, a State must submit a plan to the Secretary of Health and Human Services ("HHS") and certify that the State has a JOBS program to assist needy families with employment; a child support enforcement program to assist needy families with the collection of child support from absent parents; and child welfare, adoption assistance and foster care programs to protect children against unsafe family situations.

States must use grant funds to provide benefits and services to needy families with minor children. After receiving benefits for two years (earlier at State option), adult recipients must participate in work activities. After receiving benefits for five years (earlier at State option), recipients will no longer receive benefits under the new grant program. However, States may continue up to 10 percent of its caseload beyond five years for hardship cases.

Instead of the current Federal match (at various rates for AFDC and related programs), grant funding to States is a fixed sum per year based on 1994 Federal expenditures. States may carry forward unused grant funds to the next year. A revolving loan fund is established for emergency funding needs. States may borrow up to 10 percent of their annual grant amount from the revolving loan fund, which must be repaid with interest (at short-term Treasury rates) within three years.

States must file an annual report with the Secretary of HHS providing information on the use of Federal and State funds and providing data on recipients. The Secretary of HHS must report to the Congress within six months after the close of the third fiscal year of the new grant program on the effectiveness of the new program.

Job Opportunities and Basic Skills (JOBS) Program. -- The JOBS program is modified to give States more flexibility and to strengthen work requirements. JOBS participation rates are increased to 50 percent in FY 2001 for the overall caseload and 90 percent in FY 1999 for two-parent families. The hours of participation for two-parent families are increased from 16 hours to 30 hours weekly. After receiving benefits for two years (earlier at State option), recipients must participate in a work activity.

Child Welfare Programs. -- No change to current programs under Title IV-B and IV-E.

Supplemental Security Income. -- Eligibility requirements for SSI are changed for impairments due to drug addiction or alcoholism; noncitizens who come to the U.S. on the basis that they not become a public charge; and certain children with disabilities.

Child Support Enforcement. -- The child support enforcement program is strengthened to increase child support collections by requiring States to improve paternity establishment programs; establish a directory of new hires; and adopt uniform laws to expedite interstate child support collections.

DESCRIPTION OF PROVISIONS

I. AFDC Programs Consolidated Into Temporary Family Assistance Grant

Present Law

The Aid to Families with Dependent Children ("AFDC") program was enacted in 1935 to provide Federal matching funds to allow States to make cash payments on behalf of needy dependent children. AFDC programs are currently operated in all 50 States, the District of Columbia, and three territories (Guam, Puerto Rico, and U.S. Virgin Islands).

The original AFDC legislation imposed very few requirements on States. Amendments to the program over the years have drastically increased requirements on States. Although States still set "standards of need" and payment levels for the program, there is an extensive set of federal eligibility rules, especially with respect to how a family's income and resources are determined. Income and resources of a sponsor of a noncitizen are "deemed" to the noncitizen for the first three years of residing in the U.S. in determining eligibility for the AFDC program.

States must submit, for approval by the Secretary of HHS, a State plan that describes the cash benefits and services offered by the State and explains how the State intends to comply with 43 requirements of present law.

States must also have in effect an approved child support program, an approved plan for JOBS, foster care and adoption assistance programs, and an eligibility and verification program.

Proposed Change

The AFDC program along with related programs are consolidated into a new grant to States called the "Temporary Family Assistance Grant" to increase the flexibility of States in operating an assistance program for needy families with minor children. The purposes of the new grant program are to provide temporary assistance to needy families with minor children so that such children can be maintained in their homes or the homes of relatives and to promote self-sufficiency of parents of needy children by placing greater emphasis on

employment.

Under the Temporary Family Assistance Grant, States must submit to the Secretary of HHS, and update annually, a plan outlining how the State intends to do the following:

(1) Offer a program for needy families statewide and have a single administrator responsible for the program;

(2) Provide cash benefits and employment and support services to needy families with minor children for up to five years (longer for hardship cases);

(3) Require at least one parent in a needy family receiving benefits for more than 24 months (whether or not consecutive) to engage in work activities;

(4) Meet participation rates for the JOBS program;

(5) If different from other recipients, provide benefits paid to needy families moving into the State and noncitizens;

(6) Reduce the incidence of out-of-wedlock pregnancies (with special emphasis on teenage pregnancy); and

(7) Safeguard and restrict the use and disclosure of information about needy families receiving benefits.

In addition, the State must certify that it has a JOBS program; a child support enforcement program; child welfare, adoption assistance and foster care programs; and an income and eligibility verification system.

States have the option to deny assistance to noncitizens under the new grant program. In addition, States must "deem" the income and resources of a sponsor to the noncitizen for the first five years residing in the U.S.

The total amount of the Temporary Family Assistance Grant is $16,779,000,000 for each of the fiscal years 1996 through 2000. Each eligible State is entitled to receive a share of the grant amount equal to the actual

federal AFDC and related program expenditures paid to the State for fiscal year 1994 (reduced by certain payments to Indian tribes and Alaska native organizations. States are allowed to carry forward unused grant funds to the following year.

The Federal government will establish a revolving loan fund of $1.7 billion to be administered by the Secretary of HHS for emergency funding needs for the Temporary Family Assistance Grant program. Eligible States may borrow from the revolving fund if the State has not been found to misuse funds under the program. A State's outstanding loan balance may not exceed 10 percent of the State's share of the grant amount (described above) at any time. States must repay their loans, with interest based on short-term Treasury rates, within three years. In the event of default, the State's grant for the quarter after the default shall be reduced by the amount of the loan in default.

Each State receiving grant funds is required, not later than six months after the end of each fiscal year, to transmit to the Secretary of HHS an annual report describing the use of Federal grant funds and any State funds and providing aggregate information on needy families receiving benefits under the new grant program during the fiscal year. States should include the percentage of funds used for cash assistance, the JOBS program, child care, transitional benefits, administrative costs and overhead; child support received by the States for needy families served by the new grant program; the number non-custodial parents participating in the JOBS program; and aggregate information on needy families receiving benefits under the new grant program during the fiscal year.

The Secretary of HHS is authorized to collect the following penalties for noncompliance with grant program requirements:

(1) Any amount found by audit to be in violation of this program, plus 5 percent of such amount as a penalty (unless reasonable cause is shown), will be withheld from the next quarterly payment;

(2) 5 percent of the amount otherwise payable for a fiscal year will be withheld if the State has not submitted an annual report regarding the use of funds within six months after the end of the fiscal year (the penalty is rescinded if the report is submitted within 12 months).

(3) Up to 5 percent (within discretion of the Secretary of HHS) of the amount otherwise payable for the next fiscal year will be withheld if the State fails to meet the JOBS participation rates for a fiscal year.

(4) Up to 5 percent (within discretion of the Secretary of HHS) of the amount otherwise payable for the next fiscal year will be withheld if the State fails to participate in the Income and Eligibility Verification System designed to reduce welfare fraud.

(5) Any amount borrowed from the revolving loan fund which is not repaid within three years, plus interest, will be withheld from the next quarterly payment.

The Secretary of HHS may not reduce any quarterly payment to the States by more than 25 percent. Any remaining penalty (above 25 percent) will be withheld from the State's payments during succeeding payment periods.

Coordination with other federally funded programs. -- An individual receiving other federal assistance payments, such as Social Security benefits, Supplemental Security Income payments, or foster care payments, is not eligible for benefits under the Temporary Family Assistance Grant. Applicants or recipients of benefits under the new grant program must cooperate in establishing paternity of a child born out-of-wedlock, in obtaining support payments, and in identifying any third part who may be liable to pay for medical care and services for the child. Applicants whose benefits are discontinued after 60 months remain eligible to receive Medicaid, Food Stamps and similar programs. Benefits cannot be provided under the new grant program for 10 years after conviction for fraudulently misrepresenting residence in order to obtain benefits or services under two or more programs fund under Title I of the Social Security Act. Law enforcement officials must be given access to certain records to look for information to help locate fugitive felons.

II. Modifications to Job Opportunities and Basic Skill Training Program

Present Law

The Family Support Act of 1988 established a new program, the Job Opportunities and Basic Skill Training Program (JOBS), to help needy families with children obtain the education, training and employment needed to avoid long-term welfare dependence. A JOBS program is currently operated in all 50 States, the District of Columbia, and three territories (Guam, Puerto Rico and the U.S. Virgin Islands). In addition, Indian tribes and Alaska Native organizations can operate a JOBS program and receive funds directly from the Federal government.

A range of services must be offered by each State under the JOBS program, including: certain education activities; jobs skills training; job readiness activities; job development and job placement; and certain supportive services. States must also offer two of the following: group and individual job search; on-the-job training; work supplementation programs; and community work experience (CWEP) programs or other approved work experience programs. States may offer postsecondary education to JOBS participants.

To the extent resources are available, a State must require non-exempt AFDC recipients to participate in the JOBS program. States must guarantee child care for AFDC recipients who need care for children under age 6 in order to engage in JOBS activities.

Recipients exempt from participation in the JOBS program are those who are:

(1) A parent or other relative caring for a child under age 3 (younger at State option);

(2) A parent or other relative caring for a child under age 6 if the State does not guarantee child care;

(3) Employed 30 hours or more a week;

(4) Under age 16 attending school full-time;

(5) Pregnant women past their first trimester;

(6) Living in areas where the program is not available;

(7) Ill, incapacitated, or of advanced age; and

(8) Needed in the home because of the illness or incapacity of another household member.

The Congressional Budget Office estimates that 60 percent of the AFDC caseload is exempt from participating in the JOBS program.

Beginning with FY 1990, a State must meet specified participation rates--i.e., a specified percentage of all non-exempt recipients must participate in the JOBS program for at least 20 hours weekly. Job search activities do not count as participation after the first four months of receiving benefits. The participation rate began at 7 percent in FY 1990 and rose to 20 percent by FY 1995. This participation requirement expires at the end of FY 1995.

In addition, a State must meet specified participation rates for two-parent families. At least one parent in a two-parent family must participate at least 16 hours weekly in a work experience program, a work supplementation program, on-the-job training or a State-designed work program (or educational activities for a parent under age 25 without a high school diploma). The participation rate for two-parent families is 50 percent for FY 1995; 60 percent for FY 1996; and 75 percent for FY 1997 and 1998. This participation requirement expires at the end of FY 1998.

Five States can allow non-custodial parents to participate in the JOBS program.

Proposed Change

States must continue to have a JOBS program to be eligible to receive funds under the new Temporary Family Assistance Grant. Federal funding for the JOBS program is included in the State's share of the grant. Indian tribes and Alaska Native organizations currently operating a JOBS program may continue to receive Federal funding (at FY 1994 levels) directly for that purpose.

The JOBS program is modified to give States more flexibility in offering JOBS activities. New JOBS activities are authorized for community service programs approved by the State and job placement voucher programs. All States are allowed to open their JOBS program to non-custodial parents.

States must guarantee child care for recipients who need care for children under age 6 in order to participate in JOBS activities.

States must meet new minimum participation requirements based on the entire caseload:

FY 1996	25%
FY 1997	30%
FY 1998	35%
FY 1999	40%
FY 2000	45%
FY 2001 and thereafter	50%

Participation rates are measured by averaging monthly participation rates for a year. The monthly participation rate is equal to the number of recipient families in which at least one parent is engaged in work activities (JOBS program activities (except job search) for at least 20 hours per week) in a month divided by the total number of recipient families received cash benefit for the month. For FY 1996, 1997 and 1998, States have the option to compute these participation rates using present law exemptions. After FY 1998, no exemptions will be allowed in computing participation rates.

Beginning with FY 1996, participation for two-parent families means that one parent in a two-parent family must participate in work activities for at least 30 hours a week. In addition, the participation rate for two-parent families will be increased to 90 percent for FY 1999 and thereafter.

States not meeting the required participation rates in a fiscal year will have their grant reduced by up to five percent the succeeding fiscal year.

The Secretary of HHS is to conduct research on the cost/benefit of the JOBS program and to evaluate promising State approaches to employing welfare recipients. The Secretary of HHS must also rank the States in order of their success in moving recipients into long-term private sector jobs, and review the

three most and three least successful programs. The Department of Health and Human Services will develop these rankings based on data collected under the bill.

III. Child Protection Programs

The current law programs under Title IV-B and IV-E are not changed.

VI. Supplemental Security Income

General Description

The Supplemental Security Income (SSI) program was established by the 1972 amendments to the Social Security Act to provide cash assistance to needy aged (age 65 and over), blind, and disabled individuals. Disabled individuals are those unable to engage in any substantial gainful activity by reason of a medically determined physical or mental impairment expected to result in death or last at least 12 months. The SSI program is entirely funded by the Federal government (States may provide supplemental payments).

A. Drug Addiction and Alcoholism

Present Law

Individuals whose drug addiction or alcoholism is a contributing factor material to their disability are eligible to receive SSI cash benefits for up to three years if they meet SSI income and resource requirements. These recipients must have a representative payee, must participate in an approved treatment program when available and appropriate, and must allow their participation in a treatment program to be monitored. Medicaid benefits continue beyond the 3-year limit, as long as the individual remains disabled, unless the individual was expelled from SSI for failure to participate in a treatment program.

Proposed Change

An individual will no longer be considered disabled for the SSI program if drug addiction or alcoholism is a contributing factor material to his disability.

Effective date. -- Generally effective on date of enactment. Individuals receiving SSI cash benefits on the date of enactment, and who cannot qualify for SSI benefits on the basis of another disabling condition, will no longer be eligible for SSI benefits effective January 1, 1997. The Social Security Administration must notify such individuals of the change in law within 90 days of date of enactment.

B. Noncitizens

Present Law

Aged, blind and disabled noncitizens can qualify for SSI cash benefits if they meet SSI income and resource requirements.

Except for refugees and asylees, noncitizens granted entry into the U.S. stipulate that they will be self-sufficient while living in the U.S. and will not become a public charge. Notwithstanding this stipulation, the number of noncitizens receiving SSI cash benefits have grown dramatically in the last decade.

Proposed Change

Noncitizens will no longer be eligible to qualify for SSI cash benefits unless they have worked in the U.S. for a sufficient period to qualify for Social Security disability income or old age benefits. Noncitizens who entered the U.S. as an asylee or refugee will be eligible for SSI benefits for up to five years after moving to the U.S. (if they otherwise meet the SSI program requirements). Noncitizens who served in the U.S. armed forces and their spouses and children will also be eligible.

Effective date. -- Generally effective on date of enactment. Noncitizens receiving SSI cash benefits on date of enactment, and who no longer will be eligible for SSI cash benefits, will continue receiving SSI cash benefits until January 1, 1997. The Social Security Administration must notify such

individuals of the change in law within 90 days of the date of enactment.

C. Certain Children With Disabilities

1. Definition of Childhood Disability

Present Law

There is no definition of childhood disability for the SSI program under present law. Instead, the law provides that a child under the age of 18 is determined qualified for SSI "if he suffers from any medically determinable physical or mental impairment of comparable severity" to either one of two adult definitions of work disability. The Social Security Administration is responsible for translating these adult definitions into a childhood disability definition.

Proposed Change

A child under age 18 is considered disabled if the child has a medically determinable physical or mental impairment, which results in a marked, pervasive, and severe disability, and is expected to last for a continuous period of 12 months or result in death.

2. Medical Criteria for Evaluation of Mental and Emotional Disorders

Present Law

Under the disability determination process for children, the Social Security Administration first determines if a child meets or equals a "Listing of Impairments" -- over 100 specific physical or mental conditions that are described in Federal Regulations. Under the Listing of Impairments that relates to mental disorders, maladaptive behavior may be scored twice, in domains of social functioning and of personal/behavior functioning.

Proposed Change

Social Security Administration is directed to eliminate references to maladaptive behavior in the domain of personal/behavior functioning.

3. Individualized Functional Assessment

Present Law

Under the disability determination process for children, if the Social Security Administration determines that a child does not meet or equal the Listing of Impairments, it conducts a second evaluation, called an "individualized functional assessment" ("IFA"), to determine if a child nonetheless qualifies for SSI. The IFA is a lower standard of disability than those found in the Listing of Impairments. The IFA was developed by the Social Security Administration in response to the 1990 Supreme Court decision of Zebley v. Sullivan. The IFA was intended to be analogous to the disability standard for adults who are unable to engage in any other kind of substantial gainful work which exists in the national economy. The General Accounting Office has criticized the IFA as being fundamentally flawed as a reliable measure of disability determination.

A substantially improved Listing of Impairments for childhood mental disorders was promulgated by the Social Security Administration in 1990, which emphasized functional assessment criteria and added new listings for certain specific conditions, such as Attention Deficit Hyperactivity Disorder (ADHD).

Proposed Change

The IFA is eliminated. Children with severe disabilities, will continue to qualify for SSI benefits on the basis of whether they meet or equal the Listing of Impairments.

4. Continuing Disability Reviews

Present Law

Under section 208 of P.L. 103-296, Social Security Independence and Program Improvements Act of 1994, the Commissioner of Social Security must conduct each year at least 100,000 continuing disability reviews (CDRs) of SSI recipients receiving SSI disability benefits.. The provision is effective for FY 1996 through FY 1998.

Proposed Change

The Commissioner of Social Security is required to conduct a continuing disability review every three years for children receiving SSI cash benefits except for those children whose condition is not expected to improve. The Commissioner is required to redetermine eligibility for SSI for a child whose low birth weight is a contributing factor to the child's disability determination after 12 months of receiving benefits. The Commissioner is required to redetermine eligibility for SSI disability benefits when a recipient reaches 18 years.

5. Study of Disability Determination Process

Present Law

No provision.

Proposed Change

The Commissioner of Social Security is directed to contract with the National Academy of Sciences, or other independent entities, to conduct a study of its disability determination procedure. The study would also examine use of evidence in appeals and any other matters related to the determination process.

6. National Commission on the Future of Disability Programs

Present Law

No provision.

Proposed Change

A National Commission on the Future of Disability Programs is established to examine and make recommendations on improving Federal disability programs. The Commission would also consider whether Federal disability programs create barriers to employment and independence.

7. Effective Dates

The proposed changes are generally effective on the date of enactment. Children receiving SSI cash benefits on date of enactment, and who may no longer be eligible for SSI by reason of such changes, will continue receiving SSI cash benefits until January 1, 1997. The Social Security Administration must notify such recipients within 90 days of date of enactment that a continuing disability review will be conducted by SSA within 1 year after enactment.

V. Child Support Enforcement

Present Law

The Child Support Enforcement (CSE) program was enacted in 1975 to address the problem of nonsuppport of children. The 1975 legislation added a new part D to the title IV of the Social Security Act. This legislation authorized Federal matching funds to be used for enforcing the support obligation owed by noncustodial parents, locating absent parents, establishing paternity, and obtaining child and spousal support. The basic responsibility for administering the program is left to the States, but the Federal Government plays a major role in funding, monitoring and evaluating State programs, providing technical assistance, and in certain instances, in giving direct assistance to the State in locating absents parents and obtaining support payments from them.

The program requires the provision of child support enforcement services for both welfare and nonwelfare families and requires States to publicize frequently, through public service announcements, the availability of child support enforcement services, together with information about the application fee and a telephone number or address to be used to obtain additional information.

States are required to establish paternity for children born out of wedlock if they are recipients of AFDC or Medicaid. States are also required to obtain child support payments from noncustodial parents of children receiving AFDC, Medicaid benefits, or foster care maintenance payments.

A. Case Registries, eligibility for services, distribution of payments

Present Law

States are required to establish paternity for children born out of wedlock if they are recipients of AFDC or Medicaid. States are also required to obtain child support payments from noncustodial parents of children receiving AFDC, Medicaid benefits, or foster care maintenance payments.

Federal law requires States to cooperate with other States in establishing paternity, locating parents, and collecting child support payments.

A custodial parent must assign to the State the right to collect child support. This assignment includes current support and any arrearage, and lasts as long as the family receives AFDC. If the State collects support, the first $50 goes to the AFDC family. Next, the Federal and State governments are reimbursed for the AFDC benefit paid to the family and if there is any money left over, the money goes to the family (this money is considered income and would reduce the family's AFDC benefit).

Proposed Change

States must record all child support orders currently handled by a State child support enforcement agency and all orders established or modified on of after October 1, 1998, in a State Case Registry. States must also collect and disburse child support payments being enforced by a State child support enforcement agency, beginning October 1, 1998 using a State disbursement unit.

The $50 passthrough to families is ended. Instead, States are given the option of passing the entire child support payment through to families. If a State elects this option, the State must still pay the Federal share of the collection to the Federal government. For arrearages that accrued before the custodial parent went on welfare, the money is first paid to the family if the family leaves welfare. Only after all arrearages owed to the custodial parent have been repaid, any arrearages owed to the State and Federal government are repaid.

When families leave the Temporary Family Assistance program, States are required to continue providing child support enforcement services subject to the same conditions as individuals who receive assistance.

States must implement safeguards against unauthorized use or disclosure of information relating to proceedings or actions to establish paternity or to enforce child support. These safeguards must include prohibitions on release of information where there is a protective order or where the State has reason to believe a party is at risk of physical or emotional harm from the other party. This provision is effective October 1, 1997.

B. Locate and Case Tracking

Present Law

States may provide that, at the request of either parent, child support payments be made through the child support enforcement agency or the agency that administers the State's income withholding system regardless of whether there is an arrearage. States must charge the parent who requests child support services a fee equal to the cost incurred by the State for these services, up to a maximum of $25 per year.

Since November 1, 1990, all new or modified child support orders that were being enforced by the State's child support enforcement agency have been subject to immediate income withholding. If the noncustodial parent's wages are not subject to income withholding (pursuant to the November 1, 1990 provision), such parent's wages would become subject to withholding on the date when support payments are 30 days past due. Since January 1, 1994, the law has required States to use immediate income withholding for all new support orders, regardless of whether a parent has applied for child support enforcement services. There are two circumstances in which income withholding does not apply: 1) one of the parents demonstrates and the court or administrative agency finds that there is good cause not to do so, or 2) a written agreement is reached between both parents which provides for an alternative arrangement.

States must implement procedures under which income withholding for child support can occur without the need for any amendment to the support order or for any further action by the court or administrative entity that issued

the order.

States are also required to implement income withholding in full compliance with all procedural due process requirements of the State, and States must send advance notice to each nonresident parent to whom income withholding applies (with an exception for some States that had income withholding before enactment of this provision that met State due process requirements).

States must extend their income withholding systems to include out-of-State support orders.

The law requires that the Federal Parent Locator Service (FPLS), established as part of the child support enforcement program, be used to obtain and transmit information about the whereabouts of any absent parent when that information is to be used for the purpose of enforcing child support. Upon request, the Secretary must provide to an "authorized person" (i.e., an employee or attorney of a child support agency, a court with jurisdiction over the parties involved, the custodial parent, legal guardian, or attorney of the child) the most recent address and place of employment of any absent parent if the information is contained in the records of the Department of Health and Human Services, or can be obtained from any other department or agency of the United States or of any State. The FPLS also can be used in connection with the enforcement or determination of child custody and in cases of parental kidnapping.

Proposed Change

State child support agencies are required, beginning October 1, 1998, to operate a centralized, automated unit for collection and disbursement of child support under orders enforced by the child support agency. The purpose of the Disbursement Unit is to collect and disburse support payments, to generate orders and notices of withholding to employers, to keep an accurate identification of payments, to promptly distribute money to custodial parents or other States, and to furnish parents with a record of the current status of support payments. The Disbursement Unit must distribute all amounts payable within 2 business days after receiving the money and identifying information from the employer. The State Disbursement Unit may be established by linking local disbursement units through an automated information network.

States are required to establish, by October 1, 1997, a State Directory of New Hires to which employers and labor organizations in the State must furnish a W-4 form for each newly hired employee. Employers must submit the W-4 form within 15 days after the date of hire or the first business day of the week following the date the employee is first paid. The employer or labor organization may submit the report magnetically, electronically, or by first class mail. Government agencies are considered employers for purposes of New Hire reporting.

An employer failing to make a timely report is subject to a $25 fine for each unreported employee. There is also a $500 penalty on employers for every employee for whom they do not transmit a W-4 form if, under the laws of the State, there is shown to be a conspiracy between the employer and the employee to prevent the proper information from being filed.

By October 1, 1997, each State Directory of New Hires must conduct automated matches of the Social Security numbers of reported employees against the Social Security numbers of records in the State Case Registry being enforced by the State agency and must report the information on matches to the State child support agency. Then, within 2 business days, the State must issue a withholding order directing the employer to withhold wages in accordance with the child support order.

In addition, within 2 working days of receiving the W-4 information from employers, the State Directory of New Hires must furnish the information to the National Directory of New Hires for matching with the records of other State case registries. The State Directory of New Hires must also report quarterly to the National Directory of New Hires information on wages and unemployment compensation (this information is taken directly from a report that States are currently required to submit to the Secretary of Labor).

The State child support agency must use the new hire information for purposes of establishing paternity as well as establishing, modifying, and enforcing child support obligations.

New hire information must also be disclosed to the Temporary Family Assistance, Medicaid, Unemployment Compensation, Food Stamp, and territorial cash assistance programs for income eligibility verification; to the Social Security Administration for use in determining the accuracy of

Supplemental Security Income payments under Title XVI and in connection with benefits under Title II of the Social Security Act; to the Secretary of the Treasury for administration of the Earned Income Tax Credit program and for verification of claims concerning employment on tax returns; to State agencies administering unemployment and workers' compensation programs to assist determinations of the allowability of claims; and to researchers (but without individual identifiers) conducting studies that serve the purposes of the child support enforcement program.

States must have laws providing that all child support orders issued or modified before October 1, 1996, which are not otherwise subject to income withholding, will become subject to income withholding immediately if arrearage occurs.

All State and the Federal child support enforcement agencies must have access to the motor vehicle and law enforcement locator systems of all States.

FPLS is already a central component of the Federal child support effort, and is especially useful in interstate cases. The FPLS would be expanded to include new sources of timely information that is to be used for the purposes of establishing parentage and establishing, modifying, or enforcing child support obligations. Within the FPLS an automated registry known as the Federal Case Registry of Child Support Orders would be established. The Federal Case Registry contains abstracts of child support orders and other information specified by the Secretary (such as names, Social Security numbers or other uniform identification numbers, State case identification numbers, wages or other income, and rights to health care coverage) to identify individuals who owe or are owed support (or for or against whom support is sought to be established), and the State which has the case.

In addition to the Federal Case Registry, the provision establishes within the FPLS a National Directory of New Hires containing information supplied by State Directories of New Hires. When fully implemented, the Federal Directory of New Hires will contain identifying information on virtually every person who is hired in the United States. In addition, the Federal Case Registry will contain quarterly data supplied by the State Directory of New Hires on wages and unemployment compensation paid. Provisions are included in the bill to ensure accuracy and to safeguard information in the FPLS from inappropriate disclosure or use.

The Secretary is required to match data in the National Directory of New Hires against the child support order abstracts in the Federal Case Registry of Child Support Orders and to report information obtained from matches to the State child support agency responsible for the case within 2 days. The information is to be used for purposes of locating individuals to establish paternity, and to establish, modify, or enforce child support. The Secretary may also compare information across all components of the FPLS to the extent and with the frequency that she determines will be effective.

C. Streamlining and Uniformity of Procedures

Present Law

In 1992, the National Conference of Commissioners on State Uniform Laws approved a new model State law for handling interstate CSE cases. The new Uniform Interstate Family Support Act (UIFSA) is designed to deal with desertion and nonsupport by instituting uniform laws in all 50 States that limit control of a child support case to a single State. This approach ensures that only one child support order from one court or child support agency will be in effect at any given time. It also helps to eliminate jurisdictional disputes between States that are impediments to locating parents and enforcing child support orders across State lines. (As of July 1994, 20 States already had enacted UIFSA.)

Federal law requires States to treat past-due support obligations as final judgements that are entitled to full faith and credit in every State. This means that a person who has a support order in one State does not have to obtain a second order in another State to obtain support due should the debtor parent move from the issuing court's jurisdiction. P.L. 103-383 restricts a State court's ability to modify a support order issued by another State unless the child and the custodial parent have moved to the State where the modification is sought or have agreed to the modification.

Proposed Change

By January 1, 1997, all States must have UIFSA and the procedures required for its implementation in effect.

The provision changes and expands the recently enacted Federal law governing full faith and credit for child support orders by adding several provisions. One provision clarifies the definition of a child's home State; another makes several revisions to ensure that full faith and credit laws can be applied consistently with UIFSA; another clarifies the rules for which child support order States must honor when there is more than one order.

States are required to have laws that facilitate the enforcement of child support orders across State lines. States are required to have laws that permit them to send and receive, without registering the underlying order unless the enforcement action is contested by the obligor on the grounds of mistake of fact or invalid order, requests to other States and to enforce orders across State lines. The transmission of the order itself serves as certification to the responding State of the arrears amount and of the fact that the initiating State met all procedural due process requirements. No court action is required or permitted by the responding State. In addition, each responding State must, match the case against its data bases, take appropriate action if a match occurs, and send the collections, if any, to the initiating State. States must keep records of the number of requests they receive, the number of cases that result in a collection, and the amount collected. States must respond to interstate requests within 5 days.

The Secretary must issue standardized forms that all States must use for income withholding, for imposing liens in interstate cases, and for issuing administrative subpoenas in interstate cases. The forms must be issued by June 30, 1996 and States must begin using the forms by October 1, 1996.

D. Paternity Establishment

Present Law

Federal law requires States to implement laws under which the child and all other parties must undergo genetic testing upon the request of a party in contested cases. Federal law requires States to implement procedures: (1) for a simple civil process for voluntary paternity acknowledgment, including hospital-based programs; (2) under which the voluntary acknowledgment of paternity creates a rebuttable, or at State option, a conclusive presumption of paternity, and under which such voluntary acknowledgment is admissible as

evidence of paternity; (3) under which the voluntary acknowledgment of paternity must be recognized as a basis for seeking a support order without requiring any further proceedings to establish paternity; (4) which provide that any objection to genetic testing results must be made in writing within a specified number of days before any hearing at which such results may be introduced into evidence, and if no objection is made, the test results are admissible as evidence of paternity without the need for foundation testimony or other proof of authenticity or accuracy; (5) which create a rebuttable or, at State option, conclusive presumption of paternity upon genetic testing results indicating a threshold probability that the alleged father is the father of the child; (6) that require a default order to be entered in a paternity case upon a showing of service of process on the defendant and any additional showing required by State law; and (7) under which a State must give full faith and credit to a determination of paternity made by any other State, whether established through voluntary acknowledgment or through administrative or judicial processes.

AFDC applicants and recipients are required to cooperate with the State in establishing the paternity of a child and in obtaining child support payments unless the applicant or recipient is found to have good cause for refusing to cooperate. Under the "good cause" regulations, the child support agency may determine that it is against the best interests of the child to seek to establish paternity in cases involving incest, rape, or pending procedures for adoption. Moreover, the agency may determine that it is against the best interest of the child to require the mother to cooperate if it is anticipated that such cooperation will result in the physical or emotional harm of the child, parent, or caretaker relative.

Proposed Change

States must strengthen their paternity establishment laws by requiring that paternity may be established until the child reaches age 21 and by requiring the child and all other parties to undergo genetic testing upon the request of a party, where the request is supported by a sworn statement establishing a reasonable possibility of parentage or nonparentage. When the tests are ordered by the State agency, States must pay for the costs, subject to recoupment at State option from the father if paternity is established.

States must have procedures that: create a simple civil process for establishing paternity under which benefits, rights and responsibilities of acknowledgement are explained to unwed parents; establish a paternity acknowledgement program through hospitals and birth record agencies (and other agencies as designated by the Secretary) and that require the agencies to use a uniform affidavit developed by the Secretary that is entitled to full faith and credit in any other State; create a signed acknowledgement of paternity that is considered a legal finding of paternity unless rescinded within 60 days, and thereafter may be challenged in court only on the basis of fraud, duress, or material mistake of fact; allow minors who sign a voluntary acknowledgement to rescind it until age 18 or the date of the first proceeding to establish a support order, visitation, or custody rights; and provide that no judicial or administrative proceedings are required or permitted to ratify an acknowledgement which is not challenged by the parents.

States must also have procedures for: admitting into evidence accredited genetic tests, unless any objection is made within a specified number of days, and if no objection is made, clarifying that test results are admissible without the need for foundation or other testimony; creating a rebuttable or, at State option, conclusive presumption of paternity upon genetic testing results indicating a threshold probability that the alleged father is the father of the child; requiring a default order to be entered in a paternity case upon a showing of service of process on the defendant and any additional showing required by the State law; providing that parties in a contested paternity action are not entitled to a jury trial; requiring issuance of an order for temporary support, upon motion of a party, pending an administrative or judicial determination of parentage, where paternity is indicated by genetic testing or other clear and convincing evidence; providing that bills for pregnancy, childbirth, and genetic testing are admissible without foundation testimony; ensuring that putative fathers have a reasonable opportunity to initiate paternity action; and providing for voluntary acknowledgements and adjudications of paternity to be filed with the State registry of birth records for data matches with the central registry established by the State.

The Secretary is required to develop an affidavit to be used for voluntary acknowledgement of paternity which includes the Social Security Number of each parent.

Individuals who apply for or receive public assistance under the Temporary Family Assistance Program must cooperate with child support enforcement efforts by providing specific identifying information about the other parent, unless the applicant or recipient is found to have good cause for refusing to cooperate. "Good cause" is defined by States. States may also require the applicant and child to submit to genetic testing. Responsibility for determining failure to cooperate is shifted from the agency that administers the Temporary Family Assistance Program to the agency that administers the child support program.

E. Program Administration and Funding

Present Law

The Federal Government currently reimburses each State at the rate of 66 percent for the cost of administering its child support enforcement program. The Federal Government also reimburses States 90 percent of the laboratory costs of establishing paternity, and through FY 1995, 90 percent of the costs of developing comprehensive Statewide automated systems.

The Federal Government pays States an incentive amount ranging from 6 percent to 10 percent of AFDC and non-AFDC collections.

States are required to meet Federal standards for the establishment of paternity. The standard relates to the percentage obtained by dividing the number of children in the State who are born out of wedlock, are receiving AFDC or child support enforcement services, and for whom paternity has been established by the number of children who are born out of wedlock and are receiving AFDC or child support enforcement services. To meet Federal requirements, this percentage in a State must be at least 75 percent or meet the following standards of improvement from the preceding year: 1) if the State paternity establishment ratio is between 50 and 75 percent, the state ratio must increase by 3 or more percentage points from the ratio of the preceding year; 2) if the State ratio is between 45 and 50, the ratio must increase at least 4 percentage points; 3) if the State ratio is between 40 and 45 percent, it must increase at least 5 percentage points; and 4) if the State ratio is below 40 percent, it must increase at least 6 percentage points.

If an audit finds that the State's child support enforcement program has not substantially complied with the requirements of its State plan, the State is subject to a penalty. In accord with this penalty, the Secretary must reduce a State's AFDC benefit payment by not less than 1 percent nor more than 2 percent for the first failure to comply; by not less than 2 percent nor more than 3 percent for the second consecutive failure to comply; and by not less than 3 percent nor more than 5 percent for third or subsequent consecutive failure to comply.

The Secretary is required to assist States in establishing adequate reporting procedures and must maintain records of child support enforcement operations and of amounts collected and disbursed, including costs incurred in collecting support payments.

Federal law requires that by October 1, 1995, States have an operational automated data processing and information retrieval system designed to control, account for, and monitor all factors in the support enforcement and paternity determination process, the collection and distribution of support payments, and the costs of all services rendered.

The Federal Government, through FY 1995, reimburses States at a 90 percent matching rate for the costs of developing comprehensive Statewide automated systems.

Proposed Change

The Committee bill maintains the Federal matching payment for child support activities at 66 percent.

Beginning in 1999, a new incentive system will be put in place. This system will reward good State performance by increasing the State's basic matching rate of 66 percent by adding up to 12 percentage points for outstanding performance in establishing paternity and by adding up to an additional 12 percentage points for overall performance. The Secretary will design the specific features of the system and, in doing so, will maintain overall Federal reimbursement of State programs through the combined matching rate and incentives at the level projected for the current combined matching and incentive payments to States.

If a State fails to meet a minimum paternity establishment ratio or fails to submit the data necessary to compute the ratio, and the State fails to take sufficient corrective action, the Secretary must reduce the incentive amounts otherwise payable for the first failure by not less than 3 nor more than 5 percent; for the second failure by not less than 5 nor more than 8 percent; and for the third and subsequent failure by not less than 10 nor more than 15 percent.

The minimum paternity establishment ratio is either 90 percent or: a) if the State paternity establishment ratio is between 50 percent and 90 percent for the fiscal year, the paternity establishment ratio of the State for the immediately preceding fiscal year plus 6 percentage points; or b) if the State ratio is less than 50 percent for a fiscal year, the paternity establishment ratio for the immediately preceding fiscal year plus 10 percentage points.

States are required to recycle incentive payments back into the child support program.

The Committee provision shifts the focus of child support audits from process to performance outcomes. This goal is accomplished by adding a new State plan provision that requires States to annually review and report to the Secretary, using data from their automatic data processing system, both information adequate to determine the State's compliance with Federal requirements for expedited procedures and timely case processing as well as the information necessary to calculate their levels of accomplishment and rates of improvement on the new performance indicators established by the Committee bill (percentage of cases in which an order was established, percentage of cases in which support is being paid, ratio of child support collected to child support due, and cost-effectiveness of the program). The Secretary is required to determine the amount (if any) of incentives or penalties; the Secretary must also review State reports on compliance with Federal requirements and provide States with recommendations for corrective action. Audits must be conducted at least once every 3 years, or more often in the case of States that fail to meet Federal requirements. The purpose of the audits is to assess the completeness, reliability, accuracy, and security of data reported for use in calculating the performance indicators and to assess the adequacy of financial management of the State program.

These provisions take effect beginning with the calendar quarter that begins 12 months after enactment.

The Secretary is required to establish procedures and uniform definitions for State collection and reporting of required information necessary to measure State compliance with expedited processes and timely case processing as well as the data necessary to perform the incentive calculations.

States are required to have a single Statewide automated data processing and information retrieval system which has the capacity to perform the following functions: to account for Federal, State, and local funds; to maintain data for Federal reporting; to calculate the State's performance for purposes of the incentive and penalty provisions; and to safeguard the integrity, accuracy, and completeness of, and access to, data in the automated systems (including policies restricting access to data).

The statutory provisions for State implementation of Federal automatic data processing requirements are revised to provide that, first, all requirements enacted in or before the Family Support Act of 1988 are to be met by October 1, 1997, and second, that the requirements enacted in the Omnibus Budget Reconciliation Act of 1993 and this bill are met by October 1, 1999. The October 1, 1999 deadline will be extended by one day for each day by which the Secretary fails to meet the deadline for regulations.

The Secretary can use 1 percent of the Federal share of child support collections on behalf of families in the Temporary Family Assistance program from the preceding year to provide technical assistance to the States. Technical assistance can include training of State and Federal staff, research and demonstration programs, and special projects of regional or national significance.

The Secretary must use 2 percent of the Federal share of collections on behalf of Temporary Family Assistance recipients for operation of the Federal Parent Locator Service to the extent that costs of the Parent Locator Service are not recovered by user fees.

The Committee provision amends current data collection and reporting requirements to conform the requirements to changes made by this bill and to eliminate unnecessary and duplicative information. More specifically, States

are required to report the following data each fiscal year: the total amount of child support payments collected, the cost to the State and Federal governments of furnishing child support services, the number of cases involving families that became ineligible for aid under part A with respect to whom a child support payment was received, the total amount of current support collected and distributed, the total amount of past due support collected and distributed, and the total amount of support due and unpaid for all fiscal years.

F. Establishment and Modification of Support Orders

Present Law

A child support order legally obligates a noncustodial parent to provide financial support for her child and stipulates the amount of the obligation and how it is to be paid. P.L. 98-378 required States to establish guidelines for establishing child support orders. P.L. 100-485 made the guidelines binding on judges and other officials who had authority to establish support orders. P.L. 100-485 also required States to review and adjust individual child support orders once every 3 years (under certain circumstances). States are required to notify both resident and nonresident parents of their right to a review.

Explanation of Provision

As under present law, States must review and, if appropriate, adjust child support orders enforced by the State child support agency every three years. However, States are given two simplified means by which they can use automated means to accomplish the review. First, States may adjust the order by applying the State guidelines and updating the reward amount. Second, States may apply a cost of living increase to the order. In either case, both parties must be given an opportunity to contest the adjustment.

States must also review and, upon a showing of a change in circumstances, adjust orders pursuant to the child support guidelines upon request of a party. States are required to give parties one notice of their right to request review and adjustment, which may be included in the order establishing the support amount.

G. Enforcement of Support Orders

Present Law

Since 1981 in AFDC cases, and 1984 in non-AFDC cases, Federal law has required States to implement procedures under which child support agencies can collect child support arrearages through the interception of Federal income tax refunds. Federal rules set different criteria for AFDC and non-AFDC cases. For example, in AFDC cases arrearages may be collected through the income tax offset program regardless of the child's age. In non-AFDC cases, the tax offset program can be used only if the postminor child is disabled (pursuant to the meaning of disability under title II or XVI of the SSA). Moreover, the arrearage in AFDC cases must be only at least $150, whereas the arrearage in non-AFDC cases must be at least $500.

Proposed Change

The offsets of child support arrears owed to individuals take priority over most debts owed to Federal agencies.

It also eliminates disparate treatment of families not receiving public assistance by repealing provisions applicable only to support arrears not assigned to the State.

The rules governing wage withholding for Federal employees are clarified and simplified.

The Secretary of Defense must establish a central personnel locator service that contains residential or, in specified instances, duty addresses of every member of the Armed Services (including retirees, the National Guard, and the Reserves). The locator service must be updated within 30 days of the individual member establishing a new address. Information from the locator service must be made available to the Federal Parent Locator Service. The Secretary of Defense must issue regulations to facilitate granting of leave for members of the Armed Services to attend hearings to establish paternity or to establish child support orders.

The Secretary of each branch of the Armed Forces (including retirees, the Coast Guard, the National Guard, and the Reserves) is required to make child support payments directly to any State to which a custodial parent has assigned support rights as a condition of receiving public assistance. The Secretary of Defense must also ensure that payments to satisfy current support or child support arrears are made from disposable retirement pay. The Secretary of Defense must begin payroll deduction within 30 days or the first pay period after 30 days of receiving a wage withholding order.

States must have in effect the Uniform Fraudulent Conveyance Act of 1981, the Uniform Fraudulent Transfer Act of 1984, or an equivalent law providing for voiding transfers of income or property in order to avoid payment of child support.

States have the option of restricting or suspending drivers', business, and occupational licenses of parents owing past-due child support.

States must have laws that direct courts to order individuals owing past-due support with respect to a child receiving assistance under the Temporary Family Assistance program either to pay support due or participate in work activities.

H. Medical Support

Present Law

P.L. 103-66 requires States to adopt laws to require health insurers and employers to enforce orders for medical and child support and forbids health insurers from denying coverage to children who are not living with the covered individual or who were born outside of marriage. Under P.L. 103-66, group health plans are required to honor "qualified medical child support orders."

Proposed Change

This provision expands the definition of medical child support order in ERISA to clarify that any judgement, decree, or order that is issued by a court of competent jurisdiction or by an administrative adjudication has the force and effect of law.

I. Enhancing Responsibility and Opportunity of Nonresidential Parents

Present Law

In 1988, Congress authorized the Secretary to fund for FY 1990 and FY 1991 demonstration projects by States to help divorcing or never-married parents cooperate with each other, especially in arranging visits between the child and the nonresident parent.

Proposed Change

The Committee bill authorizes grants to States for access and visitation programs including mediation, counseling, education, development of parenting plans, and visitation enforcement. Visitation enforcement can include monitoring, supervision, neutral drop-off and pick-up, and development of guidelines for visitation and alternative custody agreements.

The Administration for Children and Families at HHS will administer the program. States are required to monitor and evaluate their programs and are given the authority to subcontract the program to courts, local public agencies, or private non-profit agencies. Programs operating under the grant will not have to be Statewide. Funding is authorized as capped spending under section IV-D of the Social Security Act. Projects are required to supplement rather than supplant State funds.

The amount of the grant to a State is equal to 90 percent of the State expenditures during the year for access and visitation programs or the allotment for the State for the fiscal year. The allotment to the State bears the same ratio to the amount appropriated for the fiscal year as the number of children living in the State with one biological parent divided by the national number of children living with one biological parent. The Administration for Children and Families will adjust allotments to ensure that no State is allotted less than $50,000 for fiscal years 1996 or 1997 or less than $100,000 for any year after 1997.

J. Effect of Enactment

Present Law

Not applicable.

Proposed Change

Except as noted in the text of the bill for specific provisions, the general effective date for provisions in the bill is October 1, 1996. However, given that many of the changes required by this bill must be approved by State Legislatures, the bill contains a grace period tied to the meeting schedule of State Legislatures. More specifically, in any given State, the bill becomes effective either on October 1, 1996 or on the first day of the first calendar quarter after the close of the first regular session of the State Legislature that begins after the date of enactment of this bill. In the case of States that require a constitutional amendment to comply with the requirements of the bill, the grace period is extended either 1 year after the effective date of the necessary State constitutional amendment or 5 years after the date of enactment of this bill.

Summary of Moynihan Amdt

May 24, 1995

THE FAMILY SUPPORT ACT OF 1995

BRIEF SUMMARY OF THE BILL

The bill builds on the Family Support Act of 1988 as follows:

JOBS and child care. - Participation rates under the JOBS program are increased from 20 percent in 1995 to 50 percent in 2001. The Federal matching rate for JOBS and child care is increased from a minimum of 60 percent under current law to a minimum of 70 percent (or, if higher, the State's medicaid matching rate plus 10 percentage points). The funding cap for JOBS is phased up from $1.3 billion in 1995 to $2.5 billion in 2001.

The bill also -

(1) emphasizes work by requiring States to encourage job placement by using performance measures that reward staff performance, or such other management practice as the State may choose;

(2) provides for a job voucher program that uses private profit and nonprofit organizations to place recipients in private employment;

(3) eliminates certain Federal requirements to give States additional flexibility in operating their JOBS programs; and

(4) allows States to provide JOBS services to non-custodial parents who are unemployed and unable to meet their child support obligations.

Teen parents. - For purposes of AFDC, teen parents (under age 18) are required to live at home or in an alternative adult-supervised setting. Teen parents (under age 20) are required to attend school, or participate in other JOBS activity approved by the State.

Encourage States to test alternative strategies. - Without requesting a waiver, States may adopt their own AFDC rules for (1) earnings disregards, (2) income and assets, and (3) eligibility for the unemployed parent program, for a period of five years. The Secretary of Health and Human Services must evaluate a sufficient number of program changes to determine their impact on AFDC receipt, earnings achieved, program costs, and other factors.

Interagency Welfare Review Board. - The bill establishes an Interagency Welfare Review Board to expedite waiver requests that involve more than one Federal agency. In considering an application for a waiver under section 1115 of the Social Security

Act, there will be a presumption for approval in the case of a request for a waiver that is similar in substance and scale to one the Secretary has already approved. Decisions on section 1115 waiver requests must be made within 90 days after a completed application is received.

Child support enforcement. - The bill includes provisions to increase child support collections by establishing a directory of new hires, requiring States to adopt uniform State laws to expedite collections in interstate cases, requiring States to improve their paternity establishment programs, and making other changes.

In addition, the bill makes changes in SSI program rules and in rules relating to the deeming of income of sponsors to aliens for purposes of eligibility and benefits under the AFDC, SSI, and food stamp programs, and makes other changes, as follows:

SSI. - The bill includes provisions to modify disability eligibility criteria for children, to provide for increased accountability for use of benefits, and to require that retroactive benefits be used on behalf of the child.

Alien deeming. - The period during which a sponsor's income is deemed to an alien for purposes of eligibility for AFDC, SSI, and food stamps is extended from 3 to 5 years. Eligibility rules for AFDC, medicaid, SSI, and food stamps are made uniform.

Tax responsibilities incident to expatriation. - A taxpayer deciding to expatriate would owe income tax on asset gains that accrued during the period of U.S. citizenship, absent an election to instead continue to treat an asset as subject to U.S. tax. Similar rules would apply to certain long-term U.S. residents relinquishing that status.

Earned income tax credit changes. Eligibility for the earned income tax credit would be limited to those authorized to work in the United States. In addition, the bill would provide more effective rules for verifying EITC claims where tax returns have social security number errors or omissions. Finally, an individual's net capital gains would be added to the categories of unearned income that are currently totalled in determining whether the taxpayer is eligible for the EITC.

Treatment of corporate stock redemptions. The bill includes a provision that would assure the proper tax treatment of corporate stock redemptions. Under the bill, non pro rata stock redemptions received by a corporate shareholder would generally be treated as a sale of the stock to the redeeming corporation rather than as a dividend qualifying for the intercorporate dividends received deduction.

DESCRIPTION OF PROVISIONS

A. Job Opportunities and Basic Skills Training (JOBS) Program

1. Increase in JOBS Participation Rates

Present Law. - Under the provisions of the Family Support Act of 1988, 7 percent of adults receiving Aid to Families with Dependent Children were required to participate in the JOBS program in fiscal year 1991, increasing to 20 percent in 1995. This requirement expires at the end of fiscal year 1995.

In the case of a family eligible for AFDC by reason of the unemployment of the parent who is the principal earner, the Family Support Act mandated that the State require at least one parent to participate, for a total of at least 16 hours a week, in a work experience, community work experience, or other work program. The participation rate that the State must meet was set at 40 percent in 1994, increasing to 50 percent in 1995, 60 percent in 1996, and 75 percent in 1997 and 1998.

Persons exempt from this requirement include individuals who are ill or incapacitated, are needed to care for another individual who is ill or incapacitated, needed to care for a child under age 3 (or age 1 at State option), live in a remote area, work 30 hours or more a week, and children age 16 and under who are full time students.

Proposed Change. - The participation rate is increased to 30 percent in 1997, 35 percent in 1998, 40 percent in 1999, 45 percent in 2000, and 50 percent in 2001 and years thereafter. Those who combine participation in JOBS and employment for an average of 20 hours a week, and those who are employed for an average of 20 hours a week, are counted as participants in JOBS for purposes of calculating the State's participation rate. The work requirement provisions for unemployed parents are retained.

2. Change in Purpose of the Program

Present Law. - The stated purpose of the JOBS program is to assure that needy families with children obtain the education, training, and employment that will help them avoid long-term welfare dependence.

Proposed Change. - The purpose of the program is modified by adding: to enable individuals receiving assistance to enter employment as quickly as possible; and to increase job retention.

3. Requirement for Staff Performance Measures

Present Law. - There is no provision relating to staff performance measures.

Proposed Change. - A State will be required to have procedures to: encourage the placement of participants in jobs as quickly as possible, including using performance measures that reward staff performance, or such other management practice as the State may choose; and assist participants in retaining employment after they are hired.

The Secretary of Health and Human Services is required to provide technical assistance and training to States to assist them in implementing effective management practices and strategies.

4. Job Placement Voucher Program

Present Law. - There is no provision for a job placement voucher program.

Proposed Change. - The bill provides that, as part of their JOBS programs, States may operate a job placement voucher program to promote unsubsidized employment of welfare applicants and recipients.

The State will be required to make available to an eligible AFDC applicant or recipient a list of State-approved job placement organizations that offer job placement and support services. The organizations may be publicly or privately owned and operated.

The State agency will give an individual who participates in the program a voucher which the individual may present to the job placement organization of his or her choice. The organization will, in turn, fully redeem the voucher after it has successfully placed the individual in employment for a period of six months, or such longer period as the State determines.

5. Increased Flexibility in Administering the JOBS Program

Present Law. - The Family Support Act requires States to include in their JOBS programs certain specified services, including education activities, skills training, job readiness, job development, and at least two work programs (including job search, work experience, on-the-job training, and work supplementation). There are also rules relating to when and how long individuals may be required to search for a job, as well as other program rules.

Proposed Change. - The bill allows States to establish their own requirements for when and how long a recipient or applicant must participate in job search. It also eliminates the present law requirement that individuals who are age 20 or over and have not graduated from high school (or earned a GED) must be provided with education activities, and eliminates the requirement that States offer specified education and training services. The requirement that the State have at least two work programs is retained.

6. Permit States to Provide Employment Services for Non-custodial Parents

Present Law. - The Family Support Act allowed up to 5 States to provide JOBS services to non-custodial parents who are unemployed and unable to meet their child support obligations.

Proposed Change. - All States will be given the option of providing JOBS services to non-custodial parents who are unemployed and unable to meet their child support obligations.

7. Funding for the JOBS Program

Present Law. - States are entitled to receive their share of Federal matching payments up to a capped amount of $1.3 billion in fiscal year 1995 to operate the JOBS program. The State's share of the capped amount is based on its relative number of adult AFDC recipients.

The Federal matching rate is the greater of 60 percent or the State's medicaid matching rate, whichever is higher, for the cost of services; and 50 percent for the cost of administration, and for transportation and other work-related supportive services.

Proposed Change. - The Federal matching rate for JOBS expenses by States is increased and simplified. Beginning in fiscal year 1997, the Federal matching rate will be 70 percent or the State's Federal medicaid matching rate plus 10 percentage points, whichever is higher. This rate will apply to all JOBS costs, including administrative costs and the costs of transportation and other work-related supportive services. The cap on Federal spending is $1.3 billion in 1997, increasing to $1.6 billion in 1998, $1.9 billion in 1999, $2.2 billion in 2000, and $2.5 billion in 2001 and years thereafter.

8. Funding for Child Care

Present Law. - States must guarantee child care for individuals who are required to participate in the JOBS program. Child care must also be guaranteed, to the extent the State agency determines it to be necessary for an individual's employment, for a period of 12 months to individuals who leave the AFDC rolls as the result of increased hours of, or increased income from, employment. (Funding for this transitional child care expires at the end of fiscal year 1998.) States are entitled to receive Federal matching for the costs of such care at the State's medicaid matching rate. States are also entitled to receive Federal matching at the medicaid matching rate for care provided to individuals whom the State determines are at risk of becoming eligible for AFDC if such care were not provided. There is a cap on Federal matching for "at risk" child care of $300 million in any fiscal year. Funds are distributed to the States on the basis of

the relative number of children residing in each State.

Proposed Change. - The Federal matching rate for child care is increased to 70 percent, or the State's medicaid matching rate plus ten percentage points, whichever is higher. The authority for Federal funding for transitional child care for persons who leave the AFDC rolls is made permanent.

9. Evaluation of JOBS Programs; Performance Standards

Present Law. - The Family Support Act of 1988 required the Secretary of Health and Human Services to evaluate State JOBS programs in order to determine the relative effectiveness of different approaches for assisting long-term and potentially long-term AFDC recipients. The Secretary was required to use outcome measures to test effectiveness, including employment, earnings, welfare receipt, and poverty status. These evaluations are being conducted in large part by the Manpower Demonstration Research Corporation.

The Family Support Act also required the Secretary to develop performance standards that measure outcomes that are based, in part, on the results of the JOBS evaluations. On September 30, 1994, the Department of Health and Human Services issued a report on the progress that has been made in developing an outcome-based performance system for JOBS programs. The report stated that recommendations for outcome measures will be transmitted to the Congress by April 1996. Final recommendations on performance standards will be ready before October 1998.

Proposed Change. - The bill authorizes such sums as may be necessary for fiscal years 1996-2000 to enable the Secretary to continue evaluating the effectiveness of State JOBS programs. The information derived from these evaluations is to be used to provide guidance to the Secretary in making improvements in the performance standards that were required by the Family Support Act. It is also to be used to enable the Secretary to provide technical assistance to the States to assist them in improving their JOBS programs, and in meeting the required performance standards. The evaluations shall include assessments of cost effectiveness, the level of earnings achieved, welfare receipt, job retention, the effects on children, and such other factors as the State may determine.

B. Aid to Families with Dependent Children (AFDC)

1. Teen Case Management Services

Present Law. - There is no requirement in present law that States must provide case management services to teen parents who are receiving AFDC.

Proposed Change. - State welfare agencies will be required to assign a case manager to each custodial parent who is under age 20. The case manager will be responsible for assisting teen parents in obtaining services and monitoring their compliance with all program requirements.

2. Requirement for Teen Participation in Education or Other Activity

Present Law. - The statute provides that States generally must require teen parents under age 20 (regardless of the age of the child) to attend school or participate in another JOBS activity, but only if the program is available where the teen is living, and State resources otherwise permit.

Proposed Change. - The rules requiring teens to attend school or participate in another JOBS activity are strengthened. Teen parents under age 20 who have not completed a high school education (or its equivalent) must be required to attend school, participate in a program that combines classroom and job training, or work toward attainment of a GED. A teen parent who has successfully completed a high school education (or its equivalent) must participate in a JOBS activity (including a work activity) approved by the State. States may provide for exceptions to this requirement, in accordance with regulations issued by the Secretary of Health and Human Services. However, exceptions to the requirement may not exceed 50 percent of eligible teens by the year 2000.

In addition, States may also have programs to provide incentives and penalties for teens to encourage them to complete their high school (or equivalent) education.

3. Living Arrangements for Teen Parents

Present Law. - States have the option of requiring a teen under the age of 18 and has never married, and who has a dependent child (or is pregnant) to live with a parent, legal guardian, or other adult relative, or reside in a foster home, maternity home, or other adult-supervised supportive living arrangement. The State is required, where possible, to make the AFDC payment to the parent or other responsible adult. Certain exceptions to these requirements are provided in statute.

Proposed Change. - The bill requires all States to require a teen under age 18 who has a dependent child (or is pregnant) to live with a parent, legal guardian, or other adult relative, or reside in a foster home, maternity home, or other adult-supervised supportive living arrangement. Assistance will be paid to the teen's parent or other adult on the teen's behalf. Exceptions to this requirement may be made by in cases where the State determines that the physical or emotional health or safety of the teen parent

or child would be jeopardized if they lived with the teen's parent, or where the State determines (under regulations issued by the Secretary) that there is good cause. The State agency will have responsibility for assisting teens in locating appropriate living arrangement when this is necessary.

4. Establishment of Interagency Welfare Review Board

Present Law. - At the present time there is no interagency board to review requests by States for waivers from Federal program rules that involve more than one agency.

Proposed Change. - In order to facilitate the consideration of welfare program requirement waiver requests that involve more than one Federal department or agency, an Interagency Welfare Review Board would be created. Members would include the Secretaries of Agriculture, Health and Human Services, Housing and Urban Development, Labor, and Education, or their designees. The President may make such other appointments to the Board as he determines appropriate.

The Board will act as the central organization for coordinating the review of State applications for waivers that involve more than one Federal department or agency, and will provide assistance and technical advice to the States. The Board may issue an advisory opinion with respect to a waiver request, but final decisions will be made by the Secretaries of the departments or agencies that have responsibility for the programs involved. The Board must establish a schedule for the consideration of a waiver application to assure that the State will receive a final decision not later than 90 days after the date the completed application is received by the Board.

5. Consideration of Section 1115 Waiver Requests

Present Law. - Section 1115 of the Social Security Act gives the Secretary of Health and Human Services authority to waive State compliance with specified rules under the AFDC, child support and medicaid programs. There is no authority to waive JOBS program rules.

The purpose of the waiver authority is to enable States to implement demonstration projects that the Secretary finds will assist in promoting the objectives of the programs. States must evaluate their demonstration programs, and the programs must not increase Federal spending.

Proposed Change. - States will be allowed to apply for waivers of JOBS program rules in order to conduct JOBS demonstration projects.

In addition, the Secretary will be required to approve or

disapprove a section 1115 waiver request within 90 days after the completed application is received. In considering an application for a waiver, there will be a presumption for approval in the case of a request for a waiver that is similar in substance and scale to one that has already been approved.

6. State Authority to Establish Certain AFDC Rules

Present Law. - The Social Security Act specifies the rules States must follow with respect to income and resource requirements, the disregard of income, and the definition of unemployment and the number of quarters of work required for eligibility under the Unemployed Parent (UP) program.

Proposed Change. - Any State may, without receiving a waiver, establish any of the following program changes: income and resource requirements, requirements relating to the disregard of income, standards for defining unemployment that are different from those prescribed by the Secretary in regulations (which currently limit eligibility for UP benefits to families in which the principal earner works fewer than 100 hours a month), and rules that prescribe the numbers of quarters of work that a principal earner must have to qualify for Unemployed Parent benefits. This authority expires at the end of five years.

The Secretary is required to evaluate a sufficient number of the program changes established by the States pursuant to this authority to determine the impact of the changes on AFDC recipiency, earnings achieved, program costs, and such other factors as the Secretary may determine. A State chosen by the Secretary for an evaluation must cooperate in carrying out the evaluation.

C. Child Support Enforcement Program

The Family Support Act of 1988 strengthened the Child Support Enforcement program, which was enacted in 1975 (Title IV-D of the Social Security Act), by: requiring States to establish automated tracking and monitoring systems (with 90 percent of the funding provided by the Federal government); requiring wage withholding beginning in 1994 for all support orders (regardless of whether a parent has applied to the child support enforcement agency for services); and requiring judges and other officials to use State guidelines to establish most child support award levels.

States were required to review and adjust individual case awards every three years for AFDC cases (and every three years at the request of a parent in other IV-D cases); meet Federal standards for the establishment of paternity; require all parties in a contested paternity case to take a genetic test upon the request of any party (with 90 percent of the laboratory costs paid by the Federal government); and to collect and report a wide variety of statistics related to the performance of the system. The Act also established the U.S. Commission on Interstate Child Support, which issued its report with recommendations in May 1992.

1. Require the Adoption by All States of the Uniform Interstate Family Support Act (UIFSA)

Present Law. - The Uniform Interstate Family Support Act (UIFSA) was approved by the National Conference of Commissioners on Uniform State laws in August 1992. It contains a wide variety of provisions designed to improve enforcement of interstate child support cases by providing uniformity in State laws and procedures, and creating a framework for determining jurisdiction in interstate cases. Not all States have adopted UIFSA.

Proposed Change. - All States are required to adopt UIFSA not later than January 1, 1997.

2. Rules for Paternity Establishment Cooperation

Present Law. - The statute requires AFDC applicants and recipients, as a condition of aid, to cooperate with the State in establishing paternity and in obtaining support payments unless there is good cause for refusal to cooperate. It does not define what constitutes cooperation. The determination as to whether an individual is cooperating or has good cause for refusing to cooperate is made by the welfare agency.

Proposed Change. - Cooperation is defined in statute as the provision by the mother of both a name and any other helpful information to verify the identity of the putative father (such as

the present or past address, the present or past place of employment or school, date of birth, names and addresses of parents, friends, or relatives able to provide location information, or other information that could enable service of process). The good cause exemption in present law is retained.

For purposes of AFDC eligibility, a mother (or other relative) will not be determined to be cooperating with efforts to establish paternity unless the individual provides the required information. The child support enforcement agency is required to make this determination within 10 days after the individual has been referred for services by the welfare agency. However, the State cannot deny benefits on the basis of lack of cooperation until such determination is made.

3. Streamlining Paternity Establishment

Present Law. - States are required to have procedures for a simple civil process for voluntarily acknowledging paternity under which the rights and responsibilities of acknowledging paternity are explained, and due process safeguards are afforded. The State's procedures must include a hospital-based program for the voluntary acknowledgement of paternity. States must also have procedures under which the voluntary acknowledgement of paternity creates a rebuttable, or at the option of the State, conclusive presumption of paternity, and under which such voluntary acknowledgment is admissible as evidence of paternity, and procedures under which the voluntary acknowledgment of paternity must be recognized as a basis for seeking a support order without requiring any further proceedings to establish paternity.

Proposed Change. - States are required to strengthen procedures relating to establishment of paternity. A parent who has acknowledged paternity has 60 days to rescind the affidavit before the acknowledgement becomes legally binding (with later challenge in court possible only on the basis of fraud, duress, or material mistake of fact). However, minors who sign the affidavit outside the presence of a parent or court-appointed guardian have greater opportunity to rescind the acknowledgement after 60 days. Due process protection is enhanced by requiring that States more adequately inform parents of the effects of acknowledging paternity.

The bill also provides that no judicial or administrative procedures may be used to ratify an unchallenged acknowledgement, and that States may not use jury trials for contested paternity cases. Where there is clear and convincing evidence of paternity (such as a genetic test), States must, at a parent's request, issue a temporary order requiring the provision of child support. Finally, States must have procedures ensuring that fathers have a reasonable opportunity to initiate a paternity action.

4. Paternity Establishment Outreach

Present Law. - There is no requirement that States have a paternity outreach program.

Proposed Change. - States are required to publicize the availability and encourage the use of procedures for voluntary paternity establishment and child support through a variety of means, including distribution of written materials at health care facilities and other locations such as schools; pre-natal programs to educate expectant couples on individual and joint rights and responsibilities with respect to paternity; and reasonable follow-up efforts after a new-born child has been discharged from a hospital if paternity or child support have not been established. States may receive 90 percent Federal matching for these outreach efforts.

5. Review and Adjustment of Orders

Present Law. - States are required to review and adjust child support orders at least every 36 months (1) in the case of an AFDC family, unless the State determines that a review would not be in the best interests of the child and neither parent has requested review; and (2) in the case of any other order being enforced by the child support enforcement agency, if either parent has requested review.

Proposed Change. - States are required to review both AFDC and non-AFDC child support orders every three years at the request of either parent, and to adjust the order (without a requirement for any other change in circumstances) if the amount of child support under the order differs from the amount that would be awarded based on State guidelines.

Upon request at any time of either parent subject to a child support order, the State must review the order and adjust the order in accordance with state guidelines based on a substantial change in the circumstances of either such parent.

Child support orders issued or modified after the date of enactment must require the parents to provide each other with an annual statement of their respective financial condition.

6. National Child Support Guidelines Commission

Present Law. - Among its other recommendations, the U. S. Commission on Interstate Child Support recommended the establishment of a commission to study issues relating to child support guidelines.

Proposed Change. - The bill establishes a commission to determine whether it is appropriate to develop a national child

support guideline, and if it determines that such a guideline is needed, to develop such a guideline. The commission is to make its report no later than two years after the appointment of its members.

7. Establish Centralized State Case Registries and Enforcement Services

Present Law. - Child support orders and records are often maintained by various branches of government at the local, county, and State level. Under the current program, IV-D services are provided automatically without charge to recipients of AFDC and Medicaid. Other parents must apply for services, and may at State option be required to pay a fee for services.

Proposed Change. - The bill requires each State to establish both a Central Registry for all child support orders established or registered in the State, and a centralized payment processing system in order to take advantage of automation and economies of scale, and to simplify the process for employers. For enforcement purposes, States must choose one of two types of systems for payment processing: (a) an "opt-in" centralized collections system where one parent would have to apply to the IV-D agency to receive services, or (b) an "opt-out" centralized system where all cases would automatically have withholding and enforcement done by IV-D unless both parents make a request to be exempt from the process. Under either option, the centralization process for enforcement would be used for collections and disbursement.

8. Establish Federal Data Systems: A Directory of New Hires Within an Expanded Federal Parent Locator Service (FPLS)

Expanded Federal Parent Locator Service (FPLS):

Present Law. - State child support agencies now have access to the FPLS, a computerized national location network operated by the Office of Child Support Enforcement, which obtains information from six Federal agencies and the State employment security agencies. This information only relates to a parent's location, and does not include income and asset information. It is used for enforcement of existing child support orders, not to establish paternity or establish and modify orders.

Proposed Change. - A New Hire Directory, and a new Data Bank on Child Support Orders which contains information of all cases sent by the State registries, are added to the current FPLS. The FPLS database is expanded to provide States with additional information about not only the location of the individual but also income, assets, and other relevant data. States may access this information for enforcement, establishing paternity, and establishing and modifying orders.

a. Directory of New Hires:

Present Law. - Employers are currently required, generally on a quarterly basis, to report employee wages to State employment security offices. These reports are used to determine unemployment benefits. In order to more rapidly and effectively implement wage withholding to enforce child support orders, a number of States have adopted laws requiring employers to report information on each newly hired individual within a specified number of days after the individual is hired.

Proposed Change. - A national New Hire Directory is created within the FPLS. Employers will be required to report the name, date of birth, and social security number of each newly hired employee to the New Hire Directory within 10 days of hiring. This information will be compared with information in the expanded FPLS, and matches will be sent back to the appropriate States to be used for enforcement.

9. Require Suspension of Licenses

Present Law. - There is no provision in present law requiring States to withhold or suspend, or restrict the use of, professional, occupational, recreational and drivers' licenses of delinquent parents.

Proposed Change. - States are required to have such procedures and to use them in appropriate cases.

10. Increased Use of Consumer Reporting Agencies

Present Law. - State child support enforcement agencies are required to report periodically the names of obligors who are at least 2 months delinquent in the payment of support and the amount of the delinquency to consumer reporting agencies. If the amount of the delinquency is less than $1,000, such reporting is optional with the State. The State's procedural due process requirements must be met.

Proposed Change. - States are required to report periodically to consumer reporting agencies the name of any parent who is delinquent in the payment of support, but only after the parent has been afforded due process under State law, including notice and a reasonable opportunity to contest the accuracy of the information.

11. Require Interest on Arrearages

Present Law. - There is no requirement that States charge interest on child support arrearages.

Proposed Change. - States must charge interest on arrearages.

12. Deny Passports for Certain Arrearages

Present Law. - There is no provision in present law relating to denial of passports for failure to pay child support.

Proposed Change. - If the Secretary of HHS receives a certification by a State agency that an individual owes arrearages of child support in an amount exceeding $5,000 or in an amount exceeding 24 months' worth of child support, the Secretary shall transmit such certification to the Secretary of State for action. The Secretary of State shall refuse to issue a passport to such an individual, and may revoke, restrict, or limit a passport issued previously to such individual.

13. Extend Statute of Limitations

Present Law. - There is no provision for a statute of limitations for purposes of collecting child support.

Proposed Change. - States must have procedures under which the statute of limitations on arrearages of child support extends at least until the child owed such support is 30 years of age.

14. Requirements for Federal Employees and Military Personnel

Present Law. - The armed forces have their own rules relating to child support enforcement. Procedural rules for wage withholding for Federal and military employees, and for other employees, are not uniform.

Proposed Change. - Federal employees are made subject to the same withholding procedures as non-Federal employees. The Secretary of Defense is required to streamline collection and location procedures of military personnel. The military would be treated similarly to a State for purposes of child support enforcement interaction with other States, and more as any other employer for purposes of wage withholding.

15. Grants to States for Access and Visitation Programs

Present Law. - The 1988 Family Support Act authorized $4 million for each of fiscal years 1990 and 1991 to enable States to conduct demonstration projects to develop and improve activities designed to increase compliance with child access provisions of court orders.

Proposed Change. - The bill authorizes $5 million for each of fiscal years 1996 and 1997, and $10 million for each succeeding fiscal year to enable States to establish and administer programs to support and facilitate non-custodial parents' access to and visitation of their children, through mediation, counseling, education, development of parenting plans, visitation enforcement,

and development of guidelines for visitation and alternative custody arrangements.

16. Change Distribution Requirements

Present Law. - If a family is receiving AFDC, the family receives the first $50 of the monthly child support payment. Additional amounts that are paid are used to reimburse the State and Federal governments for assistance paid to the family. When a family leaves AFDC, the State must pass through all current monthly child support to the family, but has the option whether to first pay the family any arrearages which are collected, or whether to reimburse the State and Federal governments.

Proposed Change. - The bill requires States to pay all families who have left AFDC any arrearages due the family for months during which a child did not receive AFDC, before using those arrearages to reimburse the State and Federal government. States are given the option of passing through to families receiving AFDC the difference between the $50 pass-through amount and the amount of child support due for that month.

17. Change in Lump-Sum Rule

Present Law. - If a family receiving AFDC receives a lump-sum tax refund, the family loses eligibility for the number of months equal to the amount of the lump sum payment divided by the State payment standard.

Proposed Change. - Any lump-sum child support payment withheld from a tax refund for a family receiving AFDC may be placed in a Qualified Asset Account not to exceed $10,000. Funds in this account may only be used for education and training programs, improvements in the employability of an individual (such as through the purchase of an automobile), the purchase of a home, or a change of family residence. They may not be taken into account for purposes of AFDC benefit eligibility.

18. Increase Federal Funding

Present Law. - The Federal Government pays 66 percent of most State and local IV-D costs, with a higher matching rate of 90 percent for genetic testing to establish paternity and, until October 1, 1995, for statewide automated data systems. The Federal government also pays States an annual incentive payment equal to a minimum of 6 percent of collections made on behalf of AFDC families plus 6 percent of collections made on behalf of non-AFDC families. The amount of each State's incentive payment can reach a high of 10 percent of AFDC collections plus 10 percent of non-AFDC collections depending on the cost-effectiveness of the State's program. The incentive payments for non-welfare collections may not exceed 115 percent of the incentive payments for welfare collections. These

incentive payments are financed from the Federal share of collections.

Proposed Change. - The Federal matching rate will increase to 75 percent in 1999, and there will be a maintenance of effort required by the State. The Secretary will issue regulations creating a new incentive structure for State IV-D systems based on paternity establishment throughout the State (not just within the IV-D system) and a series of measures of overall performance in collections and cost-effectiveness of the IV-D system. The incentives will range up to 5 percentage points of the matching rate for paternity establishment, and up to 10 percentage points for overall performance measures. States must spend incentive payments on the IV-D system. If a State fails to meet certain performance standards such as for paternity establishment or overall performance, the IV-D agency will be assessed penalties ranging from at least 3 percent of funding as a first sanction, up to 10 percent for a third sanction.

19. Limit on Match for Old Systems, and Cap Funding for the New Systems

Present Law. - The 1988 Family Support Act required States to establish automated tracking and monitoring systems for child support enforcement by October 1, 1995, with 90 percent of the funding for planning, development, installation, or enhancement of such systems provided by the Federal government.

Proposed Change. - The Federal matching rate for the new systems requirements in this bill is 80 percent or, if higher, the rate the State is entitled to receive for other program purposes, as described above (combining the new Federal matching rate and the State's incentive payments). Federal spending for this purpose may not exceed $260 million annually for fiscal years 1996 through 2001.

20. Audit and Reporting

Present Law. - The statute mandates periodic comprehensive Federal audits of State programs to ensure compliance with Federal requirements. If the Secretary finds that a State has not complied substantially with Federal requirements, the State's AFDC matching is reduced not less than one nor more than two percent for the first finding of noncompliance, increasing to not less than three nor more than five percent, if the finding is the third or a subsequent consecutive such finding.

Proposed Change. - The Secretary will establish standards to simplify and modify Federal audit requirements, focusing them more on performance outcomes.

C. Supplemental Security Income (SSI) Program

1. Revised SSI Childhood Disability Regulations

Present Law. - In determining whether a child under the age of 18 is disabled for the purpose of qualifying for Supplemental Security Income, regulations require the Social Security Administration (SSA) to consider the degree to which an impairment or combination of impairments affects a child's ability to develop, mature and to engage in age-appropriate activities of daily living.

In making these evaluations, SSA conducts what is called an "individualized functional assessment" (IFA) in which a child's activities are broken into "domains" of functioning or development, such as cognition, communication, and motor ability. Under current regulations, the limitation in functioning caused by conduct disorders, or maladaptive behavior, may be considered under several domains.

To be found to be disabled based on an IFA under the Commissioner's current regulations, a child's impairment(s) must, at a minimum, cause a moderate limitation in functioning in at least three domains of functioning.

Proposed Change. - The Commissioner of Social Security is required to revise SSA's regulations for adjudicating claims for SSI benefits filed for children by reducing the number of domains considered in determining whether a child is disabled based on an individualized functional assessment, to consider maladaptive behavior in only one domain, and to require that, at a minimum, a child's impairment(s) cause a "marked" degree of limitation in at least two domains, or an extreme limitation in at least one domain.

The Commissioner is required to promulgate the new regulations within 9 months, and, within two additional years, redetermine the eligibility of children on the rolls whose disability was originally determined under the regulations that are revised as a result of this provision.

2. Required Treatment for Disabled Children

Present Law. - There is no provision that requires a disabled child who qualifies for Supplemental Security Income benefits to receive medical treatment or have a treatment plan.

Proposed Change. - Within three months after a child has been found to be eligible for SSI, the parent or representative payee will be required to file a treatment plan for the child with SSA (through the State Disability Determination Service of the State in which the child resides). The plan will be developed by the child's physician or other medical provider. SSA will evaluate compliance with the treatment plan when SSA conducts a continuing disability review for the child.

If the parent or representative payee fails, without good cause, to meet these requirements, SSA will appoint another representative payee, which can be the State Medicaid agency of the State in which the child resides, or another State agency or individual.

3. Continuing Disability Reviews

Present Law. - Beginning in fiscal year 1996, the Commissioner of Social Security will be required to conduct periodic continuing disability reviews (CDRs) for disabled SSI recipients (including both disabled children and adults). The provision expires in fiscal year 1998, and the Commissioner will be required to conduct CDRs for not more than 100,000 SSI recipients a year for the period 1996-1998.

Proposed Change. - The Commissioner is required to conduct periodic CDRs for disabled children who receive SSI. Reviews for all children other than those whose disabilities are not expected to improve must be conducted at least every three years, with more frequent reviews for those whom SSA determines may improve within a shorter period of time. Children who are awarded SSI benefits because of low birth weight must be reviewed after receiving benefits for 18 months.

4. Special Savings Accounts for Children Under Age 18

Present Law. - Large retroactive payments are often made when a disabled child first qualifies for SSI benefits. The retroactive payment is excluded from the $2,000 resource limit for six months, but thereafter, any remaining portion of the retroactive payment could, alone or in combination with other assets, render the child ineligible for SSI benefits.

Proposed Change. - The representative payee of a disabled child will be required to deposit the initial retroactive payment

into a special account if the amount of the retroactive payment is equal to or exceeds six times the maximum Federal benefit rate. Smaller retroactive payments and underpayments may be deposited in the special account if the representative payee chooses to do so. The money in the account will not be considered to be a resource and may be used only to benefit the child and only for such purposes as education or job skills training; personal needs assistance; special equipment; housing modification; medical treatment, therapy, or rehabilitation; or other items or services determined appropriate by the Commissioner.

5. Graduated Benefits for Additional Children

Present Law. - Each disabled child is eligible, under the SSI program, for an amount equal to the full Federal monthly benefit rate, which currently is $458.00, plus any supplementary payment made by the State. The benefit may be reduced because of other income received by the child, or because of parental income that is deemed to the child.

Proposed Change. - The amount payable to a child will be reduced if two or more SSI-eligible children reside together in a household. The amount for the first child will be 100 percent of the full benefit; the amount for the second eligible child will be equal to 80 percent of the full benefit; the amount for the third eligible child will be equal to 60 percent of the full benefit; and the amount for the fourth and each subsequent child will be equal to 40 percent of the full benefit. Children living in group homes or in foster care will continue to be eligible for 100 percent of the full benefit. The aggregate amount payable to all SSI-eligible children in a household will be paid to each child on a "per capita" basis.

For the purpose of determining eligibility for Medicaid, each SSI-eligible child in a household shall be considered to be eligible for an amount equal to 100 percent of the full Federal benefit rate.

6. Use of Standardized Tests

Present Law. - There is no provision relating to use of standardized tests for purposes of determining whether a child is disabled.

Proposed Change. - The Commissioner of Social Security is required to use standardized tests that provide measures of childhood development or functioning, or criteria of childhood development or function that are equivalent to the findings of a standardized test, wherever such tests or criteria are available and the Commissioner determines their use to be appropriate.

7. Directory of Services

Present Law. - There is no provision requiring a directory of services that are available to assist children with disabilities.

Proposed Change. - For the purpose of expanding the information base available to members of the public who contact the Social Security Administration, the Commissioner of Social Security shall establish a directory of services for disabled children that are available within the area serviced by each Social Security office. Each such directory shall include the names of service providers, along with each provider's address and telephone number, and shall be accessible electronically to all Social Security employees who provide direct service to the public.

8. Coordination of Services

Present Law. - There is no provision that establishes a system for assuring that SSI disabled children have access to available services.

Proposed Change. - In order to assure that a child receiving SSI benefits on the basis of disability has access to available medical and other support services, that services are provided in an efficient and effective manner, and that gaps in the provision of services are identified, the State agency that administers the Maternal and Child Health block grant would be made responsible for developing a care coordination plan for each child.

The Secretary of Health and Human Services, the Secretary of Education, and the Commissioner of Social Security are directed to take such steps as may be necessary, through issuance of regulations, guidelines, or such other means as they may determine, to assure that, where appropriate, the State medicaid agency, the State Department of Mental Health, the State Disability Determination Service, the State Vocational Rehabilitation Agency, the State Developmental Disabilities Council, and the State Department of Education: (1) assist in the development of the child's care coordination plan; (2) participate in the planning and delivery of the services called for in the care coordination plan; and (3) provide information to the Secretary of Health and Human Services with respect to the services that they provide.

E. Other Provisions

1. Alien Eligibility for Public Assistance Programs

Present Law. - The AFDC, SSI, medicaid, and food stamp laws provide for limiting eligibility of immigrants for assistance by means of so-called "deeming" rules. The rules provide that for the purpose of determining financial eligibility for benefits and services, immigrants are deemed to have the income and resources of their immigration sponsors available for their support for a period of 3 years. P. L. 103-152, the Unemployment Compensation Amendments of 1993, included a provision extending the sponsor-to-alien deeming period for SSI from 3 to 5 years, effective from January 1, 1994 to October 1, 1996.

Proposed Change. - The bill makes the SSI 5-year deeming period permanent, and extends it to the AFDC and food stamp programs. It also provides for uniform alien eligibility criteria for the SSI, AFDC, medicaid, and food stamp programs.

2. Tax Responsibilities Incident to Expatriation

Present Law. - Under current law, a taxpayer's accrued asset gains are not taxed at the time he or she expatriates or gives up U.S. residence. Further, the taxpayer's accrued gains with respect to foreign assets are never taxed by the United States. In cases when it can be demonstrated that a taxpayer expatriated for purposes of tax avoidance, accrued gains with respect to U.S. assets are taxed if a taxable disposition occurs within the ten-year period following relinquishment of U.S. citizenship.

Proposed Change. - A U.S. citizen relinquishing citizenship generally would be taxed on any accrued asset gains as of the date of expatriation. Certain long-term residents of the United States would similarly be taxed on accrued gains upon losing such resident status. Exceptions would be provided for the first $600,000 of a taxpayer's gain, gain with respect to U.S. real estate, and pension gains. A taxpayer could elect, on an asset by asset basis, to avoid immediate gain taxation and instead continue to be subject to U.S. taxes with respect to an asset.

3. Earned Income Tax Credit Changes

(i) Illegal aliens

Present Law. - Currently, persons resident in the United States for over six months who are not U.S. citizens are eligible for the EITC in some circumstances, even if they are working in the country illegally.

Proposed Change. - Eligibility for the EITC would be limited

to those residents authorized to work in the United States.

(ii) Social Security numbers

Present Law. - Procedurally, the IRS must use its normal deficiency procedures, which involve a series of written communications with the taxpayer, if it decides to challenge a taxpayer's EITC claim that may be erroneous. This is true even in the case of a missing or erroneous social security number.

Proposed Change. - The IRS would be provided with the authority to process EITC claims in a more effective manner. Social security numbers (valid for employment purposes in the case of the earner(s)) would be required for the taxpayer, his or her spouse, and each qualifying child. The IRS would be permitted to handle any errors in social security numbers under the simplified procedures currently applicable to math errors on a taxpayer's return, rather than under the normal tax deficiency procedures.

(iii) Modification of unearned income test

Present Law. - Individuals with more than $2,350 of interest (taxable and tax-exempt), dividends, net rents and net royalties are not eligible for the EITC. (This provision was enacted this year in H.R. 831.)

Proposed Change. - An individual's net capital gains would be added to the other categories of unearned income that are totalled for purposes of determining an individual's eligibility for the EITC.

4. Treatment of Corporate Stock Redemptions

Present Law. - Corporate shareholders are allowed a special deduction (the "dividends received deduction") with respect to qualifying dividends received from taxable domestic corporations. The deduction equals 70 percent of dividends received if the corporation receiving the deduction owns less than 20 percent of the stock of the distributing corporation. The deduction equals 80 percent of the dividends received if 20 percent or more of the stock is owned by the receiving corporation. Members of a group of affiliated corporations can elect to claim a 100 percent dividends received deduction for qualifying dividends paid by a member of the affiliated group. No deduction is allowed for dividends received from tax-exempt corporations.

An amount treated as a dividend in the case of a non pro rata redemption of stock (or a partial liquidation) is considered an extraordinary dividend under Internal Revenue Code section 1059(e)(1). Generally, the basis of the remaining stock held by a corporation receiving a dividend must be reduced by the nontaxed portion of any extraordinary dividend (i.e., the amount

of the dividends received deduction) received by the corporation with respect to the stock.

Proposed Change. - The bill would replace the provision under current law (Code sec. 1059(e)(1)) that allows a corporate shareholder to reduce its basis in the remaining stock by the amount of the nontaxed portion of an extraordinary dividend. Instead, the bill would provide that, except as specifically set forth in regulations, any non pro rata redemption (or partial liquidation) would be treated as a sale of the redeemed stock, even if such distribution would otherwise be treated as a dividend and entitled to a dividends received deduction under present law.

The bill would be effective for redemptions occurring after May 3, 1995, except for those redemptions occurring pursuant to the terms of a written binding contract in effect on May 3, 1995 or pursuant to the terms of a tender offer outstanding on May 3, 1995.

The Economic Opportunity and Family Responsibility Act of 1995

Facts at a Glance:

- o Maintains safety net for poor families while providing state flexibility and adequate funds and support (child care and health care) to move recipients into work and reduce recidivism.

- o Emphasis on job creation
  - Equity investment
  - job support demonstration
  - increased funding and participation in JOBS program
  - Individual development accounts so that recipients can save for education, work related expenditures (car), or home

- o Eliminates Marriage Disincentives

- o Provides state flexibility
  - JOBS program (state can determine who participates, when they begin participation and how they participate
  - child care programs are consolidated into a child care block grant
  - earned income disregards are liberalized

- o Requires both parents take responsibility for their children
  - Federal locator systems
  - Child Support Order Registry
  - Strengthen paternity establishment
  - Child Support Assurance demonstration
  - Grants for access and visitation
  - Simple child support modification demonstration

- o Reduces Recidivism
  - Allows states to extend transitional child care and Medicaid
  - Funding increased for child care for low income families. Child care guarantee for AFDC parents who are working, participating in the JOBS program or transitioning off of welfare

- o Targets the non-custodial parent
  - Allows states to use JOBS funds for non-custodial parents
  - Funds available to establish programs for non-custodial parents who are under or unemployed

THE ECONOMIC OPPORTUNITY AND FAMILY RESPONSIBILITY ACT OF 1995

The Economic Opportunity and Family Responsibility Act of 1995 focuses on welfare reform solutions that seek to reduce poverty in America. The key elements follow:

- o Investment in poor communities through private sector job creation
- o Improves work incentives
- o Provides state flexibility
- o Encourages marriage and family stability
- o Encourages parental responsibility
- o Targets teen parents
- o Acknowledges and encourages the participation of the non-custodial parent
- o Reduces recidivism

1. Provides Incentives for Private Sector Job Creation

Equity Investment Proposal - Targets the use of the banking system to create equity investments in companies located in or near poor communities. The Federal Reserve would be required to pay interest on the over $30 billion that banks and thrifts have on deposit at the Federal Reserve. Instead of cash interest would be paid in the form of certificates equal in value to the interest each bank and thrift "earned" each year.

* Banks and thrifts could turn the certificates into cash by making investments in qualified companies -- qualified companies are those willing to locate in or near high-unemployment/poverty zones. Qualified companies must agree that 50% of their employees associated with the investments will come from the ranks of the unemployed residents of the zone and particularly the long term unemployed and those eligible for AFDC, Foodstamps, and General Assistance.

Job Support Demonstration - Demonstration funds are available to entities in poor communities that have developed agreements with the private sector to provide jobs and relevant training to AFDC recipients. Funds could be used for necessary support services

Coordination of Services - Allows funds for several demonstrations for states to develop One-Stop Career Centers in poor communities that would provide information on and/or assist recipients in obtaining job training, education, support services and matching job skills with existing or anticipated jobs.

2. Provides Incentives to Work

Increase Income Disregard - Allows states the flexibility to set their own income disregards.

Qualified Asset Accounts - States may allow recipients to save up to $10,000 for education, self-employment, and work related expenses.

Advanced EITC - Requires the Secretary of the Treasury to develop an Advanced Earned Income Tax Credit demonstration program.

Tax Assistance Program - Expands government efforts to provide funds for tax assistance to low income families targeting AFDC, Food Stamp recipients, the homeless, and those families that receive child care assistance through the At-Risk program.

3. Provides State Flexibility

Allows states to move from process and administrative activities to moving recipients into work by:

* Allowing states to require participation in JOBS immediately.

* Allowing states the flexibility to determine what activities constitute participation in JOBS and the hours of recipient participation.

* Consolidating several child care programs into a capped entitlement block grant.

* Liberalizing earned income disregard rule.

* Increasing JOBS funds.

4. Encourages Marriage and Family Stability

Elimination of Marriage Disincentives

* WORK HISTORIES - Removes the AFDC provision that requires principal wage earners in two parent families to have recent work histories.

* 100 HOUR RULE - Removes the AFDC provision that denies eligibility if the wage earner works 100 hours or more in a month.

* 6 MONTH LIMIT - Removes the AFDC provision that allows States to limit the participation of two-parent families in AFDC to only 6 months in any 12 month period.

* STEPPARENTS - Exempts stepparents from current deeming rules when their income is less than 130% of poverty.

5. Requires Parental Responsibility

Expands Federal Locator Systems - Establishes a national network based on comprehensive statewide child support enforcement systems, allowing states to locate any absent parent who owes child support and coordinating child support enforcement between states.

Federal Child Support Order Registry - Establishes a federal child support order registry at HHS.

National Child Support Guidelines Commission - Establishes a Commission to develop national child support guidelines for consideration by the Congress.

Civil Procedures for Paternity Establishment would be Strengthened - Streamlines civil procedures used to establish paternity.

Hold on Occupational, Professional, and Business Licenses -Denies/withholds occupational, professional, business, and drivers' licenses for noncompliance with child support orders.

6. Targets Teen Parents

Teen Schooling and Employment Requirements - Requires teen AFDC recipients to participate in educational activities leading to completion of high school or the equivalent, or participate in job preparation and job search activities. For those teens who do not meet these requirements a portion of their AFDC grant will be cut.

Teen Case Management - Requires states to establish a system that provides intensive case

management services to teen parents on AFDC.

Minor Teenage Parent Residency Requirement - Requires teen parents receiving AFDC to live at home with parents or in another supervised setting, except under certain circumstances.

7. Acknowledges the Role of the Non-custodial Parent

Allows states to use a portions of JOBS funds for non-custodial parents.

Child Support Demonstrations - Provides funding for state demonstrations to establish programs for non-custodial parents who are unable to pay child support due to under or unemployment.

Teen Noncustodial Parents and Child Support - Gives states the authority to temporarily waive the right to collect child support obligations of teen noncustodial parents who are participating in a state educational or employment preparation program.

Provides grants to states for access and visitation programs.

8. Reduces Recidivism

Allows states to extend transitional child care and Medicaid.

Six child care programs are block granted. The child care guarantee remains for those receiving AFDC and those transitioning off of AFDC. Additional funds are made available for the block grant.

MODIFICATIONS TO CHAIRMAN'S MARK

Title I

1. On page 5, line 6, clarify that a State s program must serve all political subdivisions of the State and delete paragraph (7) on page 7.

2. On page 9, line 11, add new provision indicating demonstration projects are not limited by the bill.

3. On page 10, lines 7-14, technical modification to the provision allowing certain State Legislatures to appropriate federal funds under the new grant program.

4. On page 10, lines 15-17, clarify that JOBS program funds continue to be paid to Indian tribes and Alaska Native organizations (at FY 1994 level) and will not reduce State grant funds.

5. On page 21, line 16, change 1998 to 1999.

6. On page 22, delete lines 11-13, to clarify that a State may require a recipient with a child under age 6 to participate in a JOBS activity for more than 20 hours if child care is guaranteed.

7. On page 23, lines 11-21, and page 25, lines 3-13, add job placement through a voucher as a work activity.

8. On page 25 line 14 through page 26 line 16, clarify that States have the option to reduce benefits or terminate eligibility if an individual refuses to engage in work activities.

9. On page 27, lines 12-23, clarify that each head of household is subject to the 5-year time period.

10. On page 30 line 9 through page 31 line 6, clarify that States have the option to make all noncitizens ineligible for the new grant program (not just certain noncitizens).

11. On page 31, delete 7-13, and add a new noncitizen deeming rule for all means-tested programs in the Social Security Act (see language attached) in lieu of the 5-year deeming rule.

12. Delay data reporting requirements beginning on page 32, until the second year of the new grant program, and make various modifications.

13. Strike line 25 on page 33, through line 2 on page 34 (deletes the requirement that a State track the time that a former welfare recipient remains in a job).

14. On page 34 after line 8 add a provision requiring States to report the increase or decrease in the number of out-of-wedlock births using a random statewide sample of those receiving assistance under the new grant program.

15. On page 34 line 24 through page 35 line 5, clarify that the state expenditures reporting requirement only applies to the new grant program.

16. On page 43 line 9 through page 44 line 11, clarify that existing waivers may be continued or terminated without penalty; modify notification date for termination of waivers to extend to 90 days after adjournment of next regular session of the State legislature; add expedited approval of extensions of existing waivers.

Title III

17. On page 9 lines 21 through page 10 line 2, modify definition of childhood disability to read:

(C) An individual under age 18 shall be considered disabled for the purposes of this section if that individual has a medically determinable physical or mental impairment, which results in marked, pervasive, and severe functional limitations, which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

18. On page 18, line 14, change two to three (relating to commission appointments by the President).

SIMPSON AMENDMENT ON DEEMING

(a) DEEMING REQUIREMENT FOR FEDERAL AND FEDERALLY-FUNDED PROGRAMS.--For purposes of determining the eligibility of an individual (whether a citizen or national of the United States or an alien) for benefits, and the amount of benefits, under any Federal program of assistance, or any program of assistance funded in whole or in part by the Federal Government, for which eligibility is based on need, the income and resources described in subsection (b) shall, notwithstanding any other provision of law, be deemed to be the income and resources of such individual.

authorized in the Social Security Act

(b) DEEMED INCOME AND RESOURCES.--The income and resources referred to in subsection (a) include the following:

(1) the income and resources of any person who, as a sponsor of such individual's entry into the United States, or in order to enable such individual lawfully to remain in the United States, executed an affidavit of support or similar agreement with respect to such individual, and

(2) the income and resources of the sponsor's spouse.

(c) LENGTH OF DEEMING PERIOD.--The requirement of subsection (a) shall apply for the period for which the sponsor has agreed, in such affidavit or agreement, to provide support for such individual, or for a period of 5 years beginning on the day such individual was first lawfully in the United States after the execution of such affidavit or agreement, whichever period is longer.

authorized in the Social Security Act

(d) DEEMING AUTHORITY TO STATE AND LOCAL AGENCIES.--(1) For purposes of determining the eligibility of an individual (whether a citizen or national of the United States or an alien) for benefits, and the amount of benefits, under any State or local program of assistance for which eligibility is based on need, or any need-based program of assistance and administered by a State or local government other than a program described in subsection (a), the State or local government may, notwithstanding any other provision of law, require that the income and resources described in paragraph (2) be deemed to be the income and resources of such individual.

(2) The income and resources referred to in paragraph (1) include the following:

(A) the income and resources of any person who, as a sponsor of such individual's entry into the United States, or in order to enable such individual lawfully to remain in the United States, executed an affidavit of support or similar agreement with respect to such individual, and

(B) the income and resources of the sponsor's spouse.

(3) A State or local government may impose a requirement described in paragraph (1) for the period for which the sponsor has agreed, in such affidavit or agreement, to provide support for such individual, or for a period of 5 years beginning on the day such individual was first lawfully in the United States after the execution of such affidavit or agreement, whichever period is longer.

The Economic Opportunity and Family Responsibility Act of 1995

UNOFFICIAL COST ESTIMATES
($ in billions; FYs 1996 - 2000)

Expenditures:

Title I:	$7.1
Title II:	$2.3
Title III:	$0.9
Title IV:	$4.039
Title V:	$5
TOTAL:	**$19.339**

Revenues:

Excise tax on cigarettes:	$19.1

(Increases the tax on a package of cigarettes from 24 to 48 cents.)

Tax on foreign-owned businesses:	$1.9
TOTAL:	**$21.0**

THOMAS R. CARPER
GOVERNOR

STATE OF DELAWARE
OFFICE OF THE GOVERNOR

May 24, 1995

Senator Kent Conrad
724 Hart Senate Office Building
U.S. Senate
Washington, D.C. 20510

Dear Senator Conrad:

We are writing to commend you for developing a thoughtful, comprehensive welfare reform proposal. We believe that many of our fellow governors would join us in supporting the overall approach in your bill.

We applaud your bill's serious focus on work. The litmus test for any real welfare reform is whether or not it adequately answers the following three questions: 1) Does it prepare welfare recipients for work? 2) Does it help welfare recipients find a job? 3) Does it enable welfare recipients to maintain a job? Your bill meets this test because it provides assistance to prepare individuals for work, to help individuals find and keep jobs, and to ensure that work pays more than welfare.

Your bill appropriately recognizes the critical link of child care in enabling welfare recipients to work, and emphasizes that both parents have a responsibility to their children with the inclusion of measures to increase paternity establishments, child support collections, and interstate cooperation in child support enforcement.

We are pleased that your bill includes a contract of mutual responsibility, the "Parental Responsibility Agreement," which will require individuals and state government to take responsibility to work together in enabling welfare recipients to become self-sufficient. We are implementing contracts of mutual responsibility in our states and believe that this is a critical element in transforming the welfare system.

Your bill gives states significant flexibility and places incentives in the welfare system for assisting states in designing work-focused programs. Your bill appropriately recognizes a state-federal partnership which provides states with assistance during periods of recession, disaster, or increased need.

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Finally, we strongly support provisions in your legislation which require teen parents to stay in school and live at home, call for a national campaign to reduce teenage pregnancy, and provide grants to states to implement teen pregnancy prevention strategies.

We look forward to working with you in the weeks and months ahead in the effort to dramatically change our nation's welfare system.

Sincerely,

Tom Carper Mel Carnahan

Gaston Caperton

DEPARTMENT OF SOCIAL SERVICES
OFFICE OF THE SECRETARY
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(605) 773-3165
FAX (605) 773-6834

May 10, 1995

Honorable Larry Pressler
United States Senate
283 Russell Senate Office Building
Washington, DC 20510

Dear Senator Pressler:

We would like to take this opportunity to relay our general comments on HR-4 (The Personal Responsibility Act of 1995).

We strongly support the broad concept of block grants to states for reforming the welfare system; The State would not be burdened by as many federal rules governing how we distribute services within the state. We would be able to set our own standards for determining who qualifies for welfare, and have the broad authority to determine what is relevant and to what extent.

The "strings" in the House version complicate matters. These mandates should be repealed and replaced with language allowing states the flexibility to establish whatever requirements or restrictions are necessary to meet the unique needs of their own populations. Since federal funds have been frozen, there is no basis for mandates.

We agree with some of the key provisions in HR-4, such as:

A family not cooperating with Child Support Enforcement is ineligible for cash benefits.

Benefits are reduced if paternity has not been established.

Individuals convicted of "fraud based upon the residency of the individual" (collecting in more than one state) are ineligible for benefits for 10 years.

Other prohibitions and conditions are attached to the block grant which may result in a cost shift to states, further limit state flexibility; and increase administrative burdens. Some of these are in-tune with our philosophy, while others could pose problems

We agree there is a need to reduce out-of-wedlock births and reduce the number of unwed teenagers who bear children, but we do not fully agree with the following provisions:

"The State may not offer cash benefits to unwed mothers under age 18, or their children."

In an average month, less than 50 "head of household" AFDC recipients are 17 or fewer years of age, so this isn't a major factor. Most unwed teen parents in South Dakota aren't on AFDC, so a policy to end benefits for this group is unnecessary.

Administratively, it might cost more to design a service delivery system for these teen parents in lieu of AFDC, than to continue paying cash benefits. The House bill's prohibition of cash benefits appears to create a voucher system instead. States should have the flexibility to establish whatever requirements or restrictions are necessary to meet the unique needs of their own populations.

Children born while their mother was on AFDC would be ineligible.

South Dakota doesn't have a major problem with children born while the parent is receiving AFDC. Regardless of our low incidence in this state, we support this policy. In principal though, we oppose restrictions or requirements within a block grant that may result in a cost shift to states and/or further limit state flexibility as we implement a block granted assistance program.

Families would receive benefits for two years and then must engage in a certain number of hours of "work activities."

We like the option of determining how much to reduce cash assistance to recipients who do not meet work activity requirements. We agree with the concept of time limits but have difficulty with the participation requirements. The standards for participation are overly ambitious, particularly the 50% requirement for FY03. Our concern is that failure to meet these standards will result in the loss of up to 5% of the State's next FY block grant.

Most important to this discussion is the fact that about 30% of South Dakota AFDC cases do not have an adult receiving benefits, or the adult is disabled and unable to work. We would need over 70% of the able bodied recipients engaged in work activities in order to achieve the mandated 50% overall participation rate.

A major dilemma occurs when people are required to engage in "work activities", because the cost to the state in providing child care would skyrocket. The Child Care block grant would be frozen at pre-FY94 levels and might well fall far short of the amount needed. Our preliminary estimate is this might translate into an additional $4,000,000 in child care expenses per year. The Child Care Block Grant will be funded at less than the FY 1994 level, so if child care is to be provided to these people while they work, the State now has a substantial unfunded mandate.

In no case could a family receive benefits for more than 5 years.

We disagree with the stipulation that all cases, not just those with an able bodied parent in the household, will be subject to a 5 year limit on benefits. The consequence of this action might be to overload the foster care and group care systems, where funding is also frozen at FY94 levels. Both foster care and group care are more expensive than "temporary assistance to needy families", and those block grants would soon be depleted.

In addition, in order to avoid costly and time consuming determination of prior eligibility used by interstate migrants, there should be a national "Welfare Recipient Registry" to check the number of months of the time limit used in other states.

Data collection will be mandatory for some data not currently being collected.

We have a minor concern in this area because if required performance data (necessary for congressional oversight) is not submitted, the block grant is reduced by 3%. Some data not currently being collected would now be a requirement. If retrieving this information proves difficult and expensive, we not only might lose the money spent trying to retrieve data, but may be subject to a penalty from the next year's allocation. There is no funding provided for information systems upgrade and additional data collection.

Funding Levels

Our understanding is that once set, South Dakota's allocation will remain the same through FY2000. Any increased spending, such as the result of inflation or economic recession, will be the State's responsibility. There is a "rainy day" fund available, but states will have to <u>borrow</u> from it, with interest. We believe this should be a Federal Rainy Day *Grant* fund, thus providing needed assistance to states in economic distress without burdening them with debt.

The 5 year *loss* to South Dakota of AFDC, Emergency Assistance, and JOBS funding is 14-15 million dollars (estimated by the Department of Health and Human Services). In addition, HHS projects a 5 year loss of 30 million dollars in direct (100% federal) Supplemental Security Income payments to South Dakotans. A concern is the impact this reduction will have on current and future AFDC cases.

The State also has recently expanded it's IV-A Emergency Assistance Program for many children who have been placed in custody of the Department of Social Services, Department of Corrections, and the Unified Judicial System. The recent expansion of using Emergency Assistance funds will not be passed on to us in the block grant and will result in more State funds being required by these agencies. The current federal share of $1. 2 million will be lost.

In conclusion, we support the concept of block grants, but not as written in HR-4. We think we can survive with the reduction in funding HR-4 specifies, but only if the mandates are removed from the bill. If AFDC funds are to be an entitlement to the State, rather than the individual, and frozen at a pre-determined level, then it is only fair all the strings be snipped.

Thank you for this opportunity to comment on HR-4. If you would like a more detailed analysis of our view, please contact Denny Pelkofer of the Office of Assistance Payments at (605) 773-3478.

Sincerely,

James W. Ellenbecker
Secretary

DEPARTMENT OF SOCIAL SERVICES

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Honorable Larry Pressler
United States Senate
133 Hart Senate Building
Washington, DC 20510-4102

Attn: Stephanie Lien

Dear Stephanie:

This letter is in response to your verbal request for information about South Dakota's welfare reform effort.

What follows is a brief summary of five key provisions of our venture that differ from the "old" welfare system. The intent of the changes is to provide each AFDC family with the proper incentives to become self sufficient as soon as possible. Few individuals want to make welfare a way of life, and these changes will help families become independent. The 5 program changes to be undertaken are:

Social Contract: AFDC must not be viewed as a permanent way to support children. To that end, each parent who is the head of household is asked to sign a pledge to undertake the steps necessary to become a self supporting member of their community. Basically those steps are to either actively search for a job or to get the basic education or training necessary to qualify for a job.

Unless exempted by the Department of Social Services (DSS) the parent will be asked to enroll in the Family Independence program or Tribal JOBS, register at Job Service, or contact potential employers about work. With DSS approval, some recipients will be allowed to compiete their education or enroll in training programs to enhance that person's employability.

While the parent is at work, looking for a job, or in approved training, DSS pledges (as long as eligibility standards are met) continued AFDC benefits; continued Medicaid eligibility; and, assistance in meeting child care needs.

Time Limited Benefits: If after 24 months the parent is still receiving AFDC benefits, he or she will be required to participate in community service or volunteer work. The time limit for those approved for training is the amount of time necessary to complete the training, not to exceed 60 months. Before welfare reform was implemented, there was no time limit.

Voluntary Quit: Recipients who quit their job without a good reason (or applicants for AFDC who quit and applied for assistance) will lose their benefits for 3 months or until they find a job that pays as well as the one they quit. Prior to welfare reform there was no such sanction for quitting a job.

Transitional Employment Allowance: Historically about 25% of AFDC recipients who left welfare because of finding a job, returned to AFDC within 3 months. The transition was perceived as difficult because of the time lag between their last AFDC check and their first paycheck form their employer. To ease this transition from assistance to employment, some recipients who leave AFDC because of employment can receive a one time payment to tide them over until they receive that first paycheck.

Employment Incentives for Teenagers: To encourage a positive attitude about work, teenagers who are students will be allowed to own a modest car (value less than $2,500) and to save up to $1,000 of earnings for future education and other needs. Under the "old" system, these earnings and resources would affect the families AFDC eligibility and/or benefits.

As a final comment, an experimental design evaluation of our welfare reform project is being undertaken by the Business Research Bureau of the University of South Dakota. It is anticipated that some preliminary evaluation results will be available at this time next year, but the final evaluation report is not due until the year 2000.

I hope this is sufficient information for your needs. If you have further questions, feel free to call Denny Pelkofer, Program Administrator for Assistance Payments (the AFDC program) at (605) 773-4678.

Sincerely,

Mike Vogel

Mike Vogel
Deputy Secretary for Program Management

Oregon Tries Its Own Welfare Reform, Offering Companies an Incentive to Put People to Work

By HILARY STOUT
Staff Reporter of THE WALL STREET JOURNAL

Carolina Bowen wasn't an ideal candidate for the new registrar job at New Care Directions, a medical training school in a suburb of Portland, Ore. She had mostly worked in the fast-food industry. She knew little about the medical field. And she had been unemployed and on welfare for more than two years.

But Ms. Bowen got the job. The school's owner, Jeri Hendricks, hired the 30-year-old mother of four in December through a new pilot state program designed to entice private employers to hire welfare recipients and give them the work experience necessary to point them toward self-sufficiency.

The success of the movement to restructure the nation's welfare system largely depends on the willingness of companies to hire people like Ms. Bowen, who now wins praise from her employer. The problem is many aren't. Oregon has come up with a simple carrot: Take the money now being spent to provide food stamps and cash welfare benefits, and use it instead to offer employers temporary subsidies to hire welfare recipients into newly created jobs.

The Senate Finance Committee will take up the cry to move welfare recipients into work today when it begins considering a welfare-overhaul bill that would turn billions of dollars now spent on federal assistance over to states to design their own antipoverty programs. The proposal by committee chairman Bob Packwood, an Oregon Republican, would impose fewer requirements on states than a House-passed bill. But, like the House bill, it would require that welfare recipients work for their benefits after two years of collecting assistance. And just how to achieve that goal would be left entirely up to the states.

Other States Follow Suit

Oregon is already pushing ahead. Its jobs program, which is operating in six counties, is only six months old, and its effectiveness won't be gauged for some time. But the idea has been intriguing enough to lead other states, most recently Ohio and Massachusetts, to set up similar initiatives. And the Oregon legislature is working on a bill to expand the program statewide.

"I think it begins to indicate a way of tackling what I think is a major challenge of welfare employment: not just to connect people with jobs but to get them on a career track where they're not just one [position] away from welfare," says Robert Friedman, chairman of the Corporation for Enterprise Development, a nonprofit research and consulting organization.

Specifically, the program, known as JOBS Plus, works this way: The state of Oregon, using federal money for food stamps and Aid to Families with Dependent Children, agrees to pay the wages and payroll expenses, including workers compensation and Social Security taxes, for nine months for employees hired from the welfare rolls into a newly created job. The employers agree to provide the new workers with a workplace "mentor."

More important, some people believe, the employers pledge to contribute $1 for every hour the employees work after 30 days to an "individual education account" that employees can use to continue their education after finding unsubsidized employment. The state continues to pay child care and medical costs, through Medicaid. If the employers decide not to offer the JOBS Plus workers a permanent position after six months, the firms are still obligated to keep them on another three months – and allow them one day off a week, with pay, to search for a job.

Ms. Hendricks used the new enticement to take a risk on Ms. Bowen. Through Oregon's welfare system, Ms. Bowen had received training in word processing and other office skills. Nevertheless, Ms. Hendricks knew she would have to spend more time training the employee, but the nine-month wage subsidy lessened the gamble. "I said . . . I'm going to have to spend 20 hours a month extra because there's such a high learning curve."

Effort Pays Off

Indeed, in the initial weeks Ms. Hendricks found herself teaching Ms. Bowen skills as basic as telephone etiquette. The lesson: "You don't pick up the phone and say, 'Yeah, what do you want.' "

But the effort was well worth it, Ms. Hendricks says. "Yes, it's cost me a couple more hours but so what. I have a very motivated, intelligent lady who's proud of what she's done, and she should be." Ms. Bowen recently received a 50-cent-per-hour raise, to $6.50, and an offer of a permanent job with increased responsibilities at New Care.

Despite success stories such as Ms. Bowen's, some advocates for the poor believe JOBS Plus amounts mostly to a corporate handout. "It's a free-labor program for business," says Sylvia Mitchell, executive director of the Oregon Human Rights Coalition, a nonprofit organization devoted to "empowering" low-income people.

But state officials point out that most of the 161 employers taking on JOBS Plus employees so far are paying the workers more than the $4.75-per-hour state minimum wage even though the program will only subsidize pay up to that level. "I think that dispels the myth that employers would be in this only for their personal

gain," says James Neely, assistant administrator of the Oregon family services administration.

The program was conceived by a businessman, Dick Wendt, chairman of JELD-WEN Inc., a large door and window manufacturer in Klamath Falls, Ore. The 9,000-employee firm isn't participating in the program for now because it has no facilities in the six counties in which the program is operating. Bill Early, senior vice president of JELD-WEN, says subsidizing wages is critical to bringing welfare recipients into the workplace.

Working on Welfare

Proposed Senate Finance Committee welfare bill:

- Requires cash welfare recipients to work for benefits after two years. Five-year life time limit on benefits. (States can set tougher requirments.)
- Has no restrictions on whom states may give benefits.
- Ends the "entitlement" guarantee of cash assistance to all who meet income eligibility requirement.
- Establishes block grant for cash welfare and child care.

"It would be much more difficult" to hire someone without the subsidy, he says. "The concept of subsidy is: it's provided during this period of training. We feel an employer can determine within this time whether or not the individual is going to be able to undertake a regular position or not."

However Mr. Friedman of the Corporation for Enterprise Development, while expressing interest in the Oregon program, cautions: "There's a pretty long history of experimentation with wage subsidies, from targeted job tax credit to various wage subsidy schemes. It's a pretty spotty scheme. It sometimes backfires."

For example, he explains, "They stigmatize. An employer says you're offering me money to take this person. They must be damaged goods. I think that's always a concern."

State officials hope to place 5,000 welfare recipients into jobs in the first three years of the program. So far they have placed 183 people. They privately admit that they have been steering their most promising welfare recipients to the JOBS Plus jobs in the initial months. But even so, some haven't worked out.

Linda Carpenter, the owner of Soak Tubs, which sells spas, hot tubs and swimming pool supplies in the Portland suburbs, had been operating the store by herself for 14 years. When she read about JOBS Plus in the newspaper she thought it might be a good way to take on another person.

But the worker Ms. Carpenter hired had never had a job and seemed oblivious to the basic tenets of the workplace – like coming to work on time. She was supposed to start at 10 a.m. "One day she called at 1 p.m. and said she'd overslept," Ms. Carpenter recalls. She also wore inappropriate clothes to work, such as exercise leggings.

The employee quit after a month, but Ms. Carpenter took a chance on another JOBS Plus applicant, this time interviewing candidates more carefully. The new employee, Michelle Haag, a 27-year-old mother of two, has been terrific, Ms. Carpenter says. She's earning $5 per hour–plus commission on selling spas–and Ms. Carpenter hopes soon to be able to give her a raise.

After trying over and over for more than 18 years, Rosie Watson finally got her whole family a no-strings-attached handout from America's taxpayers

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JOHN B. O'DONNELL
AND JIM HANER

EVERY MONTH, Rosie Watson goe to the Lake Providence, La. post office and picks up nin federal welfare checks totaling $3893—tax-free income that adds up to $46,716 a year. Few working families in this bleak, impoverished Mississippi River backwater earn more.

Except that Rosie, 44, doesn't earn it. She gets $343.50 a month from the government in disability payments because she was found by a Social Security law judge to be too stressed out to work. Her common-law husband, L. C. Lyons, 56, gets the same amount for obesity (he weighed 386 pounds when he qualified for payments).

Watson has seven children, ages 13 to 22. All of them have lagged behind in school and at various times scored poorly on psychological tests. Under the government's rules, this translated into a failure to demonstrate "age-appropriate behavior" and qualified them to get $458 each. Welfare payments such as these are so widespread in Lake Providence and other communities around the nation that they are popularly known as "crazy checks."

A visitor to Rosie Watson's small bungalow would be hard pressed to find any sign of high living, however. The screen door hangs open. Soaps blare from the television. Roaches crawl the walls in the living room; the kitchen is caked with dirt. The house lacks a telephone, but Rosie does have two scanners to monitor police calls. "That's so I know what's going on," she explains.

The welfare program that supports Rosie's family is run by the Social Security Administration (SSA) and is called Supplemental Security Income (SSI). Established by Congress in 1974, SSI was originally aimed at providing life's necessities for poor adults too old, ill or handicapped to work. Now its 6.3 million recipients include alcoholics and drug addicts who stoke their habits with the cash; legal aliens; and nearly 900,000 children, 67 percent of whom get checks for mental retardation or for other hard-to-disprove mental problems. It has become the nation's most generous welfare plan.

The cost of SSI, now over $25 billion annually, has more than doubled in the past five years. It is expected to grow another 50 percent in the next four years. Sen. Robert Byrd (D., W.Va.) calls it a "well-intentioned entitlement program run amok."

Right to Benefits. Rosie Watson first tried to get aboard this check-writing behemoth at age 24. When SSI was set up, she was an eighth-grade dropout with an infant and a toddler, collecting $90 a month in Aid to Families with Dependent Children (AFDC). The new disability plan paid even better than traditional welfare based only on need, and she filed her first application.

She was turned down, but she would persist over the years with 17 more applications for herself and her family. The rules permit unlimited applications and unlimited SSI checks to a household. She was merely exercising her right to seek benefits from a government program.

First in the family to be accepted to the SSI rolls was her second child, Sam. He was four in 1978 when Watson filed for him. He had just been declared mildly "mentally retarded" by evaluators at Northeast Louisiana University. His mother had told them that he was violent, a threat to other children.

Relying on that report, Social Security decided that Sam should get benefits. But then a pediatrician reviewing Sam's file said his behavior was normal for a child. SSI tossed out his claim. Watson applied three more times unsuccessfully for Sam, then gave up—temporarily.

For 27 months she made no claims. During that period the SSA underwent a profound change. The agency had admitted in 1980 that a fifth of disability recipients shouldn't be getting checks, prompting Congress and the Reagan Administration to order a purge of the undeserving.

Social Security kicked thousands of people off the rolls, generating a public outcry that forced President Reagan to end the crackdown in 1984. Congress, the courts and Social Security reacted by opening up the rules, producing a sharp rise in new cases—including a tripling of the children's rolls between 1989 and 1995.

Bonus Time. In February 1984, at the peak of the backlash, Rosie Watson filed Sam's fifth application, again alleging that he was retarded and had behavior problems. "I have to keep knives or weapons away from

disabled. That "could be a self-fulfilling prophecy," she has said.

Willie Lee Bell, principal of Southside Elementary School, across the street from the Watson house, is a man who despises SSI. He knows poverty firsthand too. He grew up with ten brothers and sisters in a four-room sharecropper's house on Epps Plantation in West Carroll Parish, where his father worked 12 hours a day. Broad-shouldered and soft-spoken, Bell has failed kidneys that would automatically qualify him for disability payments from Social Security if he chose not to work.

He has watched the tidal wave of SSI applications up close. For each pupil who applies, he gets a questionnaire from Social Security. Echoing complaints made in other states, he and his staff say parents are encouraging—some say coaching—their children to perform poorly and misbehave in school to get SSI checks. "The children don't want to fail," he says. "They are doing what Mamma wants."

Mike Baumann, who makes disability decisions in Shreveport, where the Watson cases were decided, says, "The kids are being told that their worth is in sucking off the government teat, that their worth is in not achieving."

Social Security says that coaching is not widespread, and federal investigators, thwarted by privacy laws, have been unable to document its dimensions. But, as June Gibbs Brown, chief investigator in the Department of Health and Human Services, wrote last October: "If Congress intended that the SSI program should help children overcome their disabilities and grow into adults capable of engaging in substantial gainful activity, then changes are needed."

Meanwhile, the history of SSI suggests that the Watson family will remain permanently on the program. "I've got nothing to hide," Rosie says. "SSI has done a lot for our family. We're not able to work, and it's the best income."

Reprints of this article are available. See page 252.

The Trouble With...

... a three-day weekend is that it turns Tuesday into Monday.
—Doug Larson, United Feature Syndicate

... bucket seats is that not everyone has the same size bucket.
—Mary Waldrip in Dawsonville, Ga., *Advertiser & News*

... the voice of experience is that it won't keep its mouth shut.
—Al Bernstein

... giving advice is that people want to repay you.
—Franklin P. Jones in *Woman's World*

... wearing a name tag at a convention is that everybody knows exactly who you are when you fall asleep.
—Melanie Clark in *Contemporary Comedy*

him—he has injured his brother," she said. Sam, at age ten, began getting his checks. Now 21 and unemployed, he is still receiving them.

Not only was Sam the first Watson to win benefits, he was also the first to get a retroactive "bonus." Because SSI payments are backdated to the day of application, no matter how long it takes Social Security to process the request, each successful applicant gets a retroactive payout. In 1984, Sam's was almost $900, covering the three months between application and approval.

Eight years later, Social Security sent Rosie Watson nearly $10,000 after concluding that Sam really should have been put on the rolls in 1980. In all, the Watson family has received over $36,000 in tax-free retroactive bonuses.

By November 1991, six of Rosie's seven children were on the rolls. Cary became the last, finally making it in February 1993. Rosie filed Cary's first application in 1989 when he was 16. A psychologist found him "easily irritated . . . aggressive and explosive" and noted that he had stabbed a man in self-defense. Caseworkers turned him down. Rosie applied again and got the same answer. Then she appealed to a judge.

The appeal was put on hold when Cary went to prison for nearly two years on a second-degree battery conviction, resulting from kicking his pregnant girlfriend. When he was freed, Social Security sent him to Bobby L. Stephenson, a psychologist in Monroe, La., who told the SSA that he had an I.Q. of 53, "strong antisocial features in his personality and is volatile and explosive." And, the psychologist added, "he said he does not want to work."

A month later, the judge awarded Cary monthly checks and gave him a $9694 retroactive payment, excluding his jail time.

Today, mental disability, real or imagined, is the primary diagnosis for 58 percent of the 4.7 million disabled SSI recipients. In the case of children, there is no requirement that the money be spent to overcome a disability. Indeed, there is no requirement that a parent demonstrate that the disability requires added expenses.

Government Wards. Start to finish, Rosie Watson's quest for her children took 15 years. Her own pursuit of benefits took 11, longest in the family. She applied five times before finally persuading the right people that she is disabled.

Her persistence is reflected in the shifting array of physical complaints she claimed. In 1974, it was high blood pressure, heart trouble and bad nerves that prevented her from working. In 1975: anemia, dizziness, nerves and bad kidneys. In 1976: *low* blood pressure and heart problems. In 1984, she blamed stomach problems, epilepsy and sinus trouble. The following year it was epilepsy again, along with "female problems." A physician who examined her in 1976 wrote, "Patient is determined to become a ward of the government."

In 1985, after her fifth rejection, Rosie Watson appealed. Two days

before Christmas, an administrative law judge wrote that she couldn't cope with the stress of work, blaming her problems on "her home life" and "lack of finances." He awarded her benefits and recommended a re-examination of the case "within one year." Social Security did review Watson's condition four years later, in 1989, and concluded that she was still unable to work. It has not checked her since. And as of March 1995, no one from the SSA had visited anyone else in the family since they began getting payments.

Ten months after Watson was accepted by SSI, her common-law husband applied, saying he had a "bad back, swollen feet and bad eyes." A former logger and carpenter who still does odd jobs around Lake Providence, Lyons was turned down. He, too, appealed. A judge in 1987 granted him benefits, saying Lyons's obesity automatically qualified him.

"They Need Money." Sitting in her living room, Rosie Watson offers a sharp contrast to the woman who emerges from her SSI records. In the past ten years she has told caseworkers and doctors that she "doesn't know what country we live in," that her "ability to recall is almost void," that she can't handle money or count. In conversation now, she is able to recall intricate details of the family's two-decade quest for SSI and is in charge of paying the family's bills.

She pulls a thick wad of bills and monthly payment books from her purse. After she cashes the nine checks she receives, she gives Sam, 21, and Cary, 22, their full $458 and makes sure they pay their bills. (Cary, a father now, has moved out of the house.) George, 15, David, 17, Willie, 18, and Danny, 19, all get allowances. "Being the age they is and being out there with their little girlfriends, they need the money," she says.

From the rest of the $3893 a month the family gets, Rosie pays bills, including car payments, utilities, cable TV and insurance policies, that total about $1300. Loans, including payments for furniture, a washing machine and storm-damage repair, cost another $300. She spends $700 a month on food, supplemented by a back-yard garden.

A physician who examined Rosie Watson in 1976 wrote, "Patient is determined to become a ward of the government."

She need not budget for medical expenses. Each member of the Watson family on SSI automatically gets Medicaid for health care. Potentially that could cost taxpayers as much as the SSI payments do.

Coached to Fail. Critics claim that among the worst aspects of SSI is the encouragement its recipients receive to lead unproductive lives. And Shirley S. Chater, the Social Security commissioner, acknowledges concern about labeling children as

SENATE FINANCE COMMITTEE
MARK UP ON H.R. 4, THE PERSONAL RESPONSIBILITY ACT OF 1995
FRIDAY, MAY 26, 1995

NUMBER	SPONSOR	SUBJECT
1	Packwood	1. Modification to Chairman's Mark * not in packet, to be supplied
2	Moynihan	1. Text of S. 828 * not in packet.
3	Baucus	1. Hardship Amendment, substituting 15% for 10%
4	Bradley	1. Unfunded local mandates 2. Basic Standards 3. Child Support -$50 pass-through 4. Denial of services to meet participation requirements.
5	Breaux	1. State Maintenance of Effort
6	Conrad	1. Substitute Wage Act 2. Partial substitute titles I & II of bill 3. Childhood SSI 4. Work amendment 5. Teenage Mothers
7	D'Amato	1. Anti-fraud
8	Graham	1. Grant distribution formula 2. Prohibition of assistance for certain aliens 3. Removal of requirement that states continue to operate current AFDC program. 4. SSI 5. Waiver termination clarification 6. Child care availability 7. State demonstration programs 8. Child care age limit
9	Grassley	1. JOBS program

10	Moseley-Braun	1. Economic Opportunity & Family Responsibility Act of 1995 2. Using banking system to create jobs in high unemployment/high poverty communities 3. Safety net - amendment 1 4. Safety net - amendment 2 5. Child Care- capped entitlement
11	Nickles	1. Illegitimacy
12	Rockefeller	1. Hardship waiver 2. Flexibility on time-limits during economic downturns/high unemployment
13	Roth	1. EITC

BAUCUS HARDSHIP AMENDMENT
SUBSTITUTING 15% FOR 10%

Amendment:

The Family Self-Sufficiency Act of 1995 allows a state to continue up to 10% of its caseload for hardship cases beyond the five year time limit. The Baucus Hardship Amendment would raise the number of hardship cases a state may have after five years to 15%. The "ten percent" language in Sec. 405(a)(2)(B) of Chairman Packwood's bill -- page 28 -- would therefore be changed to "fifteen percent."

Rationale:

The 10% figure is much too low, is unrealistic and totally unworkable. Fifteen percent is a much more attainable rate for states.

Unfunded Local Mandate Amendment
Sen. Bradley

No state receiving an allotment under the block grant shall, by mandate or policy, shift the costs of providing income support and services previously provided under Aid to Families with Dependent Children to counties, localities, school boards, or other units of local governments.

Rationale:

As caseloads increase beyond the availability of funds under this block grant, states will be tempted to shift recipients toward programs fully funded by counties or local governments. In addition, children cut off or arbitrarily denied assistance may require additional services provided through schools or other local agencies. This shift of costs will lead to increases in local property taxes, wiping out the savings to taxpayers from this block grant.

States would continue to have great flexibility under this amendment because the prohibition on unfunded mandates applies only to assistance and services currently provided through AFDC, not any additional services or employment and training programs developed in the future.

Basic Standards Amendment
Sen. Bradley

Amend the state plan requirements as follows:

The State Plan must include:

(1) Basic terms and conditions under which families are deemed needy and eligible for cash assistance. These terms and conditions shall include a need standard based on family income and size, a basic standard for benefits or schedule of benefits for families, and explicit rules on treatment of earned and unearned income, resources and assets.

(2) Identication of any categories of families, or individuals within those families, deemed by the state to be categorically ineligible for cash assistance, regardless of family income or other factors in paragraph 1.

(3) Assurances that all families deemed eligible under paragraph 1 will be provided assistance under the benefit schedule developed under paragraph 1, unless:

(A) The family or an individual member of the family is categorically ineligible under paragraph 2 or,

(B) The family is subject to sanctions or reductions in benefits under terms of another provision of the state plan or state or federal law, or under the terms of an individualized agreement between the recipient and state or its representative. Such an agreement may contain additional terms and conditions applicable only to the individual recipient.

(4) Procedures under which the state will ensure that funds will remain available to provide assistance to all eligible families even if the state exhausts funds provided under the Temporary Assistance Block Grant, and assurances that no family otherwise eligible will be placed on a waiting list for assistance or instructed to reapply in the future when additional federal funds are available.

Rationale

This amendment ensures that the basic components of an assistance program will be present in all states and that all families made eligible by the state will be served. The Chairman's mark requires only that states have a program to assist needy families, but it does not require states to define needy families or assist all families defined as needy.

This amendment does not alter the time limits or work requirements in this bill. It also does not restrict the right of states to implement additional time limits or disqualify any group of recipients, including unwed teens and additional children. It also does not limit the freedom of states to sanction or cut off recipients based on their behavior under the terms of an individual agreement such as those used in Iowa and Utah.

Child Support Amendment -- $50 pass-through option
Sen. Bradley

Give states the option to pass through up to $50 of child support collected for families on assistance, without requiring state to absorb entire cost, as follows:

In Section 402, on page 4 of Title IV, replace paragraphs (A) and (B) under (a):

(A) retain the amount collected, or at state option, distribute to the family all or any part of the amount collected each month and disregard for purposes of eligibility for and amount of cash benefits under Title I of this Act the first $50 so distributed to the family; and

(B) Pay to the Federal Government the Federal share of an amount equal to the sum of (1) the amounts so collected that are retained and (2) the amounts so collected which are distributed to the family and not disregarded.

Rationale:

The Chairman's draft eliminates the mandatory $50 pass-through of child support paid for children on assistance. It gives the state the option to pass through all or some of the amount collected, but requires the State to reimburse the federal government for that amount as if the State had kept it. This will make it too expensive for any state to pass through any amount. This amendment restores a realistic *option* to pass through $50. States could pass through even more, but would have to pay the full cost.

Amendment
Sen. Bradley

No state may deny services to any otherwise eligible applicant who, on the basis of skills, health, number of children, or availability of child care, is considered to be less likely to obtain employment, if such denial is for the purpose of helping the state meet the work participation requirements in this Act.

Rationale:

This legislation does not require states to serve even the poorest families. Since the only substantive requirement it places on states is that a certain percentage of recipients of federally funded assistance must be participating in work activities, it creates an incentive for the state to place those most ready to work in the federally funded program, leaving parents deemed less likely to be able to work behind. Those parents would either receive no assistance, or be placed in a fully state-funded program where they would not be counted for the purposes of meeting the state's work participation requirement. This amendment would prohibit manipulating the system in this way.

Option A

TITLE I

STATE MAINTENANCE OF EFFORT AMENDMENT

BY SENATOR BREAUX

Rationale

The federal government and the states should share the savings and costs of welfare reform:

- If welfare reform succeeds in moving people from welfare to work, both levels of government should share in the savings. Under the block grant, the federal government would give each state a fixed sum for each of the next five years. With this amendment, the block grant amount paid by the federal government would decline as state welfare spending did.

- Both levels of government should share the responsibilities of welfare reform. Without this amendment, states would no longer have spend any of their own money on poor children or work programs. States now spend almost half of the nation's welfare dollars (45 percent of the total, with the exact percentage varying by state).

Amendment

States who spend as much of their own money on needy families as they did in 1994 would receive the full federal block grant amount.

States that do not maintain 1994 state funding levels would lose federal funding at a rate equivalent to the federal medical assistance percentage (FMAP). For example, a state with a 50% FMAP would lose $.50 for every $.50 it falls below its current spending level. Federal block grant money not spent by a state in one fiscal year would be redistributed to other states the following fiscal year.

Maintaining 1994 spending would mean contributing as much in state dollars to the Temporary Family Assistance Grant as the state had spent in 1994 for the seven welfare related programs consolidated in the chairman's mark (AFDC benefits, AFDC administration, Emergency Assistance, JOBS, transitional child care, at-risk child care, and JOBS/IVA child care).

According to the Congressional Budget Office, this amendment would save $350 million in food stamp costs over seven years.

PRELIMINARY ESTIMATE OF STATE MAINTENANCE OF EFFORT (BREAUX) DRAFT 05/24/95

Estimated relative to Chairman's Mark as introduced on May 23, 1995

(by fiscal year, outlays in millions of dollars)

	1996	1997	1998	1999	2000	2001	2002	96-2002 Total
State Maintenance of Effort								
Food Stamp Program	0	-25	-50	-50	-50	-75	-100	-350

Basis of Estimate:

Based on discussions with federal and state officials, CBO assumes that states receiving one-third of the block grant funding would cut spending relative to 1994 levels under the Chairman's Mark. This amendment would prevent such cuts, and therefore, would increase state spending on benefit payments, training, and child care activities. CBO has assumed that the amendment would result in some families receiving higher cash payments, which in turn would lower their food stamp benefits. The estimate assumes the Food Stamp program is an open-ended entitlement.

CONRAD SUBSTITUTE AMENDMENT

Amendment: This amendment substitutes for the Chairman's Mark the text of Senator Conrad's Work And Gainful Employment Act. The WAGE Act consolidates the JOBS program, AFDC JOBS Child Care, the Administrative Costs of AFDC and the Emergency Assistance Program into a highly flexible work-oriented block grant for States. In addition, the WAGE Act replaces the AFDC program with a new Transitional Aid Program, which provides a safety net for children and an automatic economic stabilization mechanism for States. Individuals would not be entitled to benefits, but would be subject to whatever time limit the State deemed appropriate. The only restriction on time limits would protect children whose parents comply with every State requirement and are still unable to find gainful employment. This amendment would also include a technical amendment to the WAGE Act as introduced to retain the Child Care Development Block Grant as a discretionary program.

Cost: CBO has not yet issued a formal cost estimate of the WAGE Act. Preliminary indications from CBO staff are that the WAGE Act can be anticipated to save between $6 and $11 billion through fiscal year 2000. Preliminary HHS estimates, coupled with items previously scored by CBO, indicate that WAGE Act savings could be higher than $11 billion.

THE WORK AND GAINFUL EMPLOYMENT ACT

SUMMARY OF SENATOR CONRAD'S WELFARE REFORM PLAN

The Work and Gainful Employment Act (WAGE) gives States unprecedented flexibility to design and administer work programs to move individuals off welfare. The legislation is based on four principles: work, protecting children, state flexibility, and family. The WAGE Act totally reforms our welfare system while protecting the children of America against an abdication of federal responsibility. The purpose of WAGE is to transform welfare into an employment-based transition program while retaining a safety net for children and an automatic economic stabilizer for states.

WORK AND GAINFUL EMPLOYMENT BLOCK GRANT (WAGE)

- The WAGE block grant will give States the flexibility to provide job placement and supportive services to move individuals into jobs as quickly as possible.

- The WAGE block grant consolidates funding from JOBS, Emergency Assistance, AFDC Child Care, Transitional Child Care, and the administrative costs of AFDC.

- WAGE services would be available for all persons qualifying for the Transitional Aid Program, and, at state option, non-custodial parents.

State Flexibility

- States have complete flexibility to design employment programs, such as microenterprises, employment opportunity centers, work supplementation, temporary subsidized jobs, placement companies, etc.

- States provide monetary incentives to case managers for successful job placements and retention, as well as to out-source job services and use performance-based contracting.

- States determine eligibility criteria and participant requirements for the specific programs created under WAGE.

- States option to require non-custodial parents with child support arrears to participate in WAGE.

- States may establish time limits of any duration for WAGE participants. However, a State may not terminate participants from WAGE and the Transitional Aid Program if the participant has complied with the requirements set forth in the WAGE plan.

- States may establish participation rates at any level above the required WAGE rates and may establish specific rates for targeted groups, such as two-parent families, non-custodial parents, mothers with children of a certain age, etc.

State Requirements

- Administer a WAGE program that promotes moving parents into private sector employment.
- Develop a WAGE employability plan with the recipient that indicates the requirements necessary to move off of welfare.
- Ensure that child care is available for WAGE participants.

Funding

- The WAGE block grant is a 5 year capped entitlement based on historical funding for Emergency Assistance, AFDC Child Care, Transitional Child Care, and the administrative costs of AFDC (at 1995 spending levels or the average of 1993, 1994, and 1995). The WAGE block grant includes additional funding each year to put people to work and to ensure that child care is available. The WAGE block grant grows 3% per year.
- States receive incentive payments for moving individuals off welfare and into employment as well as for improvements in the number of individuals combining work and welfare.

Participation Rates

- Participation in the WAGE program is phased in, reaching 55% in FY 2000.
- States focus specifically on getting people into work or work preparation activities for a minimum of 20 hours per week (more at state option). Half of the participation rate must be met by individuals who are working. After two years individuals must be working in order to meet state participation rate requirements.

TRANSITIONAL AID PROGRAM

A new work-related program, the Transitional Aid Program, maintains a basic safety net for America's children and provide an automatic economic stabilizer for states. States have significant flexibility to determine eligibility criteria, earned income disregards, resource and asset limits, time limits, and sanctions. Compared to the current AFDC program, which has 45 State plan elements, the Transitional Aid Program reduces the State plan to 14 elements, allowing states wide latitude to design a program that meets their specific needs.

- All recipients are required to sign a "Parental Responsibility Agreement" as a condition for receiving benefits, specifying that assistance is not a right, but a transitional privilege available to those attempting to regain or achieve self-sufficiency.

State Flexibility

- States have full authority to determine:
  - Treatment of earned and unearned income
  - Resource limits
  - Forms of support - benefits, wage subsidies to employers, wages to individuals in subsidized employment, etc.
  - Sanctions for individuals who fail to comply with State requirements
  - Payment or denial of benefits to children born to individuals receiving assistance
  - Time frames for achieving self-sufficiency
  - Extent to which child support is disregarded when determining eligibility and benefits

Eligibility

- A family must meet the following criteria to be eligible for the Transitional Aid Program:
  - Have a needy child, as defined by the State
  - Comply with the WAGE employability plan (if required to participate)
  - Cooperate and comply with paternity and child support measures

State Plan Requirements

States have substantial flexibility in the design of their Transitional Aid Program with only the following minimal federal requirements:

- Serve all families with needy children uniformly, as defined by the State
- Operate a WAGE program
- Operate a Child Support Enforcement program in accordance with Title IV-D
- Maintain categorical Medicaid eligibility for the Transitional Assistance Program and provide transitional Medicaid for at least one year (longer at State option) for participants leaving the Transitional Aid Program.
- Maintain assistance in some form to needy children in families in which the parent is complying fully with all WAGE and other requirements

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Funding

- Current law match rates for benefit levels are retained.

WORKING FAMILIES CHILD CARE BLOCK GRANT

- A new Working Families Child Care Block Grant simplifies and consolidates child care programs to support low-income working families and to promote self-sufficiency.

- The Working Families Child Care Block Grant combines the At-Risk child care program, Child Care and Development Block Grant, Child Development Associate Scholarships, and the Dependent Care Planning and Development Grants.

- At least 50% of the Working Families Child Care Block Grant must be used to support low-income working families.

- The Working Families Child Care Block Grant would reserves 20% of a State's allotment for quality improvements and would maintain minimum health and safety standards.

- A Quality Enhancement Bonus promotes innovative child care training programs and enhancements of child care quality standards and licensing/monitoring standards.

CHILD SUPPORT ENFORCEMENT

- **Paternity Establishment:** Mothers who apply for Transitional Aid are required to cooperate fully with paternity establishment and child support collection efforts. States have one year after the mother identifies the father to establish paternity or risk losing a portion of the federal matching payment. States would receive incentive payments based on child support collections and paternity establishment efforts.

- **Modification of Support Orders:** Administrative updating of the awards is simplified to ensure that awards reflect the current ability of the noncustodial parent to pay support.

- **Automation:** States would establish central registries for the collection and disbursement of child support using an enhanced federal match (90% FFP). A state-based new hire reporting program is established.

- **Interstate Enforcement:** States are required to adopt the Uniform Interstate Family Support Act.

- **Distribution of Child Support:** The rules for distributing child support payments for families on AFDC and for families formerly on AFDC are altered so that these families receive additional child support.

- **Demonstration Projects:** Demonstrations on child support assurance and other areas are established to foster additional improvements in child support enforcement.

TRANSITIONAL MEDICAID

- States have the option to provide transitional Medicaid benefits for up to two years.

TEENAGE PREGNANCY PREVENTION

- **National Campaign**: The President coordinates a national campaign against teen pregnancy that involves business, schools, religious institutions and community organizations.

- **Living at Home**: Minor parents must remain in their parents' or a guardian's household in order to receive Transitional Aid benefits, with certain exceptions. For a teenage parent unable to live with her parents or a legal guardian, the appropriate authority will assist the individual in locating an appropriate adult-supervised supportive living arrangement or a Second Chance House.

- **Second Chance Houses**: Second Chance Houses will be available to minor custodial parents with children who require special assistance and a structured living environment in order to succeed. A Second Chance House provides a structured program that provides early childhood intervention and development; child care; parent education and training; case management to assess family needs; family counseling; parenting classes; and health services for children and adults.

- **Stay in School**: Teenage custodial parents on Transitional Aid who have not finished high school must participate in educational and/or training programs leading to a high school diploma or its equivalent. States may establish a program of monetary incentives and penalties to encourage teen parents to finish school.

- **Prevention**: A teenage pregnancy prevention program provides grants to states to implement promising teen pregnancy prevention strategies.

SUPPLEMENTAL SECURITY INCOME CHILDREN'S PROGRAM

- The purpose of the SSI children's program is clearly defined as: providing basic necessities to maintain a child with a disability at home; covering the additional costs of caring for a child with a disability; and enhancing a child's opportunity to develop into an independent adult.

- Cash benefits are maintained because families, not government, are best able to determine and meet the diverse needs of children with disabilities.

- Eligibility criteria are tightened to ensure that only children with severe and persistent impairments receive benefits.

- Parents are required to demonstrate that they have sought appropriate treatment for their child.

- Penalties are expanded for individuals that coach children to act inappropriately in order to receive benefits.

- Benefits are graduated for multiple recipient families: 85% for the second child; 65% for the third, 45% for the fourth, 35% for the fifth, 25% for the sixth and $50 for each additional child.

FINANCING

The Conrad bill is financed entirely through savings from the welfare system. In addition to savings realized through a more flexible system, savings items include:

Immigration

- The plan counts the income from an alien's sponsor in determining eligibility for the Transitional Aid program, Food Stamps, and SSI until citizenship.
- Affidavits of support signed by sponsors pledging to keep an alien from becoming a public charge will be legally binding.
- A uniform alien eligibility standard is created for SSI, Medicaid, and Transitional Aid that conforms to the Food Stamp program.

Food Stamp Reform

- Requires able-bodied food stamp recipients between the ages of 18 and 50 with no dependents to work or enter a food stamp employment and training program within six months of receiving benefits.
- Food stamp adjustments are based on 100% of thrifty food plan levels.
- Several reforms of the food stamp program are included to require able-bodied recipients to work and to reduce program costs, including extending current claims retention rates, disqualifying recipients who fraudulently obtain food stamps in two states, disqualifying absent parents with unpaid child support (state option), and a variety of other program reforms.

Supplemental Security Income

- The continuing disability review process for disability beneficiaries is tightened to ensure that individuals who are no longer eligible do not continue to receive benefits.
- The SSI eligibility category for drug addicts and alcoholics is eliminated. Individuals with drug and alcohol addiction who qualify for SSI under a different diagnosis must undergo substance abuse treatment. Individuals who become ineligible for cash benefits will retain Medicaid eligibility.

CONRAD SUBSTITUTE FOR TITLES I AND II

Amendment: This amendment substitutes for Titles I and II of the Chairman's Mark Titles I, II and VI of Senator Conrad's Work and Gainful Employment Act. Titles I and II of the WAGE Act consolidate the JOBS program, AFDC JOBS Child Care, the Administrative Costs of AFDC and the Emergency Assistance Program into a highly flexible work-oriented block grant for States. In addition, the WAGE Act replaces the AFDC program with a new Transitional Aid Program, which provides a safety net for children and an automatic economic stabilization mechanism for States. Individuals would not be entitled to benefits, but would be subject to whatever time limit the State deemed appropriate. The only restriction on time limits would protect children whose parents comply with every State requirement and are still unable to find gainful employment.

Title VI of the WAGE Act requires that States prohibit teen mothers under age 18 who are eligible for Transitional Aid benefits from using those benefits to live in their own apartment. Those mothers and their children must either remain with their parent or parents, live with another responsible adult, or be placed in a structured living arrangement under adult supervision.

Cost: Although CBO staff has conducted a cursory review of the WAGE Act that indicates the bill saves as much as $11 billion over 5 years, CBO has not yet undertaken to estimate the cost implications of each title of the bill. Based on likely costs of other titles of the WAGE Act and preliminary estimates from HHS, CBO's estimate for Titles I and II could range between $4 billion and $8 billion over 5 years, although CBO has yet to confirm this.

THE WORK AND GAINFUL EMPLOYMENT ACT

TITLES I, II, AND VI OF SENATOR CONRAD'S WELFARE REFORM PLAN

The Work and Gainful Employment Act (WAGE) gives States unprecedented flexibility to design and administer work programs to move individuals off welfare. The legislation is based on four principles: work, protecting children, state flexibility, and family. The WAGE Act totally reforms our welfare system while protecting the children of America against an abdication of federal responsibility. The purpose of WAGE is to transform welfare into an employment-based transition program while retaining a safety net for children and an automatic stabilizer for states. Titles I, II, and VI authorize the WAGE block grant, the Transitional Aid Program, and a Teenage Pregnancy Prevention effort.

WORK AND GAINFUL EMPLOYMENT BLOCK GRANT (WAGE)

- The WAGE block grant will give States the flexibility to provide job placement and supportive services to move individuals into jobs as quickly as possible.

- The WAGE block grant consolidates funding from JOBS, Emergency Assistance, AFDC Child Care, Transitional Child Care, and the administrative costs of AFDC.

- WAGE services would be available for all persons qualifying for the Transitional Aid Program, and, at state option, non-custodial parents.

State Flexibility

- States have complete flexibility to design employment programs, such as microenterprises, employment opportunity centers, work supplementation, temporary subsidized jobs, placement companies, etc.

- States provide monetary incentives to case managers for successful job placements and retention, as well as to out-source job services and use performance-based contracting.

- States determine eligibility criteria and participant requirements for the specific programs created under WAGE.

- States option to require non-custodial parents with child support arrears to participate in WAGE.

- States may establish time limits of any duration for WAGE participants. However, a State may not terminate participants from WAGE and the Transitional Aid Program if the participant has complied with the requirements set forth in the WAGE plan.

- States may establish participation rates at any level above the required WAGE rates and may establish specific rates for targeted groups, such as two-parent families, non-custodial parents, mothers with children of a certain age, etc.

State Requirements

- Administer a WAGE program that promotes moving parents into private sector employment.
- Develop a WAGE employability plan with the recipient that indicates the requirements necessary to move off of welfare.
- Ensure that child care is available for WAGE participants.

Funding

- The WAGE block grant is a 5 year capped entitlement based on historical funding for Emergency Assistance, AFDC Child Care, Transitional Child Care, and the administrative costs of AFDC (at 1995 spending levels or the average of 1993, 1994, and 1995). The WAGE block grant includes additional funding each year to put people to work and to ensure that child care is available. The WAGE block grant grows 3% per year.
- States receive incentive payments for moving individuals off welfare and into employment as well as for improvements in the number of individuals combining work and welfare.

Participation Rates

- Participation in the WAGE program is phased in, reaching 55% in FY 2000.
- States focus specifically on getting people into work or work preparation activities for a minimum of 20 hours per week (more at state option). Half of the participation rate must be met by individuals who are working. After two years individuals must be working in order to meet state participation rate requirements.

TRANSITIONAL AID PROGRAM

A new work-related program, the Transitional Aid Program, maintains a basic safety net for America's children and provides an automatic stabilizer for states. States have significant flexibility to determine eligibility criteria, earned income disregards, resource and asset limits, time limits, and sanctions. Compared to the current AFDC program, which has 45 State plan elements, the Transitional Aid Program reduces the State plan to 14 elements, allowing states wide latitude to design a program that meets their specific needs.

- All recipients are required to sign a "Parental Responsibility Agreement" as a condition for receiving benefits, specifying that assistance is not a right, but a transitional privilege available to those attempting to regain or achieve self-sufficiency.

State Flexibility

- States have full authority to determine:
  - Treatment of earned and unearned income
  - Resource limits
  - Forms of support - benefits, wage subsidies to employers, wages to individuals in subsidized employment, etc.
  - Sanctions for individuals who fail to comply with State requirements
  - Payment or denial of benefits to children born to individuals receiving assistance
  - Time frames for achieving self-sufficiency
  - Extent to which child support is disregarded when determining eligibility and benefits

Eligibility

- A family must meet the following criteria to be eligible for the Transitional Aid Program:
  - Have a needy child, as defined by the State
  - Comply with the WAGE employability plan (if required to participate)
  - Cooperate and comply with paternity and child support measures

State Plan Requirements

States have substantial flexibility in the design of their Transitional Aid Program with only the following minimal federal requirements:

- Serve all families with needy children uniformly, as defined by the State
- Operate a WAGE program
- Operate a Child Support Enforcement program in accordance with Title IV-D
- Maintain categorical Medicaid eligibility for the Transitional Assistance Program and provide transitional Medicaid for at least one year (longer at State option) for participants leaving the Transitional Aid Program.
- Maintain assistance in some form to needy children in families in which the parent is complying fully with all WAGE and other requirements

Funding

- Current law match rates for benefit levels are retained.

TEENAGE PREGNANCY PREVENTION

- **National Campaign**: The President coordinates a national campaign against teen pregnancy that involves business, schools, religious institutions and community organizations.

- **Living at Home**: Minor parents must remain in their parents' or a guardian's household in order to receive Transitional Aid benefits, with certain exceptions. For a teenage parent unable to live with her parents or a legal guardian, the appropriate authority will assist the individual in locating an appropriate adult-supervised supportive living arrangement or a Second Chance House.

- **Second Chance Houses**: Second Chance Houses will be available to minor custodial parents with children who require special assistance and a structured living environment in order to succeed. A Second Chance House provides a structured program that provides early childhood intervention and development; child care; parent education and training; case management to assess family needs; family counseling; parenting classes; and health services for children and adults.

- **Stay in School**: Teenage custodial parents on Transitional Aid who have not finished high school must participate in educational and/or training programs leading to a high school diploma or its equivalent. States may establish a program of monetary incentives and penalties to encourage teen parents to finish school.

- **Prevention**: A teenage pregnancy prevention program provides grants to states to implement promising teen pregnancy prevention strategies.

CONRAD CHILDHOOD SSI AMENDMENT

Amendment: The amendment modifies the Chairman's mark by: (1) replacing Subtitle C of Title III with the text of S.798, the Childhood SSI Eligibility Reform Act (S.798 would be modified to ensure that children re-evaluated by the Social Security Administration under the new, more stringent version of the Individualized Functional Assessment, would be re-evaluated without the application of the medical improvement standard); and (2) amending Sec. 333 of the Chairman's Mark by allowing the Majority and Minority Leaders of the House and Senate to each appoint 3 members to the National Commission on the Future of Disability.

Cost: CBO estimates S.798 will save $2.1 billion over 5 years.

A SUMMARY OF
SENATOR KENT CONRAD'S
CHILDHOOD SSI ELIGIBILITY REFORM ACT

This summary describes how the Childhood SSI Eligibility Reform Act, introduced on May 11, 1995 by Senators Conrad, Chafee, Jeffords and Bradley, addresses criticisms that have been made of the Children's SSI program.

1. Criticism: SSI's purpose was never sufficiently defined.

Solution: Define the program as providing basic necessities to maintain a child with a disability at home or in another appropriate and costs effective setting; covering the additional costs of caring for and raising such a child; and enhancing the child's opportunity to develop into an independent adult.

2. Criticism: Children who are not severely disabled are drawing SSI benefits.

Solution #1: Tighten SSI eligibility to ensure that only children with severe and persistent impairments which substantially limit their ability to function receive benefits. Modifications to the IFA and disability listings would be effective 6 months after enactment.

- **Modify Medical Listings:** Direct SSA to modify its regulations to strike "Persistent maladaptive behavior destructive to self, others, animals or property" and insert "Persistent pattern of behavior destructive to self or others requiring protective intervention." This eliminates much of the maladaptive behavior component while retaining eligibility for children with serious emotional disorders whose behavior poses a threat to themselves (through suicide) or others.

- **Modify Individualized Functional Assessment:**

A. Raise Severity of Disability Required for Eligibility: Currently, a child is eligible for SSI if he or she has a marked disability in two functional areas or "domains"; a marked disability in one domain and a moderate in a second; or moderate disabilities in three domains. The Act directs SSA to tighten the level of severity required to qualify under the IFA by always requiring a child to have a marked impairment in at least one domain and a moderate impairment in one or more additional areas. This would eliminate the "three moderates" standard.

B. Narrow and Tighten Domains: SSA currently uses seven domains of development and functioning which are evaluated through the IFA: **cognition;**

communication; motor skills; social abilities; personal/behavioral patterns; responsiveness to stimuli (1st year of life only); **concentration, persistence and pace of task completion** (age 3 and up).

The Act requires SSA to adjust the domains to reduce overlap from a clinical perspective. The new domains would be:

(1) **Cognition**, i.e. ability to understand and reason and to learn required skills

EXAMPLE: Children with mental retardation

(2) **Communication**, i.e. ability to speak and communicate with others

EXAMPLE: Children with cerebral palsy or autism

(3) **Motor abilities**, i.e. gross and fine motor skills resulting in ability to move and coordinate the body

EXAMPLE: Children confined to a wheelchair or with major ambulation difficulties

(4) **Ability to engage in interpersonal relations**, i.e. ability to develop and maintain normal interpersonal relationships so as to function within family, peer and community according to the manner and mores of the group.

EXAMPLE: Ability to discern right from wrong; disruptive; withdrawn

(5) **Ability to Care for one's self**, i.e. ability to perform normal childhood activities in home, school or community with adult assistance or supervision appropriate to one's age, to care for oneself in a healthy and safe manner and control impulsive or aggressive behavior harmful to self or others.

EXAMPLE: Children with extensive physical needs (feeding tube); children with depression (suicidal); impulsive (don't understand they shouldn't turn on stove and set a fire)

(6) in children from birth to the attainment of **age 1, responsiveness to visual, auditory, or tactile stimulation**

EXAMPLE: a hyposensitive infant who has minimal or absent response, is apathetic or withdrawn

(7) in children **from age 3 to age 18, ability to concentrate, persist, maintain pace and have physical stamina to complete essential tasks in school, home or community**

EXAMPLE: children with muscular dystrophy; schizophrenia, or ADHD

C. Report by SSA: Between enactment and the effective date of the above changes (6 months after enactment), SSA would be directed to report back to Congress within 5 months with recommendations whether to modify the amendments, if any. However, the amendments would still take effect, even if Congress took no further action.

Solution #2: Increase and better target SSA's continuing disability reviews in order to ensure SSI does not remain available to those who are no longer eligible to receive it.

The Act both improves targeting of CDRs based on the likelihood a child's disability will improve and establishes a revolving fund to pay for additional CDRs.

3. **Criticism:** Children who should be ineligible are being coached to act out in ways that render them eligible for SSI.

Solution #1: Expand penalties for coaching children to act inappropriately in order to receive benefits. Penalties would equal:

- for knowing and willful coaching by a parent or guardian, an amount equal to SSA's current $1000 under it's fraud provisions plus up to $100 for each month the child received SSI benefits

- for knowing and willful coaching by any attorney, interpreter, or social service worker, $5000 plus $500 for each child involved (current SSA fraud provisions only include a $1000 fine for "fraud.")

Solution #2: Require greater use of standardized testing in making eligibility determinations, which are designed to make it virtually impossible to feign disability. This would preclude many awards currently made based on lay source evidence.

4. **Criticism:** Some families have been found to have multiple children receiving SSI, and each child receives the maximum benefit.

Solution: Graduate payments for additional children. Currently, families with more than one child receive no reduction in benefit for the additional children. We would graduate payments for each additional child in a family--100% for the first; 85% for the second; 65% for the third, 45% for the fourth, 35% for the fifth, 25% for the sixth and $50 for each additional child. This graduated scale would not apply to children who are in institutional care or to families adopting children with special needs.

5. Criticism: SSI policy fails to lead to responsible spending by recipient families:

Solution #1: Allow families to keep a portion of retroactive lump sum benefits they receive for the period between when they apply and are deemed eligible. Such funds could only assist with the special needs of their disabled child or children. Under current law, any lump sum payment families receive due to delays in their eligibility determination must be completely spent within 6 months. This option would allow them to retain some of the money provided it was segregated and used specifically for discrete needs of the child. (equipment like a wheelchair or special household modifications, education/training, rehabilitation)

Solution #2: Strengthens standards applying to representative payee, including requirements that such payees maintain contemporaneous records of transactions. In addition, establishes a system of accountability monitoring to ensure that SSI funds are properly spent.

6. Criticism: SSI does not move people toward self-sufficiency:

Solution #1: Require parents to demonstrate that they have sought appropriate treatment to alleviate their child's disability. Proof would be provided when the child's eligibility was reviewed.

Solution #2: Require SSA to redetermine eligibility of SSI children at age 18 applying the adult criteria.

CONRAD WORK AMENDMENT

Amendment: For the purposes of the participation rates in Sec. 404 that will be in effect during fiscal years 1996 and 1997, a minimum of half of participants must be engaged in actual work.

Explanation: Under the Chairman's mark, it is possible for a state to meet its work participation rate for fiscal years 1996 and 1997 without any participants actually working. Participants could all be engaged in educational activities under section 482(d)(1)(A)(i). This amendment would only allow educational activities to count toward half of the participation rate. Consequently, under the fiscal year 1996 participation rate of 20%, a minimum of 10% must be in actual work. In fiscal year 1997, when the participation rate rises to 30%, a minimum of 15% must be in actual work.

CONRAD/BRADLEY AMENDMENT #1

If States choose to serve unmarried teenage mothers under the Temporary Assistance Block Grant, unmarried teenage mothers must live with a parent, legal guardian, or other adult relative, or if they are unable to reside in such settings, the teenage parent must reside in a foster home, maternity home, or other adult-supervised supportive living arrangement, such as a Second Chance House, as a condition of receiving assistance. The Temporary Assistance Block Grant is increased by a total of $300 million over seven years to phase-in the requirement for adult-supervised living arrangements.

If States choose not to serve unmarried teenage mothers under the Temporary Assistance Block Grant, the State's block grant funds would be reduced by the State's allocation of the $300 million to be used for adult-supervised living arrangements.

The amendment provides the following level of funding ($millions):

1998	20
1999	40
2000	80
2001	80
2002	80
Total	$300

Rationale: This amendment would require teenage parents to live at home in those states that choose to serve teenage mothers. Additional funding would allow states to provide residential services to those AFDC mothers under the age of 18 who cannot live safely with a parent, other adult relative, or legal guardian.

D'Amato Amendment to Chairman's Mark

Clarification Regarding the Use of Revolving Loan Fund for Welfare Anti-fraud Activities

Clarifies that a state may use loan funds from the "Supplemental Assistance for Needy Families Federal Fund" for welfare anti-fraud activities, systems, or initiatives including positive client identity verification and computerized data record matching and analysis.

Proposed Substitute to HR4
Senator Graham Amendment #1

On page 10, strike lines 1 through 6 and insert the following:

" (1) IN GENERAL. - For purposes of subsection (a), a State family assistance grant for any State for a fiscal year is an amount determined by the Secretary to be the State's proportionate share of funds based on the number of children in poverty in the State as a percentage of the total number of children in poverty among all of the States. This proportion shall be adjusted annually to reflect changes in the number of children in poverty in each state."

Explanation: This amendment changes the method by which the block grant funds are distributed from 1994 expenditures to the number of children in poverty. This proportion is adjusted annually to reflect changes in the number of children in poverty in each state. In addition, the amendment places responsibility for determining the best measures of child poverty to be used in the allocation with the Secretary and the best measure to use in periodically adjusting the proportions (for example, a three year rolling average).

Proposed Substitute to HR4
Senator Graham Amendment #2

On page 30 line 9 through page 31 line 13, strike said lines thereby removing the option for States to prohibit assistance for certain aliens. Insert appropriate language to prevent states from prohibiting the use of grant funds to legal aliens that meet current eligibility requirements. The change in the proposed substitute on page 31 lines 11 through 13 is retained.

Explanation: This amendment would remove from the bill the option for States to prohibit assistance for certain aliens. The intent is for legal non-citizens to retain the same eligibility status as under current law. Non-citizens currently eligible for AFDC would be subject to the same financial eligibility standards a State includes in its program for cash assistance. This amendment does not strike the change in the deeming of sponsor's income from 3 years to 5 years.

Proposed Substitute for HR4
Senator Graham Amendment #3

On page 41 line 1 through page 43 line 8, strike all said lines. This amendment removes Sec. 105. Continued Application of Current Standards Under Medicaid Program.

Explanation: This amendment strikes that requirement that States continue to operate the AFDC program that is currently in effect for the purpose of determining continued Medicaid eligibility.

Proposed Substitute to HR4
Senator Graham Amendment #4

1. On page 4, line 4, add the following after the semicolon: "a noncitizen who is 75 years of age or older and who has resided in the U.S. for at least 5 years."

Explanation: This amendment would restore SSI eligibility for two groups: elderly immigrants who are 75 years of age or older and resided in the United States for five or more years eligible for SSI benefits and immigrants who are unable to take the citizenship examination because of a physical or mental disability. The amendment would bring the Chairman's Mark into line with the House passed H.R. 4 with respect to the treatment of very elderly immigrants.

2. On page 4, line 4, add the following after the semicolon: "a noncitizen who becomes disabled for causes that arose after entry."

Explanation: This amendment would make disabled legal immigrants eligible for SSI benefits if they became disabled from causes that arose after entry into the U.S.

During the Committee hearings, a general consensus formed among Committee members that the SSI program's eligibility criteria needed to be tightened to reduce the number of instances where elderly immigrants accessed the program immediately after becoming eligible, which turned out to be just a few years after entry into the United States. But there was no evidence presented at the hearings of abuse of the program by immigrants who become disabled after having come to the United States, worked, and paid taxes for a lengthy period of time. As drafted, the Chairman's mark would make these people who have contributed to our country ineligible to receive SSI benefits upon becoming disabled.

3. Provide that any non-citizen who has applied for naturalization, whose application for naturalization has not been denied, and who was not naturalized within six months after the date of application for naturalization shall not be denied SSI or other assistance under the bill.

Explanation: This amendment would ensure that delays in the processing of naturalization applications will not unfairly penalize immigrants. Many INS district currently have backlogs in the procesing of naturalization applications, and the length of time it takes to be naturalized can vary significantly between INS districts. If the number of applications increase without a corresponding increase in INS resources, those delays could worsen. To the exten that the risk of increased delays is high, this amendment would provide an important protection for immigrants.

The amendment would also ensure that all immigrants and all areas of the country are treated equitably. That is, it would provide that any naturalization applicant whose application was not denied and whose application was still pending after six months to be naturalized as opposed to one to two years.

Proposed Substitute to HR4
Senator Graham Amendment #5

On page 44, after line 5, insert the following new paragraph:

"(3) Cost Neutrality. -- A State which terminates a waiver under paragraph (1) shall be held harmless from any liability associated with accrued excess costs incurred under the terms and conditions of such waivers. Notification of termination of waivers shall be submitted not later than 90 days following adjournment of the next regular session of the State legislature.

Explanation: This amendment removes any unresolved cost neutrality liability from States with current welfare reform waivers who choose to terminate these waivers due to the implementation of the block grant. Since many states have requested waivers pursuant to State legislation, the time frame for notification of waiver termination is set to permit legislative action, if needed.

Proposed Substitute to HR4
Senator Graham Amendment #6

On page 22 line 10, after the word "care" insert the following phrase:

", subject to the availability of resources"

On page 22 line 11, after "(ii)" insert:

"at State option,"

On page 23 line 10, after the word "month" insert:

"excluding any families which include an individual exempted from participation as described in section (C)(i) and (C)(ii)"

Explanation: This amendment makes the child care requirement subject to the availability of funds and excludes individuals exempted due to lack of child care from the calculation of participation rates. Further, the amendment permits States to require participation for more than 20 hours per week for individuals with children under 6 years of age, if child care is available. This provision strengthens the work requirement to permit States to require intensive participation in activities in order to better prepare participants for self-sufficiency.

Proposed Substitute to HR4
Senator Graham Amendment #7

On page 9 after line 11, insert the following new subsection:

" (d) STATE DEMONSTRATION PROGRAMS.-- Nothing in this Act shall be construed to limit a State's ability to conduct demonstration projects for the purpose of identifying innovative or effective program designs in one or more political subdivisions of the State."

Explanation: This amendment makes explicit the expectation that States will continue to conduct demonstrations of innovative program designs. Under a block grant scenario, many potential demonstrations would not require federal waivers. This amendment makes clear that continued use of demonstration projects to improve program design.

Proposed Substitute to HR4
Senator Graham Amendment #8

On page 22 after line 13, insert the following new subsection and renumber subsequent subsections:

> " (D) CHILD CARE REQUIRED FOR PARTICIPATION.--For any individual required by a State to participate in work activities when such individual is responsible for the care of a child under 13 years of age, the state shall provide the individual with child care needed for such participation, subject to the availability of resources."

On page 23 line 10, insert the following sentence after period.

> "Any family which includes an individual exempted from participation due to the lack of child care resources shall be excluded from the total number of families receiving cash assistance."

Explanation: This amendment requires that child care must be provided for individuals with children under age 13 who are required to participate in work activities when such care is needed for participation. This requirement is subject to the availability of funds and any families which include and individual exempted from required participation are excluded from the denominator in the participation rate calculation.

Senator Grassley offers the following amendment to address the issue of a mandatory work program:

Page 7, line 2, after "PROGRAM" add the following: "or other work"; Line 4, after "JOBS" add the following: "or other work"

Section 201. Modifications to the JOBS program.

The JOBS program will be a state option, rather than the mandate under the Committee mark. The state may choose to have the current JOBS program, as modified under the Committee mark, OR create its own work program; EXCEPT, that the state's work program shall meet the JOBS participation rates and hour rates outlined in the Committee mark, section 404, page 21.

Explanation: While the intended goal of the Committee mark is to require states to have a work program that moves people from welfare to work, the Committee mark mandates that the work program must be the current JOBS program.

One of the concerns raised by the Administration about the House bill was that it was not tough enough on work. Because states were not specifically required to have a work program and work programs are considered expensive, the concern was that some states might simply let the time run out for difficult to place recipients and then their benefits would end.

Senator Grassley's amendment maintains the Committee goal of requiring states to have a work program without mandating that it must be the federal JOBS program. States will have the opportunity of choosing the JOBS program, which they know and are currently implementing, or creating their own innovative work program to achieve the goal of moving people from welfare to work.

States must certify that they are doing JOBS or are creating their own work program.

Exception: States must meet the participation rates and hour rates outlined in the Committee mark. It is important to ensure that there is some means of measuring states' success in involving recipients in work-related activities. The only way to guarantee that is to have clear standards.

Senator Grassley's amendment in the package was in concept form. The following is actual language to be offered to the Committee mark:

Page 7, line 1-5 (changes underlined):

(5) CERTIFICATION THAT THE STATE WILL OPERATE A JOBS PROGRAM OR OTHER WORK PROGRAM. -- A certification by the chief executive officer of the State that, during the fiscal year, the State will operate a JOBS program in accordance with part F or other work program to be defined by the state. The work program, to be defined by the state, must meet the provisions of Sec. 404 with the exception of section 404 (a)(1)(C)(ii).

CURRENT JOBS MANDATES THAT LIMIT STATE FLEXIBILITY

20 Hour Rule as it applies to educational activities - Only classroom hours are counted for meeting the 20 hour participation requirement which penalizes state's ability to support post-secondary education.

Self-Initiated Rules - States are not given the option of paying for tuition, books or fees for individuals who have taken the initiative to enter education programs.

Limit on use of job search - Only a certain number of hours of job search can be counted toward the participation rates.

Sanctioning Rules - States are not able to define their own sanctioning process for non-participation because specific penalties are mandated.

Payment of Expenses - States must pay for child care and transportation for training and other supportive services which are not actual work.

Targeted populations - States are required to spend at least 55 percent of their JOBS money on specific, targeted populations.

Single State Agency - The AFDC agency (family assistance program agency under the Committee mark) would have to administer the IV F (JOBS) program.

Moseley-Braun

The Economic Opportunity and Family Responsibility Act of 1995

Facts at a Glance:

- o Maintains safety net for poor families while providing state flexibility and adequate funds and support (child care and health care) to move recipients into work and reduce recidivism.

- o Emphasis on job creation
  - Equity investment
  - job support demonstration
  - increased funding and participation in JOBS program
  - Individual development accounts so that recipients can save for education, work related expenditures (car), or home

- o Eliminates Marriage Disincentives

- o Provides state flexibility
  - JOBS program (state can determine who participates, when they begin participation and how they participate
  - child care programs are consolidated into a child care block grant
  - earned income disregards are liberalized

- o Requires both parents take responsibility for their children
  - Federal locator systems
  - Child Support Order Registry
  - Strengthen paternity establishment
  - Child Support Assurance demonstration
  - Grants for access and visitation
  - Simple child support modification demonstration

- o Reduces Recidivism
  - Allows states to extend transitional child care and Medicaid
  - Funding increased for child care for low income families. Child care guarantee for AFDC parents who are working, participating in the JOBS program or transitioning off of welfare

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- o Targets the non-custodial parent
  - Allows states to use JOBS funds for non-custodial parents
  - Funds available to establish programs for non-custodial parents who are under or unemployed

Moseley Brown

USING THE BANKING SYSTEM TO CREATE PERMANENT, PRIVATE SECTOR JOBS IN HIGH UNEMPLOYMENT/ HIGH POVERTY COMMUNITIES

Summary

This provision is designed to help get at the heart of a major welfare-related problem -- the lack of private sector jobs. Many communities with large welfare populations have unemployment rates in both good times and bad that are at or above levels last seen nationwide in the Great Depression of the 1930s. The provision is similar in some respects tothe empowerment/enterprise zone program, but instead of tax credits, creates a mechanism to get **equity** investement into these communities -- investments that will create permanent, private sector jobs.

Using the Banking System

The provision makes use of our nations banks and thrifts as investors. These financial institutions have over $22.6 billion on deposit at the Federal Reserve. Currently, the Fed does not pay the financial institutions any interest on this money, although it does earn interest on the funds (by investing them in Treasury bonds). The provision would require the Fed to pay interest on the sterile reserves to the nation's banks and thrifts, but would require the financial institutions to use the money to make **equity** investments in businesses willing to:

1) locate facilities in or near high poverty/high unemployment communities (defined and selected using a process modelled on the empowerment/enterprise zone program); and

2) hire at least 50 per cent of their employees from among the residents of these communities who are either on welfare, or long-term unemployed.

The result is a non-bureaucratic, private-sector focused approach to economic development and job creation in low-income communities.

Welfare as a Training Wage

Under the provision, states would be able to pay a portion of welfare benefits to businesses receiving the equity investements to use to, in effect, buy down the wages of the welfare recipient employees they hire -- turning welfare into a kind of job trainging program where recipients are trained for real jobs that actually exist in or near their communities.

Why Equity?

The provision is built around equity investing, rather than lending or tax credits, because generating economic development and creating jobs in communities with high poverty rates is very risky. Loans, which must be repaid on a schedule, are not suitable for this kind of economic development, and tax credits only work if a business is profitable, which a new facility might not be for the first few years when it needs the support equity can provide the most.

Moseley Braun

Safety Net Amendment 1

Notwithstanding any other provision of this Act, no state shall deny cash assistance to an indigent child whose family meets the income and resource criteria as defined by the state. Nor shall a child be denied assistance due to the failure of that child's parents (or guardian) to meet requirements as defined in the state plan.

Rationale:

The Chairman's mark would dismantle the safety net for poor children. Children would be penalized for no other reason than the status of their birth. 4 million children would lose assistance under this mark. This amendment would ensure, that at a minimum, every state would provide a safety net for all children residing in a family that meets the state criteria for the receipt of benefits. This amendment does not preclude states from reducing a family's grant by the adult's portion.

MOSELEY-BRAUN

Safety Net Amendment II

A state may not terminate or deny assistance to an eligible child if, as a result of such action, a child would be at risk for adverse health and safety outcomes or in danger of homelessness.

A state must certify in their state plan how they will assess the impact of a denial or termination of benefits on children as related to the above areas.

Any individual who is aggrieved by a violation of the state or entity administering the block grant as described above may bring an action for relief in any United States District Court.

Rationale:

This amendment seeks to ensure that no child is denied assistance if the denial of that assistance would put the child at risk for adverse health and or safety outcomes or homelessness. This amendment would also create a judicial recourse for those children who are denied services in violation of this rule.

MOSELEY-BRAUN

Child Care Amendment

A Capped Entitlement Child Care program would be established to fund child care services for low income families transitioning from welfare to work, and for low income working families at risk of welfare. Funding would be capped at the CBO baseline for Transitional Child Care and At-Risk Child Care.

Year 1 $465 M
Year 2 $530 M
Year 3 $546 M
Year 4 $560 M
Year 5 $570 M

Total 1996-2000 $2.671 B

Year 6 $580 M
Year 7 $590 M

Total 1996-2002 $3.84B

This amendment would be offset by reducing the overall five and seven year savings attributed to the new block grant.

Rational:

As drafted, the Chairman's mark would consolidate the At-Risk program, the Transitional Child Care (TCC) program and AFDC/JOBS child care into the new block grant for needy families. According to estimates by HHS the capped funding amount available for the block grant will be insufficient to provide cash assistance and to meet work participation requirements included in the Chairman's mark. This will translate into a diversion of child care funds to meet cash assistance and work requirements. Currently, over 40% of the block grant funds consolidated in the block grant serve the working poor. This was 1 million children last year. Therefore, families transitioning off of welfare and at-risk for welfare will be denied child care assistance. It could also translate into higher cash assistance caseloads as working poor families move on to the rolls due to a lack of child care assistance. This block grant does not remove "child care" funding included in the block grant. We believe removing funding would jeopardize the ability of states to care for poor families. This amendment creates a new child care capped entitlement block grant for the working poor.

Senator Nickles offering the following amendment to address the illegitimacy:

- On page 6, line 4 of the Committee mark, states are required, in order to receive funds under the new Temporary Assistance for Needy Families program, to submit a written document to the federal government that describes how they will "take action to prevent and reduce the incidence of out-of-wedlock pregnancies, with special emphasis on teenage pregnancies." replace with the following language:

  "Take action to prevent and reduce the incidence of out of wedlock pregnancies, without increasing the incidence of pregnancy terminations, with special emphasis on teenage pregnancies and establish annual goals for out-of-wedlock births for the years authorized under this Act."

Rockefeller amendment to provide a hardship waiver individuals based on good cause

CONCEPT: The Chairman's mark acknowledges that states should have some flexibility to provide continued support for "hardship cases," and authorizes States to exempt up to 10% of their caseloand. This amendment would add specific criteria of individuals eligible for a hardship waiver based on good cause.

PURPOSE: To ensure that all deserving hardship case can be exempted from time limits, States shall exempt the following individuals from work requirement and the time-limit;

(i) if the individual is ill, incapacited, or of advanced age;

(ii) if the individual is providing full-time care for a disabled dependent of the individual;

(iii) at the option of the State, if the individual is making progress in a substance abuse treatment program, unless this clause has been applied to the individual for 12 months;

(iv) during the 6-month period after the individual gives birth to the first child born to the individual after becoming eligible for aid under this part; or

(v) during the 4-month period after the individual gives birth to the second or subsequent child born to the individual after becoming eligible for aid under this part;

PRELIMINARY ESTIMATE OF GOOD CAUSE EXEMPTIONS (ROCKEFELLER) **DRAFT** 06/24/95
Estimated relative to Chairman's Mark as introduced on May 23, 1995

(by fiscal year, outlays in millions of dollars)

	1996	1997	1998	1999	2000	2001	2002	96-2002 Total
Exempt Incapacitated, Elderly, Employed, and Other Individuals from Time Limit/Work	0	0	0	0	0	0	0	0

Basis of Estimate:

Amendment would not alter the block grant levels, and therefore, would have no direct effect on federal spending. The amendment's effect on state budgets is unclear. State spending on work programs could decrease as this amendment would allow states to exempt additional individuals from participation. On the other hand, the amendment would also decrease the number of families made ineligible by the five-year time limit, which could increase state spending on cash benefits after 2001.

Rockefeller amendment to give States flexibility on time-limits during economic downturns and areas with high unemployment

Cosponsor: Baucus

CONCEPT: During periods of high unemployment -- 8.5% or more -- is will be more difficult for AFDC recipients to find jobs. States deserve, at least the option, of waiving time limits until unemployment drops below 8.5% as long as families participate in some type of workfare or community jobs program as established by the State.

PROPOSAL: States would have the option to exempt from the time limit recipients who live in sub-state areas where the unemployment rate is 8.5% or more by designating the region as an "areas of high unemployment" (AHU), and providing community jobs or workfare.

Under this proposal, the period of time during which individuals receive assistance while the area that they live in has been designated by the State as a AHU would not count toward the time limit. This is a state option only, not a requirement.

RATIONALE: In areas of high unemployment, unsubsidized, private sector job slots for welfare recipients become scare and parents willing to work are sometimes unable. State should not be required to cut these families off from benefits during periods of recession, or in areas with high unemployment. This amendment is designed to balance the imposition of a time limit with a reasonable expectations of what the labor market can absorb. This amendment would only "stop the clock" on the time-limit during those periods when local unemployment was 8.5% or more, and recipients would be expected to participate in a State workfare program. This would continue assistance for parents willing to work during periods of high unemployment, at State option.

DEFINITION: "Areas of high unemployment (AHU)" are defined as a major political subdivision with at least 25,000 residents for which the Bureau of Labor Statistics calculates an unemployment rate, and whose unemployment rate -- average annual -- meets or exceeds 8.5%. The AHU would be defined by the State and may be a labor market area, county, city, or ~~officially designated area of substantial unemployment. It~~ may be made up of more than one geographically contiguous political subdivision, e.g. multiple rural counties. AHUs can also be Indian reservations, and qualified reservations can contain fewer than 25,000 people.

Because individual monthly sub-state unemployment statistics are less reliable and not seasonally adjusted, area unemployment rates are to be based upon twelve month average unemployment rates.

PRELIMINARY ESTIMATE OF UNEMPLOYMENT TRIGGER FOR TIME LIMIT / WORK (ROCKEFELLER)

DRAFT

Estimated relative to Chairman's Mark as introduced on May 23, 1995

(by fiscal year, outlays in millions of dollars)

	1996	1997	1998	1999	2000	2001	2002	96-2002 Total
Exempt Individuals in High Unemployment Areas from Time Limit/Work	0	0	0	0	0	0	0	0

Basis of Estimate:

Amendment would not alter the block grant levels, and therefore, would have no direct effect on federal spending. The amendment's effect on state budgets is unclear. State spending on work programs could decrease as this amendment would allow states to exempt additional individuals from participation. On the other hand, the amendment would also decrease the number of families made ineligible by the five-year time limit, which could increase state spending on cash benefits after 2001.

Roth/Nickles

May 25, 1995 6:12 pm

EITC REFORM PROPOSALS:

1. **Deny the EITC to Illegal Aliens:** Under this proposal, only individuals who are authorized to work in the U.S. would be eligible for the EITC. Taxpayers claiming the EITC would be required to provide a valid social security number for themselves, their spouses, and qualifying children. Social security numbers would have to be valid for employment purposes in the U.S. In addition, the IRS would be authorized to use the math-error procedures, which are simpler than deficiency procedures, to resolve questions about the validity of a social security number, Under this approach, the failure to provide a correct social security number would be treated as a math error. Taxpayers would have 60 days in which they could either provide a correct social security number or request that the IRS follow the current-law deficiency procedures. If a taxpayer failed to respond within this period, he or she would be required to refile with correct social security numbers in order to obtain the EITC. Effective 12/31/95. *(From President Clinton's FY 1996 Budget proposals)*

JCT Revenue Estimate (in billions of dollars, in fiscal years)

	1995	1996	1997	1998	1999	2000	Total
Math-error procedure	---	.007	.137	.142	.142	.144	.571
Require SSNs work-related for primary and Secondary Taxpayers	---	.004	.080	.083	.086	.089	.343

2. **Repeal the Childless Portion of the EITC:** In the 1993 Budget Reconciliation bill, effective beginning in 1994, the EITC was expanded to include taxpayers with no qualifying children for the first time. Since about 85% of the EITC is a "budget outlay," and therefor primarily a welfare program, and since welfare programs have traditionally been aimed at helping children rather than able-bodied adults, this part of the program should be eliminated. In addition, this part of the EITC provides for a maximum credit of only $314 in 1995, and begins to phase-out at as little as $5,140, and therefor is of such insignificance as to offer little or no real work incentive. Since the EITC is designed primarily as a "work incentive," this part of the program should be eliminated.

JCT Revenue Estimate (in billions of dollars, in fiscal years)

	1995	1996	1997	1998	1999	2000	Total
Repeal of childless EITC	---	.031	.616	.641	.669	.702	2.659

3. **Freeze EITC at 1995 Levels to Reduce Fraud:** Just since 1988, the EITC expenditures have grown five-fold. In addition, fraud and error rates have consistently remained in the range of 30 to 40% of expenditures for about 15 years -- since studies began on the issue. Until 1990, the credit was limited to a maximum rate of 14%, but since that time the maximum rate of the EITC has increased to 40% beginning in 1996 -- or almost three-fold. When the level of the credit was closer to the payroll tax level (7.65%/15.30%) there was considerably less incentive for tax cheats and fraud artists to game the system, however, as a result of the dramatic increase in the level of the credit, the fraud incentives are significantly higher. Freezing the rate of the credit at a maximum of 36% (reducing it slightly to 35% in 1996) will discourage fraud artists, and also slow the growth of this program, which is by far the fastest growing entitlement in the federal budget. Under current law, the size of the benefit available from the program no longer bears any relationship to taxes owed by the person making the claim. Accordingly, given our self-assessment tax system, it is just too easy to file a fraudulent claim that is virtually undetectable by the IRS.

In addition, the phase-out range for the credit has increased from 20,264 in 1990, to a scheduled level of $28,524 in 1996 --for an increase of over 40% in just 6 years, which is more than twice the rate of inflation over the period. Because this growth is unprecedented during a period of high budget deficits, the outlays for this program's growth should be stopped, to allow true inflation to catch up. If later Congress' should decide to increase the size of the program, when budgets allow, then the inflation growth in this welfare program could be voted on at that time.

JCT Revenue Estimate (in billions of dollars, in fiscal years)

	1995	1996	1997	1998	1999	2000	Total
Freeze EITC at 1995 Level -	—	.093	1.874	1.953	2.038	2.138	8.097
Freeze Phaseout Range on EITC	?	?	?	?	?	?	?????

4. **Increased Scrutiny for Wealth Tests:** As a result of the President's budget proposals and concerns from several Congressional offices, changes were passed as part of H.R. 831 to try to restrict the EITC to truly low-income working Americans. Under current law, many wealthier Americans can claim the EITC resulting in the unfair result of poorer Americans paying taxes to pay welfare benefits to those wealthier than they are. Substantial progress was made by denying the EITC to taxpayers with aggregate "disqualified income" exceeding $2,350. This income included: 1) interest and dividends, 2) tax-exempt interest income, and 3) net income from rents and royalties.

This proposal would go further in tightening this loophole by adding

net estate and trust income, net passive income from business assets and net capital gains (Schedule E income) to the wealth test. In addition, the current level of $2,350 equates to assets of about $40,000 based on a 6% simple annual realized return, which is much higher than asset/wealth tests for other welfare programs. For example, under the AFDC program, if a family has more than $1,000 in assets they lose their welfare benefits. A threshold of $1,000 would equate to a presumed value of underlying assets of about $16,700, which although generous, would be more appropriate than the current wealth test. If this wealth test is not substantially improved, the result will continue to be that taxpayers with significantly less wealth will be paying taxes into a system which will redistribute the income to those with greater wealth under this welfare program, resulting in more unfairness in the income tax system than otherwise would exist.

JCT Revenue Estimate (in billions of dollars, in fiscal years)

	1995	1996	1997	1998	1999	2000	Total
Add estate & trust income, net passive business income & net capital gains income	---	.005	.107	.114	.122	.136	.484
Reduce threshold to $1,000	---	.019	.385	.400	.427	.464	1.696

5. **Fairness Requires Equal Income Tests:** Under the EITC, the credit is phased-out as the taxpayer receives more "earned income," or as the taxpayer's adjusted gross income (AGI) increases. The phase-out ranges for both tests are the same. In addition to earned income, AGI includes income from other sources, such as investments, alimony and unemployment. However, AGI does not include other sources of income that nevertheless provide financial support and economic income to families. In general, welfare programs like the EITC should not be paid to beneficiaries who are financially better off than other taxpayers who may be less well off. Particularly if those less well off are still paying income taxes to the Federal Government.

Under this proposal, the AGI test under the EITC would be expanded to include other forms offering substantial non-taxed, economic income to families. These other sources would be: 1) non-taxable social security income, 2) child support payments, 3) tax-exempt interest, and 4) non-taxable private pension distributions.

In addition, Treasury would be asked to undertake a study to determine if the current law tax treatment of child support payments is appropriate, or if alternatives should be considered to encourage payment of child support liabilities by parents of the child.

JCT Revenue Estimate (in billions of dollars, in fiscal years)

	1995	1996	1997	1998	1999	2000	Total
Modify AGI to include non-taxed Soc Sec income, child support payments, tax-exempt interest & non-taxed private pensions	---	.102	2.037	2.125	2.205	2.327	8.797

6. **Deny or Delay the EITC Until the IRS has a Matching W-2:** This rule would preclude a taxpayer from getting any EITC unless the earnings are listed on a W-2 form, or for which self-employment tax has been paid, in the case of a self-employed taxpayer. If quarterly payroll taxes have been filed, or once W-2s have been filed by an employer, the IRS could refund the EITC.

JCT Revenue Estimate (in billions of dollars, in fiscal years)

	1995	1996	1997	1998	1999	2000	Total
W-2 Match Requirement	---	?	?	?	?	?	????

NON-GERMANE ITEMS

1. Moynihan Bill

   a. Deeming provisions relates to non-Finance programs such as food stamps.
   b. Earned income tax credit and other tax offsets.

2. Conrad "WAGE" Welfare Bill

   a. Child care block grant includes Labor Comm. programs

   b. Immigrants:
      (1) Enforceability of affidavits of support.
      (2) Deeming rules and uniform eligibility rules apply to non-Finance jurisdiction.

   c. Food stamp and other nutrition reforms

   d. Earned income tax credit (EITC)

3. Moseley-Braun Welfare Bill

   a. Federal Reserve proposal

   b. EITC

   c. Various job, housing and student loan programs not in the Finance Committee's jurisdiction.

4. Moseley-Braun Federal Reserve

   a. Entire amendment is non-germane.

5. Roth/Nickles

   a. Entire amendment on earned income tax credit is non-germane.

SENATOR PRESSLER
OPENING STATEMENT
SENATE FINANCE COMMITTEE
MARK-UP OF WELFARE REFORM LEGISLATION
MAY 23, 1995

I would like to thank our chairman and my colleagues who have worked so hard on this issue. Today's mark is the culmination of a long process of rethinking social programs. Welfare was designed as a transitional program. Over the years, the system has transformed into a lifestyle of its own. The result? Millions of Americans trapped in a cycle of dependency. The bill before us this morning will bring common sense to welfare. This bill will restore the values of personal responsibility and self-sufficiency. That is what this debate is truly about.

We all agree on the need to provide assistance to truly needy children and families. No one disputes our responsibility to poor and disabled citizens. They need our compassion and our help. What we can no longer tolerate is the blatant gaming of the system. Generations of able-bodied families have stayed on the dole rather than work.

This abuse is an insult to hardworking Americans. We must close the loopholes that allow people to cheat the system and defraud taxpayers.

The disincentives to a sound family structure must also be changed. The current system rewards illegitimacy and discourages marriage. A entire class of children are growing up without parents, especially without fathers. If we expect to restore values, we must start by restoring the family structure. We should encourage marriage while we encourage work.

The Chairman's mark does just these things. It would end welfare dependency by requiring work and placing a time limit on benefits. The bill would end cash assistance payments to alcohol and drug addicts to continue their habits. The bill also would strengthen child support enforcement. Perhaps most importantly, the bill would eliminate Washington bureaucracy by sending cash assistance programs in block grants to the states to administer.

Misinformation and fear have been circulated about Republican efforts at welfare reform. Let's

be clear. This bill does not end programs. Nor does it drastically cut benefits to needy children. What it eliminates is cumbersome bureaucracy and needless regulation.

Block grants allow states to craft the solutions that best serve local needs. It has been proven time and again that Washington bureaucrats cannot understand unique local needs from thousands of miles away. Nor can Washington bureaucrats think creatively about incentives to change. The distance, both literally and figuratively, that separates Washington from our cities and towns prevents solutions from being tailored to our problems.

The welfare problems in South Dakota are unique -- in fact, they differ greatly from even our midwest neighbors. My state has three of the five poorest counties in the country. We have the lowest wages in the country. We also have the highest percentage of welfare recipients who are Native Americans. In some reservation areas, unemployment runs more than 80 percent. Long distances between towns and a lack of public

transportation are further barriers to gainful employment and quality child care. All of these factors create a situation that needs special attention. What is needed to end welfare dependency in Oglala, Fort Thompson, or Rapid City, South Dakota is not necessarily what is needed for Los Angeles or Mississippi. With this bill, we recognizes that we are nation with many different peoples. As such, we need individualized solutions. This mark does not reflect these needs as yet, but I intend to work with the Chairman and impacted states to develop a consensus approach to this problem.

I am proud to be part of this effort today. We can change the system to help people become self-sufficient and productive members of society. This is the first step in the right direction. I look forward to working with my colleagues on both sides of the aisle to see that welfare reform becomes a reality.

UNITED STATES SENATOR • IOWA

CHUCK GRASSLEY

OPENING STATEMENT BY SENATOR CHUCK GRASSLEY (R-IOWA)
FOR MARK-UP BY THE SENATE FINANCE COMMITTEE
OF THE FAMILY SELF-SUFFICIENCY ACT OF 1995
WEDNESDAY, MAY 24, 1995

MR. CHAIRMAN, I HAVE JOINED MY COLLEAGUES IN THE LAST YEAR IN THE HOPE THAT WE CAN ACCOMPLISH REAL WELFARE REFORM. I HAD FOUR CHIEF GOALS FOR WELFARE REFORM: TO PROVIDE FOR A SYSTEM THAT WILL MEET THE SHORT-TERM NEEDS OF LOW INCOME AMERICANS AS THEY PREPARE FOR INDEPENDENCE; TO PROVIDE FOR MUCH GREATER STATE FLEXIBILITY; TO REDUCE THE INCIDENCE OF OUT-OF-WEDLOCK BIRTHS BECAUSE OF THE DISASTROUS CONSEQUENCES ON THE CHILD, MOTHER AND SOCIETY AS A WHOLE; AND FINALLY, TO SAVE THE TAXPAYERS SOME OF THEIR HARD-EARNED MONEY.

THE MARK BEFORE US TODAY MOVES IN THE RIGHT DIRECTION ON SOME OF THESE GOALS; BUT UNFORTUNATELY, IT DOES NOT GO FAR ENOUGH. THE BILL BEFORE US PROVIDES FOR A BLOCK GRANT OF THE AFDC PROGRAM TO THE STATES SO THAT THEY CAN MEET THE NEEDS OF LOW-INCOME AMERICANS IN THE MOST COMMUNITY-ORIENTED, COST-EFFICIENT MANNER. THAT IS GOOD. IT WILL GIVE THE STATES SOME FLEXIBILITY IN DESIGNING THEIR PROGRAMS TO MEET THE NEEDS OF THEIR INDIVIDUAL CITIZENS.

IOWA HAS DEMONSTRATED THE GREAT BENEFIT OF A SYSTEM DESIGNED WITH ITS CITIZENS IN MIND. TWO YEARS AGO, THE IOWA STATE LEGISLATURE PASSED A BILL TO TOTALLY REVAMP OUR WELFARE SYSTEM. STATE LEADERS CAME TO US AT THE FEDERAL LEVEL FOR THE WAIVER NECESSARY TO IMPLEMENT THEIR IDEAS. THOUGH MODIFICATIONS HAD TO BE MADE TO SATISFY THE FEDERAL BUREAUCRACY, THE WAIVER WAS FINALLY APPROVED AND THE STATE BEGAN IMPLEMENTATION OF ITS PROGRAM IN OCTOBER OF 1993. IN THE LAST 18 MONTHS, THE NUMBER OF EMPLOYED AFDC RECIPIENTS HAS INCREASED FROM JUST 18% TO 34%.

THAT DRAMATIC INCREASE SHOWS THE INGENUITY OF THE IOWA STATE PLAN TO MOVE PEOPLE FROM WELFARE TO WORK AND THE IMPORTANCE OF PROVIDING MUCH GREATER FLEXIBILITY FOR STATE LEADERS. UNFORTUNATELY, THE BILL FALLS SHORT OF THE NEEDED AMOUNT OF FLEXIBILITY TO ALLOW STATES TO BE SUCCESSFUL IN THEIR EFFORTS. WHILE THE STATES GET A BLOCK GRANT TO TRY NEW IDEAS ON THE ONE HAND, THEY ARE LEFT WITH MASSIVE BURDENS ON THE OTHER.

THE DRAFT BEFORE US MANDATES THAT THE STATES MAINTAIN THE JOBS PROGRAM, A PROGRAM WITH NO SCIENTIFICALLY PROVEN BENEFIT TO RECIPIENTS. IF THE PROGRAM IS NOT PROVEN TO WORK, WHY ARE WE MANDATING THAT STATES MAINTAIN IT? WHY NOT SIMPLY REQUIRE STATES TO HAVE MORE PEOPLE WORKING NEXT YEAR THAN THIS YEAR AND ALLOW STATES TO DESIGN THEIR OWN PLAN WITH THE GOAL IN MIND?

WHY NOT SIMPLY ALLOW STATES TO KEEP A JOBS <u>TYPE</u> PROGRAM IF THAT IS THE APPROACH THEY BELIEVE WILL ACCOMPLISH THE GOAL OF MOVING PEOPLE FROM WELFARE TO WORK? IT SEEMS TO ME THAT WE ARE DRAMATICALLY TYING THE HANDS OF STATE LEGISLATURES BY MANDATING A SPECIFIC APPROACH FROM THE FEDERAL LEVEL TO REACH THE GOAL OF GETTING MORE PEOPLE TO WORK.

ANOTHER ISSUE OF CONCERN TO ME IS FOR THOSE STATES THAT ARE CURRENTLY UNDER WAIVER PROGRAMS. WHEN IOWA CAME TO THE FEDERAL GOVERNMENT FOR A WAIVER, THEY WERE REQUIRED TO HAVE A COST-NEUTRALITY CLAUSE IN THEIR CONTRACT AGREEMENT. IF THEY WANTED TO TRY NEW IDEAS, THEY HAD TO BEAR THE BURDEN OF ANY ADDITIONAL COSTS INCURRED BY THE FEDERAL GOVERNMENT. BEING SENSITIVE TO THE FEDERAL DEFICIT, I UNDERSTAND THE NEED FOR THAT AGREEMENT.

BUT MR. CHAIRMAN, WE ARE NOW DOING MAJOR WELFARE REFORM THAT CHANGES THE RULES OF THE GAME MIDSTREAM. THE STATES THAT HAVE BEEN DOING INNOVATIVE THINGS THROUGH WAIVER AGREEMENTS WITH THE FEDERAL GOVERNMENT ARE GOING TO PAY A HIGH PRICE. WHY SHOULD THE STATES PAY THE PRICE FOR OUR CHANGE OF HEART? WHILE WE SHOULD BE

REWARDING THEIR INGENUITY, WE ARE NOT. THE BILL ALLOWS STATES TO CANCEL THEIR WAIVER AGREEMENTS WITH THE FEDERAL GOVERNMENT, BUT IT DOES NOTHING TO ADDRESS THE UP-FRONT COSTS THAT STATES HAVE INVESTED IN THEIR WELFARE PROGRAMS.

IOWA'S PROGRAM HAD UPFRONT INVESTMENTS IN THE FIRST 2 OR 3 YEARS THAT THEY EXPECTED TO RECOUP IN THE 4TH OR 5TH YEAR. BY CHANGING THE RULES MIDSTREAM AND NOT PROVIDING FOR STATES TO BE HELD HARMLESS, THE SENATE BILL WILL COST IOWA MILLIONS OF DOLLARS.

ANOTHER CONCERN I HAVE IS THAT THE PORTION OF THE BILL WHICH RELATES TO CHILD SUPPORT ALTERS THE LONGSTANDING PARTNERSHIP BETWEEN THE STATE AND FEDERAL GOVERNMENT. IT DOES SO THROUGH NEW MANDATES WHICH DECREASE THE AMOUNT OF CHILD SUPPORT RECOVERIES WHICH ARE USED TO OFFSET THE COSTS INCURRED IN THE CASH ASSISTANCE PROGRAM.

IT FURTHER DOES SO BY ALTERING THE AMOUNT OF SUPPORT TO BE ASSIGNED WHEN A FAMILY BEGINS RECEIVING ASSISTANCE AND THE AMOUNT AND ORDER OF DISTRIBUTION OF COLLECTIONS. THE PROPOSED CHANGES WOULD ALSO DECREASE THE FUNDING FLEXIBILITY NEEDED BY THE STATES TO DEVELOP INNOVATIVE APPROACHES TO COMBINING RESOURCES AND EFFORTS IN SEVERAL PROGRAM AREAS TO HELP MOVE FAMILIES TOWARD SELF-SUFFICIENCY.

THE FUNDING CHANGE PROPOSED INCLUDES A MAINTENANCE OF EFFORT REQUIREMENT ON STATE INVESTMENT IN THE PROGRAM WHICH COULD, IF ALL STATES OBTAIN THE MAXIMUM ALLOWED FEDERAL FUNDING RATE, RESULT IN A HUGE INCREASE IN THE FEDERAL COST OF THE PROGRAM. WE ALSO NEED TO CAREFULLY EXAMINE THE DEADLINES GIVEN TO STATES ON THE POLICY CHANGES BEING PROPOSED IN A MANNER THAT RECOGNIZES SOFTWARE DEVELOPMENT REQUIREMENTS AND STATE LEGISLATIVE SESSIONS.

THESE ARE THREE EXAMPLES OF WAYS THAT THIS BILL WILL TIE THE HANDS OF GOVERNORS AND STATE LEADERS.

ANOTHER CONCERN I HAVE WITH THE BILL IS ITS APPROACH TO THE OUT-OF-WEDLOCK BIRTH PROBLEM IN OUR NATION. SENATOR MOYNIHAN HAS SPOKEN ELOQUENTLY OVER THE YEARS OF HIS CONCERN FOR THIS PROBLEM. THE HOUSE BILL ESTABLISHED A CLEAR GOAL THAT STATES HAD TO ADDRESS THE PROBLEM OF ILLEGITIMACY. IN MY JUDGMENT, HOWEVER, THE HOUSE BILL WENT TOO FAR IN TERMS OF TELLING THE STATES <u>HOW</u> THEY HAD TO ACCOMPLISH THE GOAL. UNFORTUNATELY, I DON'T THINK THE COMMITTEE BILL GOES FAR ENOUGH. THE PROBLEM OF ILLEGITIMACY IS WELL-DOCUMENTED. I WON'T TAKE TIME TODAY TO REVIEW THE RESEARCH ON THIS POINT. I DON'T KNOW ALL OF THE ANSWERS. I'M NOT SURE ANYONE DOES.

UNFORTUNATELY, WHILE THE HOUSE BILL IS TOO PRESCRIPTIVE, THE COMMITTEE BILL DOESN'T EVEN MAKE A CLEAR REQUIREMENT THAT STATES HAVE TO ADDRESS THE ISSUE. THE COMMITTEE BILL SAYS THE STATES HAVE TO HAVE A WRITTEN DOCUMENT OF HOW THEY WILL ADDRESS THE ISSUE. BUT THE COMMITTEE BILL DOES NOT MAKE THIS ONE OF THE ISSUES THAT HAS TO BE CERTIFIED BY THE CHIEF EXECUTIVE OF THE STATE LIKE WITH THE OTHER MAJOR ISSUES OF CONCERN IN THIS BILL.

STATES SHOULD NOT BE TOLD <u>HOW</u> TO ADDRESS THE ILLEGITIMACY PROBLEM, BUT THEY <u>SHOULD</u> BE TOLD THAT THEY MUST ADDRESS IT. TO IGNORE THE ISSUE OF ILLEGITIMACY AND THINK WE WILL REFORM WELFARE IS LIKE EXPECTING A BUMPER CROP WHEN YOU DIDN'T EVEN PLANT THE FIELDS.

ON THE LAST GOAL I HAD TO SAVE THE TAXPAYERS SOME OF THEIR HARD-EARNED MONEY, THE BILL MOVES IN THE RIGHT DIRECTION. FRANKLY, THIS IS NOT A GOAL OF GOOD WELFARE REFORM, BUT A RESULT.

IF WE TAKES STEPS TO MOVE PEOPLE FROM WELFARE TO WORK, GIVE GREATER FLEXIBILITY TO THE STATES, AND REDUCE ILLEGITIMACY, WE WILL -- IN THE LONG RUN, SAVE THE TAXPAYERS MONEY. THIS WOULD BE A POSITIVE RESULT.

I HOPE AS WE MOVE THROUGH THIS MARKUP THAT WE CAN ADDRESS SOME OF THE CONCERNS I HAVE RAISED.