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RICHARD
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1 EXECUTIVE SESSION
2 TUESDAY, APRIL 19, 1988
3 U.S. Senate
4 Committee on Finance
5 Washington, D.C.

6 The meeting was convened, pursuant to notice, at
7 2:33 p.m. in Room SD-215, Dirksen Senate Office Building,
8 the Honorable Lloyd Bentsen (chairman) presiding.

9 Present: Senators Bentsen, Moynihan, Baucus, Bradley,
10 Mitchell, Riegle, Rockefeller, Daschle, Packwood, Roth,
11 Danforth, Chafee, Heinz, Wallop, Durenberger, and
12 Armstrong.

13 Also present: Mr. Don Newman, Under Secretary,
14 Department of Health and Human Services; Ms. Kate O'Beirne,
15 Deputy Assistant Secretary for Legislation, Department of
16 Health and Human Services

17 Also present: Messrs. Ron Pearlman and Oglesby,
18 Department of the Treasury.

19 Also present: Messrs. Wayne Stanton, Administrator,
20 and Howard Rolston, Associate Administrator, FSA.

21 Also present: Ms. Margaret Malone and Mr. Joe
22 Humphreys, Professional Staff Members, Social Security/
23 Welfare.

24 (The prepared statement of Senator Durenberger appears
25 in the appendix.)

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1 The Chairman. This markup session will come to order.
2 Please be seated and cease conversation.

3 Before we start work today on S. 1511, I want to comment
4 on the extraordinary work that my distinguished friend the
5 Senator from New York has contributed to this effort. He has
6 given a great deal of time in developing a bipartisan bill,
7 and I think we have benefited by his immense expertise in
8 this field. It reflects his many years of experience in
9 studying and thinking about the problems and needs of poor
10 children and poor families.

11 I think we have a great opportunity here to try to break
12 some of these cycles of lives in welfare, to help people
13 lead productive lives and contribute to an increased
14 standard of living for themselves and their families, and
15 a contribution to the overall good of the nation.

16 In the Nineties we are going to find a situation where
17 we are going to have a lot more jobs than we have people,
18 and it is going to require a better educated and better
19 trained people if we are to be world competitive, and if we
20 are going to continue to improve the standard of living of
21 the American people and be a leader among nations.

22 In 1981 we said, "Let's let these States have a try at
23 it; let's see what they can come up with," and they have
24 been working at it diligently, and many of them made some
25 Breakthroughs. The studies that we have been able to give

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1 to what they have been able to do have shown productive
2 results in many instances.

3 So, what you have seen here is an attempt to glean the
4 best of each of those plans. And that is what this bill does
5 for us.

6 I think it is an idea whose time has come. I think you
7 are seeing a consensus develop amongst liberals and
8 conservatives alike that we have to find a solution to this
9 problem, that we understand that we don't have an endless
10 supply of money to accomplish it, but that we have to do
11 things to see that the young mother who has a child four
12 or five years of age and who is on welfare still has a way
13 to get off of it, and not just leave a latchkey child at
14 home.

15 That is the effort. That is what we are trying to do.
16 It is a great and worthy goal, and this is the first step
17 along the road.

18 I would like to defer to the ranking member, Senator
19 Packwood, for any comment he might want to make.

20 Senator Packwood. Mr. Chairman, let me echo your
21 comments about Senator Moynihan. I don't know of any single
22 member in the years I have been on this committee who has
23 worked as hard, personally, with everyone on the committee --
24 as far as I know, once, twice, three times if necessary. I
25 know there are some questions about the bill, and especially

1 how it guarantees that people will work. I know that is
2 what Senator Moynihan wants to do; he has talked to me over
3 and over that this is not an extended welfare bill. I know
4 that there are some who wish it was an extended welfare
5 bill and are now opposed to it because it is not expansive
6 enough.

7 There are some who have serious questions, but I for
8 one want to compliment him. I think we are going to get a
9 bill. I think there are some legitimate questions about it
10 that I am convinced can be compromised and harmonized.

11 Thank you, Mr. Chairman.

12 The Chairman. Senator Moynihan?

13 Senator Moynihan. Mr. Chairman, I thank you and
14 Senator Packwood for your very gracious remarks.

15 May I emphasize what you said? This is a bipartisan
16 bill, and a clear majority of the members of this committee,
17 led by Mr. Durenberger, are cosponsors, and I do hope we can
18 go forward in that spirit.

19 The Chairman. Senator Durenberger?

20 Senator Durenberger. Mr. Chairman, I would like to have
21 a statement made part of the record, because I am impressed
22 with the significance of this day and this occasion, and in
23 that statement I will say something about not only our
24 colleagues who have made this day possible, particularly our
25 friend from New York, but also about the beginning of the

1 Celebration of Children in this country, of which this at
2 least represents a major step in a long-awaited direction of
3 moving public policy in the direction of equity.

4 (Senator Durenberger's written statement appears in the
5 Appendix.)

6 The Chairman. Let me state that that the markup document
7 you have before you includes a number of proposed modifications
8 to S. 1511 that both Senator Moynihan and I support. And
9 various members of this committee have contributed ideas to
10 strengthen the bill, and they are reflected in the document
11 under the heading "Proposed Modification."

12 I want to make another point, too: This bill is
13 budget-neutral. It will not increase the deficit, and that
14 has been a major concern for many members of this committee,
15 and we have met it.

16 I hope that we can finish this work today or tomorrow,
17 or more time, if that proves necessary, because we have
18 members on both sides of this aisle that strongly support
19 this bill.

20 I want to thank all the members that made contributions
21 to it, And particularly, thank you, Senator Moynihan.

22 Senator Bradley, do you have any comments?

23 Senator Bradley. Mr. Chairman, I only want to thank you
24 for bringing the bill to the committee, of course as well as
25 Senator Moynihan for his generation-long leadership on this

1 issue. Hopefully we will get a bill this year through the
2 committee, through the floor, through the Congress, and
3 enact it, and it will be a bill that balances jobs and
4 education and welfare reform.

5 The Chairman. Thank you very much, Senator.

6 Are you going to lead off, Margaret Malone?

7 Ms. Malone. Yes, Mr. Chairman.

8 The members have before them a markup document,
9 "Consideration of S. 1511, Welfare Reform." If you like,
10 I can go through and highlight the main points of the bill
11 and of the bill with proposed modification.

12 The Chairman. Why don't you do that? Fine.

13 Senator Packwood. Could I ask, in addition, Mr.
14 Chairman, as you go through, when you come to the parts that
15 are particularly controversial, could you call them to our
16 attention and why they are controversial?

17 Ms. Malone: I will, those that you identify.

18 (Laughter)

19 Senator Packwood. If you are a good advocate, you
20 know which parts are controversial, and you know which side
21 you are on, but you can tell us the other side.

22 Ms. Malone. Starting out with Child Support
23 Enforcement, the bill includes a number of provisions that
24 are designed to strengthen the child support program. It
25 require States to meet paternity establishment standards;

1 it requires States to have guidelines to set child-support
2 awards that are binding on judges and other officials, as
3 described on page 2; and it requires States to conduct
4 periodic reviews of individual award amounts.

5 The proposed modification would alter somewhat the
6 review of awards provision that was in the Moynihan Bill,
7 to respond to State concerns that they would not be able to
8 implement the periodic review every two years as the
9 Moynihan Bill originally required. It maintains that
10 requirement but puts it off for a number of years.

11 In addition, the bill requires States to adopt
12 immediate wage-withholding procedures for cases that are
13 being enforced by the child support agency.

14 I think the remaining child-support provisions are not
15 controversial; I will skip over those.

16 Senator Durenberger. Mr. Chairman?

17 The Chairman. Yes, Senator Durenberger.

18 Senator Durenberger. I wonder if you could explain a
19 little bit about the modification that was made on the
20 immediate wage withholding provisions on child support.

21 Ms. Malone. Yes, Senator.

22 The drafting of the original Moynihan Bill was unclear
23 with respect to immediate wage withholding. This
24 modification would clarify that. Immediate wage withholding
25 applies to new and modified orders that are being enforced

1 by the child-support enforcement agency.

2 Senator Durenberger. But there is also a provision in
3 the original language which provides some exceptions from
4 that, is that not true?

5 Ms. Malone. That is right. If the State finds good
6 cause or both parents agree to alternative arrangements,
7 there can be an opting out. However, with respect to AFDC
8 cases, the State agency that is enforcing child support can
9 act on behalf of either parent and enforce immediate wage
10 withholding, with respect to somebody who is receiving
11 welfare assistance.

12 Senator Durenberger. Thank you.

13 Ms. Malone. Turning to page 8, Education, Employment,
14 and Training, the bill mandates a new program that is
15 called "JOBS." It gives States authority to provide a
16 wide variety of education, employment, and training
17 activities of their own choosing. There is considerable
18 discretion here given to the States to decide which kinds
19 of services they would like to provide.

20 And under proposed modification there would be a
21 requirement that the State include, among the services that
22 they offer, basic education and skills training.

23 Except for those two requirements, the States will have
24 complete flexibility in deciding what they want to provide.

25 On page 9, "Who Must Participate?" -- the participation

1 requirements are substantially the same as present law,
2 except that a parent caring for a child under age 3 or at
3 State option under 3 but not less than 1, is exempt from
4 participation. Under present law the requirement is for a
5 child under age 6 -- only parents of a child under age 6
6 are exempt under present law. Under this modification, the
7 age is lowered to 3 or, at State option, 1.

8 The bill establishes a target priority procedure. It
9 requires States to spend at least 50 percent of the funds
10 they receive on individuals who are or are likely to be
11 long-term recipients, and it reduces matching if they do
12 not do so.

13 In addition, it requires the Secretary to recommend to
14 Congress any modifications that he may decide are necessary,
15 if, after some experience, he determines that target groups
16 as defined in this bill do not meet State needs.

17 In addition, the bill, as described on page 11 and as
18 modified, provides that within the target group the first
19 consideration for participation in JOBS activities will be
20 given to volunteers.

21 Senator Durenberger. Mr. Chairman?

22 The Chairman. Yes, Senator Durenberger.

23 Senator Durenberger. Before you proceed with the rest
24 of this -- I don't know if this is the appropriate place to
25 raise this -- there will be objections to this section, on

1 the theory that there are no incentives in this particular
2 section for the States to use the education and training
3 programs to actually move people into the job market.

4 In other words, I have heard the objection that it is
5 just an expansion of the welfare program and that there is
6 no incentive here to the States to make this program work
7 as a step up in the direction of actual employment.

8 Is the answer to that found in the targeting section,
9 so that the process of target population and priority
10 setting provides that incentive? Or will we find that
11 someplace else in this section?

12 Ms. Malone. I think you may be addressing the
13 Administration's interest in participation requirements,
14 which is not in this bill, but which we certainly can
15 address after we finish running through what is in the bill.

16 Senator Durenberger. Well, the Administration's notion,
17 as I understand it, they would feel more comfortable with
18 some kind of participation requirements as a way to make
19 sure that people actually participate and then go into the
20 market.

21 The answer to that is that the States will just gain
22 the program, and they will take the most trainable,
23 employable folks off the top and move them into the
24 marketplace, and they will have achieved their goal, and we
25 won't have achieved anything.

1 So I am assuming that there is something else here in
2 this section that I can point to or you can point to that
3 is the incentive for the States to make this program of
4 education and training work, so that it results in jobs in
5 people coming off AFDC.

6 Mr. Humphreys. I think the element in this section is
7 the targeting. States are required to put at least half of
8 the funds into groups which seem to be the groups where you
9 get the biggest result, the younger welfare recipients with
10 no education, or the ones who have been on for a long time,
11 rather than going with what might be the usual tendency to
12 sort of serve those who are easiest to serve. This would
13 require States to at least put efforts in the direction of
14 those who are a) hardest to serve; but b) if you serve them,
15 you get a better return.

16 Senator Moynihan. Mr. Chairman, may I comment?

17 The Chairman. Yes, of course, Senator Moynihan.

18 Senator Moynihan. I think an important response to
19 Senator Durenberger would be: The principal incentive is
20 that there will now be monies available to do these things.

21 The WIN Program has now dropped to \$92.5 million. It
22 has had that up-and-down, up-and-down experience. States
23 have never been able to depend on training, education, and
24 job-placement money being there.

25 What we do in this bill is to create for the first time

1 ever a capped entitlement that will go to \$1 billion in
2 1990, I guess. But in any event, the main point is that
3 the States have the money and they know it will be there.

4 " For the first time, we are moving away from a maintenance
5 program. They always knew a grant would be there. So it was
6 a rare day that they knew training money would be there,
7 because this was still a Widows Program, as it was begun
8 50 years ago.

9 Ms. Malone. On page 12 there is a description of
10 program sanctions for recipients who refuse to participate
11 as they are required to do. The bill establishes sanction
12 periods. And under the proposed modification there is
13 specific language that lack of child care constitutes good
14 cause for refusal to participate in JOBS or to accept
15 employment.

16 Senator Chafee. What are the sanctions? What happens?

17 The Chairman. Senator Chafee.

18 Ms. Malone. As described on page 12, Senator, the
19 statute would say that, in the case of the first failure to
20 comply, benefits would be continued; and in the case of the
21 second failure to comply, the sanction period would be until
22 the failure to comply ceases, or three months, whichever is
23 longer. In the case of any subsequent failure to comply,
24 benefits would cease until the failure to comply ceases, or
25 six months, which ever is longer.

1 Senator Chafee. Suppose you have a mother with young
2 children over the cut-off date, over 6, and she doesn't
3 comply with it. Are you suggesting you are going to cut her
4 off?

5 Ms. Malone. What happens under present law, and this
6 retains present law with respect to that situation, is that
7 the individual who refuses to participate as required has
8 her needs or his needs taken out of the amount of the grant.
9 Benefits do continue to the children. And States may, if
10 they wish, make these payments in the form of third-party
11 payments to someone on behalf of the children.

12 The sanction applies to the adult.

13 Senator Chafee. I can't believe it is enforced.

14 Ms. Malone. There have been very few sanctions under
15 present law. It is, of course, necessary to have a fair
16 hearing before any sanctions are applied.

17 Senator Chafee. The losers are going to be the
18 children, obviously. It would be a very intricate system
19 that the children wouldn't be the losers under any sanctions.
20 You can say you can keep up the payments to the children,
21 but obviously the mother is not going to go without food
22 totally. At any rate, it is current law?

23 Ms. Malone. It is current law.

24 Senator Chafee. Thank you.

25 Ms. Malone. On page 13 under the heading

1 "Administration," the Moynihan Bill specifies that the
2 administering agency at the federal level will be the
3 Department of Health and Human Services, and at the State
4 level it will be the welfare agency.

5 The proposed modification: At the federal level it
6 would establish a new Office of Assistant Secretary of HHS
7 to administer and coordinate the JOBS Program and the Cash
8 Assistance and Child Support Program.

9 At the State level, the welfare agency would be
10 responsible but would have complete authority under that
11 bill to contract with other agencies and organizations for
12 the provision of services. The welfare agency would not
13 itself be expected to provide all of those services but
14 could use JTPA or the education system, or whatever other
15 organizations or agencies provide services in the State or
16 community.

17 Senator Moynihan. Mr. Chairman?

18 The Chairman. Senator Moynihan.

19 Senator Moynihan. Mr. Chairman, I would like to point
20 out that this is your proposal, and I think it is an
21 exceptionally important one.

22 It would create a sub-Cabinet-level position,
23 responsible for this entire program. There is now no such
24 position.

25 Almost one child in three in the United States will be

1 on what we call "welfare" before they are age 18, just as
2 every other child will live in a single-parent female-headed
3 household.

4 There is now no place in HHS where this is at the level
5 of an officer confirmed by the Senate. You would do this.
6 I am sure Mr. Newman would agree that it is a good idea.
7 Mr. Stanton, who struggles manfully or womanfully to do all
8 those things but still at a lower level, I hope he would
9 agree as well.

10 The Chairman. Thank you very much for your comments,
11 Senator Moynihan. There is no question but that the problem
12 and the concern and the objective warrants raising it up
13 to that level, to that high a profile.

14 Senator Packwood. Is this the section where the
15 governors want discretion as to who administers this program,
16 rather than the State welfare agency?

17 Ms. Malone. Senator, my understanding is that the
18 governors support having this program under the responsibility
19 of the welfare agencies.

20 Senator Packwood. All right. I was under a
21 misimpression. I thought they had asked us to leave it to
22 them as to which agency they wanted to assign it to.

23 Ms. Malone. I am not aware of that, Senator.

24 Senator Packwood. Thank you.

25 Ms. Malone. The governor would, however, under this

1 bill, have the responsibility for coordinating services,
2 so that he would be able to draw upon other agencies to
3 provide work and training. It is not expected that the
4 welfare agency would provide all of those services. JTPA
5 and other organizations could be involved.

6 Senator Packwood. Would it be all right, Mr. Chairman,
7 if we get to a particularly hot button, if the Administration
8 speaks up and tells us what their points are? Or do you want
9 to go all the way through first?

10 The Chairman. No, I would like to go all the way
11 through. But at any point if any of the members wants to
12 ask the Administration, by all means do so. At any point.

13 Senator Rockefeller. Mr. Chairman?

14 The Chairman. Yes, Senator Rockefeller.

15 Senator Rockefeller. I have an amendment later on that
16 may help to relieve Senator Packwood's concerns.

17 The Chairman. All right, fine.

18 Ms. Malone. On page 16 there is a description of the
19 Federal/State matching requirements. The bill would create
20 a capped entitlement limited to \$500 million in Fiscal Year
21 1989; \$650 million in 1990; \$800 million in 1991; and
22 \$1 billion in 1992 and years thereafter. That is the amount
23 that the Governors suggested that they needed to do the job.

24 States would be held harmless with respect to the WIN
25 amounts that they received in 1987, and matching with respect

1 to those amounts would be at 90 percent. For any additional
2 expenses of the State for these programs, matching would be
3 at the Medicaid matching rate with a minimum federal match of
4 60 percent and going up to 80 percent for the very poorest
5 State, which is Mississippi.

6 On page 17 there is a description of the Allocation
7 Formula. States would receive the same amount that they
8 received under the WIN Allotment Formula for Fiscal Year
9 1987. Any additional funds would be allocated to the States
10 on the basis of each State's relative number of adult AFDC
11 recipients.

12 The bill would also provide for the extension as a WIN
13 Demonstration Authority. That authority expired this
14 Summer, and unless that is extended, the WIN Demonstration
15 Program will not be allowed to operate after July 1.

16 Under the heading "Child Care," there is a requirement
17 that States guarantee child care to those individuals that
18 the State determines it is necessary in order for them to
19 participate. Matching for child care provided to these
20 individuals, described on page 18, would be at the Medicaid
21 rate, which is 50 to 80 percent on an open-ended
22 entitlement basis.

23 There is also provision for federal matching for
24 transportation and work-related expenses. Matching for those
25 purposes is at 50 percent, and it would be subject to the cap

1 that is provided for the JOBS Program.

2 The language with respect to the Community Work
3 Experience Programs that is in the bill is the same as in
4 present law.

5 And for Job Search on page 20, it is also the same as
6 present law.

7 On page 21 there is a description of the Displacement
8 and Grievance Procedure.

9 Senator Armstrong. Did we pass over the wage item,
10 Mr. Chairman?

11 Ms. Malone. There is a wage item on page 20. There is
12 a provision in the Moynihan Bill that says, "An individual
13 may not be required to accept a job if it results in net loss
14 of income, including food stamps and the insurance value of
15 any health benefits, unless a supplementary benefit is made
16 to make up the difference."

17 Senator Armstrong. Mr. Chairman?

18 The Chairman. Yes, Senator Armstrong.

19 Senator Armstrong. I would like to hear the
20 Administration's view on this matter.

21 The Chairman. All right.

22 Mr. Secretary, would you care to comment?

23 Secretary Newman. Thank you very much, Mr. Chairman.

24 The problem is that some States have benefits that are
25 so high that it would almost preclude the average beneficiary

1 from participating in the private sector.

2 For example, the State of California benefits have been
3 estimated to be something like \$13,000 a year, which grossly
4 exceed minimum wage and would make it very challenging to get
5 those people off the roles.

6 The Chairman. Very challenging to what? You turned
7 your head. Would you please speak into the mike?

8 Secretary Newman. I am sorry, Mr. Chairman. To get
9 them off the roles, the welfare roles.

10 Senator Armstrong. What do you want to do about it?

11 Secretary Newman. Senator Armstrong, we would like to
12 address this in toto, if we may.

13 The Chairman. Now, what does that mean?

14 (Laughter)

15 Secretary Newman. That if we may, Mr. Chairman, we
16 would like to make a comment on the total package, rather
17 than on individual paragraphs.

18 The Chairman. All right. That's fine.

19 Ms. Malone. On page 21, again there is a description
20 of the Displacement and Grievance Procedure that would be
21 required under the bill. There is language in the bill that
22 would prevent the displacement of regular employees by
23 persons who are placed in subsidized work under the bill.

24 Also, on page 22, there is a Grievance Procedure
25 to resolve complaints by regular employees or their

1 representatives if the provisions relating to displacement
2 of regular employees have been violated. That would be a
3 State agency program.

4 On page 24 is the description of the Fair Hearing and
5 Conciliation Procedure that is required under the bill.

6 Senator Chafee. Mr. Chairman?

7 The Chairman. Senator Chafee.

8 Senator Chafee. I can only assume, on page 1 there
9 where you talk about "or the employer has terminated the
10 employment of any regular employee" --

11 The Chairman. Which page are you on now?

12 Senator Chafee. I am on page 21, Mr. Chairman.

13 The Chairman. All right.

14 Senator Chafee. The last paragraph, in the middle there,
15 where you talk about "terminated the employment of any
16 regular employee," that is for lack of work at the job, I
17 presume. If you terminated somebody for disciplinary
18 reasons, that wouldn't apply?

19 Ms. Malone. No.

20 Page 24, the Fair Hearing Conciliation Procedure:

21 The bill would require States to establish a conciliation
22 procedure, to resolve disputes relating to an individual's
23 participation in the JOBS Program. That is the same kind of
24 procedure that is now provided for under the WIN Program.

25 In addition, the States would have to have a hearing

1 procedure to hear any disputes related to the JOBS Program,
2 and there would be specific language added to make clear that
3 assistance may not be suspended, reduced, discontinued, or
4 terminated until a decision is rendered after a fair hearing
5 that meets the due-process standard set forth by the Supreme
6 Court in Goldberg v. Kelly, which is the controlling
7 Supreme Court case in the situation.

8 On page 25, Congressional Oversight, report language
9 would be added that would express the intent of the committee
10 to give special attention to the implementation of the
11 Welfare Reform Amendments through the exercist of committee
12 oversight activities.

13 On page 26, Work Transition Provisions, there are two
14 here, one for child care and one for Medicaid. Under Child
15 Care, the bill would require States to provide necessary
16 child care for a period of nine months to families that lose
17 cash assistance because of increased earnings. Matching for
18 this assistance would be provided at the Medicaid rate which
19 is 50 to 80 percent, and care provided under this provision
20 would have to meet applicable standards of State and local
21 law.

22 This transition period would last, as I say, for nine
23 months. Under Medicaid there is also a transition benefit
24 period described on page 27 and 28.

25 The proposed modification would attempt to make simpler

1 and more equitable the provisions in current law. It would
2 provide Medicaid for six months to everyone who leaves the
3 roles because of earnings. And during that period there
4 would be no premium. For the next six months, the States
5 would have to offer these families continued benefits with
6 a premium.

7 Senator Bradley. So that the total is what?

8 Ms. Malone. It is a year, 12 months.

9 Turning to page 30, Benefits for Unemployed Parents,
10 the AFDC UP Program, the bill would require all States to
11 have an Unemployed Parents Program but would give them
12 flexibility to design their programs to meet their own
13 individual needs and to emphasize education, training, and
14 employment services for unemployed parents and their spouses.

15 Senator Armstrong. Mr. Chairman?

16 The Chairman. Yes. Senator Armstrong.

17 Senator Armstrong. If the Secretary prefers not to
18 address this, awaiting a comprehensive statement, that would
19 be fine; but I would be curious to know if the Administration
20 has formulated a position on this.

21 Secretary Newman. The Administration, Senator Armstrong,
22 is that the program is voluntary now, and many States have in
23 place this program. However, we do not believe it should be
24 mandated for the States.

25 Senator Armstrong. Yes.

1 Mr. Chairman, I don't want to belabor the point now,
2 unless you wish to. Obviously you are not taking amendments
3 at this point. But it is my recollection that this in fact
4 is a provision which the President has spoken of somewhat
5 more strongly than the Secretary just did. In fact, I think
6 he has made it perfectly clear that he is going to veto a
7 bill that contains this provision.

8 In fact, I think he went out of his way to say that
9 this kind of a provision would not -- in fact, I think he
10 said even if it was contained in the Continuing Resolution
11 last year he was going to veto it.

12 Do I recall that correctly, or do I just imagine that?

13 Secretary Newman. That is correct, Senator Armstrong.

14 Senator Armstrong. So I think this is one of several
15 points in the bill where the members need to reflect on what
16 we are trying to do. I think most of us would like to get
17 behind the Welfare Bill, and there certainly are a range of
18 things we could do to fine-tune it; but there apparently are
19 a few points where it really comes down to the question of
20 whether we can put a bill together that the President would
21 sign, and I think this is probably one of them.

22 The Chairman. Well, as you know, we have had a package
23 of modifications, and that is what we have been reading on
24 the side here. And that is more the fine-tuning, as members
25 of this committee made their contributions to it, and as we

1 also considered some of the Administration's concerns.

2 Senator Chafee. Mr. Chairman, I assume that we are
3 going to go through this, and then if we have amendments we
4 will bring them up?

5 The Chairman. That is correct; we will come back.

6 Ms. Malone. As is noted on page 31, the new statute
7 would allow States to provide cash assistance for a period
8 of less than full time but no less than six months in any
9 12-month period.

10 States that choose to provide assistance for a limited
11 period of time would be required to provide Medicaid for
12 all children up to age 18 for as long as a family is otherwise
13 eligible for assistance, and they could provide Medicaid
14 coverage for the entire family, at their option.

15 The State, if it chooses to have such a time-limited
16 program, would have to provide assurances to the Secretary
17 that it will have a program of active assistance to parents
18 to help them find employment. This provision is based to a
19 very large extent on the experience in the State of Utah.

20 The Secretary would be required to provide for the
21 evaluation of Unemployed Parent programs, both time-limited
22 and others, and within four years after the effective date
23 to issue a report to the Congress with his findings and any
24 recommendations he may have with respect to Unemployed Parent
25 programs.

1 On page 33 under Proposed Modifications, the bill would
2 provide that the Secretary shall approve up to 10 State
3 Demonstration Projects that would involve using a definition
4 for "unemployment" that is more liberal than 100 hours,
5 which is the standard for present law.

6 On page 38, Senator Moynihan's Bill authorizes States
7 to operate Demonstration Projects that meet specified goals.
8 Programs included are the Child Support Supplement Program,
9 the New Cash Assistance Program, that is; the New JOBS
10 Program; Child Support Enforcement; Emergency Assistance; and
11 Social Services Block Grant Program. All of these are under
12 the jurisdiction of the Committee on Finance.

13 Senator Moynihan would delete from that original list
14 the Child Welfare, Foster Care, and Adoption Assistance
15 Programs.

16 With respect to these programs, the Secretary of HHS
17 could grant waivers from regular program rules to allow
18 States to operate, then, to fit their own individual needs.

19 On page 39 there are several other Demonstration
20 Authorities that are described. Most of them are quite small
21 and are time-limited.

22 And perhaps the Tax Staff would like to describe the
23 tax provisions that are on pages 41 and 42 of your markup
24 document.

25 Mr. Oglesby. On page 41 of your document, the proposal

1 would be to extend the Federal Debt Collection Refund Offset
2 Program and make it permanent, so it would raise \$2 billion
3 over five years.

4 The Chairman. Would you restate that? I was diverted
5 in my attention.

6 Mr. Oglesby. On page 41 the proposal would extend and
7 make permanent the Refund Offset Program.

8 Mr. Pearlman. Mr. Chairman, the proposal on phasing out
9 the Dependent Care Credit -- and this is different from what
10 you have in front of you, because our numbers have changed;
11 the data has changed. So let me note the difference to you.

12 The Dependent Care Credit would be phased out for
13 taxpayers with Adjusted Gross Income between \$70,000, instead
14 of \$65,000, and \$93,750 instead of \$93,500.

15 Now, what that means is that, for every percentage
16 point -- if you will go down just a few more lines -- for
17 each \$1250 instead of \$1500, by which Adjusted Gross Income
18 exceeds \$70,000, the credit would be reduced; until the
19 taxpayer's Adjusted Gross Income exceeds \$93,750.

20 Senator Bradley. Mr. Chairman, why does it end at
21 \$93,000?

22 Mr. Pearlman. Well, it could end at any number. The
23 phase-out mechanism that was adopted, Senator, was one that
24 reduces the credit or phases out the credit on a percentage
25 point basis with steps, and we chose steps that we hope would

1 make the phase-out fairly smooth, and the step that was
2 chosen was \$1250. That results in a phase-out of \$93,750.
3 We could choose something else.

4 Senator Bradley. Could you find something else that
5 would raise the same amount of revenue but at a higher income
6 level?

7 Mr. Pearlman. Is your question: Could we raise it the
8 same -- ?

9 Senator Bradley. Say at \$100,000 instead of \$70,000?

10 Mr. Pearlman. We could raise the beginning of the
11 phase-out, if that is your question, to a higher number. It
12 will not raise the same amount of revenue.

13 Our projection, if you would give me just a minute --

14 Senator Bradley. Ron, you don't have to get it now, but
15 I just want to make the point that, among the ways to pay
16 for this, this is not my favorite way, because what you are
17 saying to women, who work and who have a Child Care Credit,
18 is that you are going to force them to pay for welfare
19 reform which is really for women. So you end up with a
20 situation where upper-middle class women who work are paying
21 for welfare reform, which I hope before this is over we can
22 look at some alternative source.

23 The Chairman. We will be happy to look at other
24 alternatives. Of course, that isn't the only place. On
25 debt collection we extended that permanently. That is a

1 major revenue raiser, and now you have seen this other
2 raised to start at \$70,000. That sure is upper-upper-income.

3 Senator Packwood. Could I ask a question related to
4 that?

5 The Chairman. Go ahead.

6 Senator Packwood. If your AGI were on the \$70,000,
7 that would be on average gross income of about \$85,000,
8 would it not? I may be off a couple of thousand.

9 Mr. Pearlman. I think you are close.

10 Senator Packwood. So at \$85,000 to \$110,000, or
11 thereabouts -- again, I may be off a couple of thousand --
12 which would put it clearly in the upper 10 percent of
13 income earners in this country.

14 Mr. Pearlman. I think that is true, Senator.

15 Senator Packwood. It isn't necessarily upper-middle
16 income, unless you have a broad definition of "middle." It
17 is very high up the scale.

18 Mr. Pearlman. That is correct.

19 The Chairman. I was calling it "upper-upper."

20 Senator Bradley. It could be higher, is that not right?

21 Mr. Pearlman. Yes.

22 Senator Bradley. You could devise it so it could even
23 be higher?

24 Mr. Pearlman. Yes, Senator, we can set it wherever the
25 committee wants to set it.

1 Senator Packwood. Well, except you are not going to
2 get the same revenue.

3 Mr. Pearlman. That is correct. We cannot raise the
4 revenue to pay for the projected cost of the bill with these
5 two items and set the beginning of the phase-out range
6 higher. That is correct, Senator. We would have to use
7 something else. Yes.

8 The Chairman. All right. Does that complete the income
9 part of it?

10 Ms. Malone. Yes, Mr. Chairman.

11 The Chairman. Mr. Secretary, you stated you wanted to
12 respond in toto.

13 Secretary Newman. Yes, sir.

14 The Chairman. Do you want to proceed with that?

15 Secretary Newman. Thank you, Mr. Chairman.

16 We are here to address a very significant problem in
17 this country. I compliment the committee and Chairman and
18 Mr. Moynihan for the hard work that has gone into preparing
19 the legislation, but the Administration takes exception to
20 the approach philosophically.

21 We are strongly supportive of the principles incorporated
22 into Senate Bill 1655, in that we would reject any deviation
23 from the approach taken in Senate Bill 1655.

24 The Chairman. I can't quite hear you, Mr. Secretary.

25 Secretary Newman. I am sorry. I would just like to say...

1 The Chairman. Pull that mike up a little closer. They
2 are not the best audio systems.

3 Secretary Newman. Thank you, Senator.

4 We strongly support Senate Bill 1655, and we would
5 reject anything that deviated from Senate Bill 1655.

6 May I add also, Mr. Chairman, that with me is
7 Mr. Wayne Stanton, who is the Administrator for the Family
8 Support Administration for HHS, and Howard Rolston, our
9 Expert in Residence on welfare programs.

10 Just FYI, Mr. Stanton ran the Welfare Department in the
11 State of Indiana for eight years, and prior to that ran it
12 for several years in the City of Indianapolis. He has
13 extremely well-rounded hands-on experience.

14 Frankly, philosophically, we just can't embrace anything
15 but 1655.

16 The Chairman. Well, Mr. Secretary, let us not just
17 say, "We have pride of authorship and philosophically we
18 are supporting this and we are against whatever you fellows
19 brought up." Surely there are some specifics in here. Let
20 us talk about some of the things you find are particularly
21 a problem for you in ours, and what you are particularly
22 pushing on yours.

23 Secretary Newman. The issue that Senator Durenberger
24 brought up concerns us greatly, where there is no mandate for
25 States to reach any accomplishment of a goal.

1 Senator Packwood. Is this where you want the 15 percent
2 and then scaling it up to a certain percent?

3 Secretary Newman. Exactly, Senator Packwood, where we
4 get to 70 percent after nine years. Yes, sir. That we must
5 hold the States accountable.

6 We are strongly opposed to a mandatory AFDC UP also.

7 Senator Armstrong. Mr. Chairman, before we leave that
8 first point, the Secretary rushed past that pretty fast.

9 If I understand what you are suggesting, it is quite
10 a different theory than the bill proceeds under.

11 Senator Moynihan made the point that for the first time
12 we are providing money here for training and education on
13 an assured basis. And you are saying that that doesn't get
14 it, that you want to have some kind of performance standard.
15 Why can't we just leave that to the States?

16 Secretary Newman. Historically we have seen that
17 doesn't work, Senator Armstrong.

18 Senator Packwood. What happens?

19 Secretary Newman. If I could turn it over to Howard
20 Ralston, who is our expert, he could probably tell you what
21 happens on it, Senator.

22 Senator Packwood. That, or Mr. Stanton, who could tell
23 us how the States beat it.

24 Secretary Newman. That is a good approach, also.

25 The Chairman. Well, let us hear Mr. Rolston.

1 Make your comment, please.

2 Mr. Rolston. In the past there actually has been a
3 substantial amount of money to the WIN Program that was
4 provided. In the last several years the amount that has been
5 appropriated has been substantially less.

6 But numbers in the vicinity of \$300 to \$350 million
7 a year were provided in the WIN Program into the early
8 Eighties, and there were significant problems with creaming
9 in that program -- specifically, taking the people who were
10 most employable and where the least impact on welfare receipt
11 would occur.

12 So there is a history of past substantial sums of money
13 being spent and States still not involving significant numbers
14 of participants in the programs.

15 Senator Moynihan. Mr. Chairman, if I could say something
16 on this?

17 The Chairman. Senator Moynihan.

18 Senator Moynihan. And I speak to Senator Armstrong,
19 in particular, the issue of participation rates, whether it
20 is a good thing to set them or not, is that it is not a
21 doctrinal issue of any kind; it is a kind of program-manager
22 issue.

23 What the States tell us they have learned -- and it is
24 not a secret; it is a published matter -- is that the real
25 returns on training, education, job search come from the

1 persons who we will define here as the "most difficult,"
2 the ones who have been in the system the longest, our
3 youngest, and so forth.

4 The people who seem that they would be the most
5 promising in fact don't need it, and nothing happens. But
6 they are the ones who get picked -- the process called
7 "creaming." People stay away from the ones who need it
8 because it is hardest.

9 We want to just turn that around completely, and that
10 is what the governors have asked us to do.

11 Senator Packwood. Is that what you used to do in
12 Indiana, Mr. Stanton? You would pick the easiest ones?

13 (Laughter)

14 Mr. Stanton. Senator Packwood, Indiana was an
15 exception. We didn't do that.

16 (Laughter)

17 Mr. Stanton. But there is a lot of validity to the
18 point that you can make yourself look real good at the State
19 level by taking the easy cases and finding jobs for them,
20 many of whom are interested in getting a job for themselves
21 anyway. And that explains the transition or the turnover
22 in AFDC.

23 However, if you begin to take the teenage mothers and
24 cause them to get to get to school and get in jobs, then
25 you are beginning to really do something, and that is the

1 point on which we need to attack the problem of welfare
2 dependency.

3 Remember, Mr. Packwood, that more than half of all
4 new AFDC recipients today are unwed mothers. Ninety percent
5 of the welfare are mothers who, because of divorce, desertion,
6 or separation are unwed mothers. You need then to attack
7 that difficult area, where they have been exempt from work
8 programs in the past, because if they had a child under six
9 years of age they didn't have to take jobs, didn't have to
10 take any training, and they were exempt.

11 Senator Packwood. It kind of sounds like you are
12 opting on the side that Senator Moynihan is on, on this issue.

13 Mr. Stanton. Pardon?

14 Senator Packwood. It sounded like you are on
15 Senator Moynihan's side. You were saying, if we set a
16 standard -- whether it is 15 percent under the present WIN or
17 25 -- that the States will take the easiest ones first and
18 meet the standard.

19 Mr. Stanton. That's right. That is why I am in favor,
20 Mr. Packwood, of taking a standard say beginning at some
21 leve, 15 or 20 percent, and increasing that percent by 5
22 percent or 10 percent a year, until we get up to a level of
23 60-70 percent of your population that must be in a welfare
24 education, work, or training program. That is where we come
25 in on that point.

1 Senator Chafee. I am a little mixed up here, Mr.
2 Chairman.

3 The Chairman. I don't blame you.

4 (Laughter)

5 Senator Chafee. It seems to me that what Senator
6 Armstrong was proposing, that there be some standards set,
7 get some "accountability" -- I believe Mr. Newman used the
8 word.

9 Well, when you use the accountability of X-percent must
10 be involved, doesn't that lead to the creaming that you are
11 talking about? I mean, that is where you can really look
12 good. You take the ones that just went on, that is a married
13 mother whose children are out of school, and she has had a
14 job but, bang, she is on welfare, take that case and get her
15 off, and you have scored some points.

16 "So there is accountability; chalk it up; the State has
17 done well now."

18 Yet, we all believe that we should attack the unwed
19 young teenage mother who needs every kind of help in the
20 world -- education, training, babysitting. But how are we
21 going to encourage the States to tackle that kind of a
22 problem?

23 Secretary Newman. Senator Chafee, that is the reason
24 for the scale graduated to 70 percent at the end of nine
25 years.

1 Senator Chafee. Explain how that works. I mean, why
2 would that encourage States to go after the difficult ones?

3 Secretary Newman. The creaming will occur for just a
4 limited amount of time, maybe the 10 percent in the first year,
5 the 15 percent in the second year. But when you get to the
6 third year, the 25 percent, you have gone past the cream, and
7 you are going to have to really start to go to work. And
8 that is the reason for the mandatory standard.

9 Senator Bradley. But, Mr. Newman, wouldn't it
10 possibly lead to a situation where, if you had to increase
11 the numbers, you would decrease the resources that are
12 devoted to the individuals you are trying to get back into
13 the workforce?

14 I mean, if you had to get your total percentage going
15 higher and higher, that means, in a limited pool of
16 resources, you have less and less to go to that individual,
17 which means you are not going to have the same kind of
18 support system -- child support, job training, et cetera.

19 My concern is, if you have an automatic increase in
20 participation rates, you end up counterproductively affecting
21 the program; you end up with less really getting out of a
22 dependency status.

23 Secretary Newman. The research doesn't show that,
24 Senator Bradley.

25 Mr. Stanton. Senator, might I add to that, please?

1 I think if you take larger numbers of people and provide
2 education or daycare and transportation for that, obviously
3 the cost per se of that particular program is going to go up.
4 But the ultimate reduction in total costs would be
5 beneficial. And I think that is where it will not be a
6 total increase in costs but will be a diminution, because
7 you will be getting people off of welfare that are long-term
8 recipients.

9 Senator Armstrong. Mr. Chairman?

10 The Chairman. Senator Armstrong.

11 Senator Armstrong. I think some confusion really
12 creeps in here. The issue of getting people off of welfare,
13 which is highly desirable, of course, and creaming, is
14 different than participation, if I understand it correctly.

15 The term "creaming," as I understand it, refers to the
16 most capable people getting off of welfare. The question
17 of "participation" refers to the proportion of people who
18 are on welfare who are taking part in the training program.

19 So I can't see that creaming is really an issue here,
20 because, if I understand what the Administration is
21 proposing, it is that people who receive welfare should
22 also receive training. And we are saying that in the first
23 year X-percent of the people who receive welfare in each
24 State have to also receive training, that it is an added
25 benefit that they get. It doesn't say anything about how

1 long they have been on welfare, it doesn't say how long they
2 are going to be on it, it doesn't say if they are going to
3 get off it. It just says that, in addition to giving these
4 people money and Medicaid and food stamps, you have got to
5 give them training. And the next year that percentage
6 rises.

7 I don't see where the creaming issue even arises. I
8 think it is a question of either we are going to be serious
9 about requiring these States to provide this to people or
10 we are not. That is the essence of the bill, I thought.

11 Senator Moynihan. Mr. Chairman, may I speak to that,
12 please?

13 The Chairman. Senator Moynihan.

14 Senator Moynihan. Look, we are very serious, and for
15 the first time we are trying to be serious in terms of the
16 experience of State Governments. And the data that we have
17 in many ways is new.

18 You can divide the population that goes on AFDC in half,
19 almost exactly. Half stay in the system less than four years,
20 A quarter stay in it less than two years -- they are
21 typically older women who have had marital troubles, and they
22 have to resort out their lives, and they do. And you don't
23 need to do a thing, except to give them some support while
24 they do it.

25 The other half, the half we say you must work on, are

1 the teenagers. And that is why our participation rate is
2 not one of those mechanical ones -- you know, "let us show
3 that you meet your quota" -- but you have to spend 50
4 percent of your money on the likely long-term recipients,
5 this second group which will be on there eight, nine, ten,
6 twelve years.

7 We have provided, for the first time ever, that you can
8 take people down to with a child of just 13 months. And
9 this is what the governors have asked for. They want to
10 try to do the hard work, because they know that while it is
11 hard, if you ever do, when you do make a change in this
12 group, you have made a change.

13 That is why they have come to us and said, "Do it
14 this way." That is what Governor Castle and Governor Clinton
15 and Governor Dukakis were talking about. And California.
16 They swear by it in California.

17 Senator Armstrong. Pat, I think we are just kind of
18 passing like ships in the night. I am not disputing that;
19 that sounds okay to me. But I don't see that that response
20 to the concern that the Administration is raising is -- it
21 seems to me it is parallel. I don't see it is in conflict;
22 it is sort of a parallel consideration.

23 The Chairman. Senator Bradley, do you want a try at it?

24 Senator Bradley. Yes, try another thought. If you
25 raise participation rates but you have also capped the

1 amount of money you can spend on job training, you
2 necessarily have less money per capita. If you didn't cap
3 it, well then your argument is one that we could discuss.

4 But as I understand, there has been a desire to cap
5 the program.

6 Are you for capping the program?

7 Secretary Newman. We haven't made that statement.

8 Mr. Stanton. We haven't said that.

9 The Chairman. Well, why don't you answer it?

10 (Laughter)

11 Secretary Newman. Senate Bill 1655, which we do
12 support, does speak to a cap.

13 The Chairman. It does what?

14 Secretary Newman. It does speak to a cap.

15 The Chairman. Yes.

16 Senator Bradley. I thought so.

17 Well, that is the answer to the question, Bill.

18 Senator Armstrong. Well, I guess that is kind of an
19 answer to the Administration's position, but now, as I
20 think what my position ought to be or as the rest of us
21 think about what our position ought to be, it still seems to
22 me that we want to provide education and training to these
23 people, and if your point is that we ought to be sure the
24 funds are there to do so, I don't find that hard to
25 accommodate myself to.

1 I don't like the fact that this bill spends money;
2 but if we are going to spend the money, let us invest it
3 in something that is going to make sense. And if we are
4 investing in training, that seems to me to be a way to get
5 these people out of a dependent status, give them some hope,
6 give them some opportunity, then that is money well spent.

7 But I still think that the idea of requiring the States
8 to get people into the program makes sense. And if it costs
9 something, then we ought to work out the cost.

10 The Chairman. All right.

11 Mr. Secretary, do you have further comments?

12 Secretary Newman. Mr. Chairman, did the committee
13 receive the correspondence that was sent over the signatures
14 of Secretary Bowen, McLaughlin, Ling, and Mr. Miller?

15 The Chairman. I did. I suppose the rest did, yes.

16 Secretary Newman. That expresses our position
17 succinctly, sir.

18 The Chairman. All right.

19 Senator Armstrong. Mr. Chairman?

20 The Chairman. Yes.

21 Senator Armstrong. Are we going to go on and ask the
22 Administration now to comment on the other matters?

23 The Chairman. Well, I assume so. He said he wanted to
24 speak at length, I thought, over the entire bill, and I am
25 giving him an opportunity to do so.

1 Are there other comments you want to make on the
2 legislation?

3 Secretary Newman. Mr. Chairman, I thank you for the
4 opportunity. Our position, though, is succinctly stated by
5 the correspondence that was authored by those four
6 gentlemen.

7 The Chairman. Okay.

8 Secretary Newman. And we strongly support Senate Bill
9 1655.

10 The Chairman. I understood that. That came across.
11 All right.

12 Senator Chafee. Well, Mr. Chairman, it seems to me
13 that those of us who are anxious to get a good bill here have
14 got to receive a little more from the Administration than
15 reference to some letter.

16 Would you paraphrase the letter? I mean, be helpful
17 to us.

18 (Laughter)

19 The Chairman. Here is is, Senator.

20 Secretary Newman. It is a very short letter, Senator
21 Chafee.

22 Senator Chafee. Well, if everything is summed up in
23 the letter, I suppose you gentlemen are wasting your time
24 up here.

25 The Chairman. I think we can move ahead.

1 Senator Chafee. We look to you for comment on a whole
2 series of provisions here, and we want you to be quite
3 forthcoming.

4 Secretary Newman. Thank you for this additional
5 opportunity.

6 There are some welfare reform principles that we think
7 are necessary to be imbued into any legislative approach.
8 There are eight here on my page, and, with the Chairman's
9 allowance, I would like to go through those.

10 The Chairman. I have been doing everything I could to
11 encourage you, Mr. Secretary, out of deference to my
12 colleagues.

13 Secretary Newman. Thank you, Mr. Chairman.

14 The Chairman. Up to a point, Mr. Secretary.

15 Secretary Newman. Yes, sir.

16 Welfare should be temporary. We can claim success
17 when we have assisted people off of the welfare role and
18 onto the payroll. That is the criteria of the President.

19 Welfare is a State-Federal partnership which is
20 administered by the State and cofunded by the Federal
21 Government.

22 Incentives must be incorporated into the programs to
23 make them cost-effective.

24 Three, welfare dependency is reduced by work programs.
25 Work must be a requirement for able-bodied recipients.

1 Welfare programs can best be developed at the State
2 level where they are implemented.

3 States must be given flexibility through the waiver
4 process to determine how best to target resources.

5 Five, welfare recipients must be incorporated into
6 training and education programs to enhance their
7 employability.

8 Mandatory State participation needs must be established.
9 A 50-percent match rate should be established, and all
10 teenagers must finish high school.

11 Welfare recipient mothers should be required to
12 participate in the training and work programs.

13 State options should be maximized. AFDC UP should
14 remain a State option.

15 And the last one, child support enforcement should be
16 enhanced. The Federal Government must work with the States
17 to ensure binding support award guidelines, raise rates of
18 paternity establishment, and cooperate in every way to
19 maximize personal responsibility.

20 The Chairman. Thank you very much, Mr. Secretary.

21 All right, gentlemen, we are ready for amendments.

22 Senator Bradley. Mr. Chairman?

23 The Chairman. Yes. Senator Bradley.

24 Senator Bradley. I would like to address the first
25 section, which is the Child Support Enforcement section.

1 The Chairman. All right.

2 Senator Bradley. Since 1984 we have taken a major
3 thrust toward child support enforcement, and the two principles
4 that have guided that have been national standards, and in
5 particular going after the problem of the interstate child
6 support collection problems, where the absent parent is
7 required to pay in one State and simply skips across the
8 border into the other State, and then cannot be found, or
9 different standards -- not required to pay.

10 In the bill we do provide broad waiver authority. and
11 I have some specific concerns about broad waiver authority,
12 but I have particular concerns about waiver authority on the
13 child support program.

14 So, Mr. Chairman, I would like to offer an amendment
15 that would simply say that, as waivers might be applied in
16 the child support area, that the waiver will not interfere
17 with or slow down the interstate child support collection or
18 paternity establishment efforts, nor should it reduce the
19 level of child support amounts collected on behalf of
20 children.

21 Basically it says, "Look, we have worked for three or
22 four years to put a tough child support enforcement program
23 in; let's not let a State get out from under those
24 requirements through the use of the waiver"

25 Senator Moynihan. Which I think is very sensible.

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1 The Chairman. You have no problem with it?

2 Ms. Malone, would you comment on it? Do you see any
3 problems?

4 Ms. Malone. Senator, no, I don't see any problems with
5 that.

6 The Chairman. Is there further discussion on the
7 amendment?

8 (No response)

9 The Chairman. Do you propose the amendment?

10 Senator Bradley. I propose the amendment.

11 Senator Moynihan. Second.

12 The Chairman. All in favor of the amendment as stated,
13 make it known by stating Aye.

14 (Chorus of Ayes)

15 The Chairman. Opposed?

16 (No response)

17 The Chairman. It carries.

18 Senator Daschle. Mr. Chairman?

19 The Chairman. Senator Daschle.

20 Senator Daschle. Mr. Chairman, I was going to offer
21 an amendment to Title II, if I could. It deals with the
22 allocation of money for the JOBS Program.

23 We have a special problem on Indian Reservations, in
24 that because they are a separate jurisdiction, first,
25 and secondly because in large measure they are in such

1 remote areas, the allocation of many of these programs has
2 never happened.

3 So it is likely that under Title II of this bill, little
4 if any money will ever get to an Indian Reservation.

5 The problem on the Reservations is really extraordinary;
6 they have four-thousandths of one percent of all population
7 in this country, yet they comprise 1.3 percent of the AFDC
8 population.

9 In South Dakota they are 6.5 percent of the population,
10 but they are 47 percent of AFDC recipients in my State. It
11 is phenomenal. Unemployment is 50 percent nationwide, and
12 75 percent in South Dakota.

13 We have two programs on the Reservations now that deal
14 with jobs, and in both cases they have not done as well as
15 they might. One has affected about 4 percent of eligible
16 Indian workers, and the other, 2 percent. So largely the
17 programs that have existed have not worked to the satisfaction
18 of Indian peoples.

19 So my amendment would address that very simply: It
20 would allow tribes to apply for a percentage of jobs funding
21 on the basis of the population in a given States. Tribes
22 would apply directly to the Secretary for the funding, and
23 would set up a program specifically tailored to that
24 particular Reservation.

25 The second part of my amendment would simply study

1 whether or not the programs that are out there are working,
2 what ways we could devise that would improve the
3 application of programs that are already exiting, and
4 other new ones that could be devised in a much more
5 cost-efficient way.

6 I am told that the cost of this is insignificant for
7 the first couple of years and does not exceed \$2 million, and
8 that is in 1993.

9 The Chairman. That would be over the five years?

10 Senator Daschle. Over the five years it would be a
11 \$4 million allocation.

12 Senator Bradley. Mr. Chairman?

13 The Chairman. Yes.

14 Senator Bradley. I think Senator Daschle's amendment
15 is really merited; he has got some of the poorest areas in
16 the country.

17 The Chairman. I really don't see a problem with it,
18 frankly.

19 Are there concerns?

20 Senator Moynihan. No. But I would hope we might have
21 report language asking for some real inquiry into this
22 subject. As Senator Daschle was saying, something is not
23 working. But what? And use this as the vehicle for getting
24 it.

25 The Chairman. That is fine. We will do that. I am

1 sure there will be no objection to that.

2 Do you propose the amendment, Senator Daschle?

3 Senator Daschle. I propose it.

4 The Chairman. Is there a second?

5 Senator Bradley. I second the amendment.

6 The Chairman. Is there further discussion?

7 (No response)

8 The Chairman. If not, all in favor of the motion, make
9 it known by saying Aye.

10 (Chorus of Ayes)

11 The Chairman. Opposed?

12 (No response)

13 The Chairman. Yes, Senator Rockefeller?

14 Senator Rockefeller. Mr. Chairman, some time ago
15 Senator Danforth, Senator Mitchell, and myself sent a
16 "Dear Colleague" letter around with respect to the
17 Community Development Corporation.

18 The problem of trying to find work for particularly
19 difficult clients is real, and there are all kinds of studies.
20 We are still groping for the best way to do it.

21 There are, however, some very genuine success stories
22 with respect to this particular population that we are
23 targeting, and they have to do often with nonprofit
24 community development corporations that are at work in a
25 number of our States. In mine there is a project in

1 Parkersburg which employs up to 60 people, most of whom have
2 been on AFDC,, and it has to do with quilts and with crafts,
3 and that is one aspect of it, and it works.

4 There is another county close by, a rural county, in
5 which former AFDC people are building low-income housing,
6 and that low-income housing may be the housing into which
7 they or some of their counterparts might live.

8 But the point is that it does work. Community
9 development corporations ought to be encouraged. The
10 amendment would cost about \$7.5 million, and I believe that
11 Senator Mitchell has an offset for funding it. It would
12 simply allow up to ~~10 demonstration projects around the~~
13 country to show ways in which these community development
14 corporations can produce examples of successful work. And
15 I would propose the amendment.

16 The Chairman. What is the cost? Is there a cost
17 involved here? I am sorry, it is a cost of how much?

18 Senator Rockefeller. It is \$7.5 million, and I believe
19 Senator Mitchell has an offset.

20 The Chairman. Do we have an offset on that?

21 Senator Mitchell. Well, the offset, Mr. Chairman,
22 would be to reduce from the age five to age two the year
23 at which a taxpayer identification number must be obtained.
24 That would actually raise \$10 million a year, which is
25 25 percent more than the cost of this amendment.

1 The Chairman. To reduce from five to two, what?

2 Senator Mitchell. The age. In the 1986 Tax Reform Bill
3 we required all persons age five and above to have a
4 taxpayer identification number to avoid the situation where
5 a child of divorced parents was claimed on both returns.
6 Now that continues for children below age five. In addition,
7 you have the added complication of the phase-out of personal
8 exemptions as income rises. So, to ensure compliance and
9 to raise \$10 million in revenue, you could reduce from five
10 to two the age at which the taxpayer identification number
11 would have to be obtained.

12 The Chairman. Mr. Pearlman, could you comment on that?

13 Mr. Pearlman. Yes, Mr. Chairman. We have analyzed that
14 proposal, and the only slight change I would make is that we
15 think it raises a little less than \$10 million; but \$10
16 million is close enough for our purpose.

17 The committee will recall that this provision was added
18 to the 1986 Act, the notion that principally in the area of
19 domestic relations -- that is, domestic relations
20 controversies where divorced spouses might both be claiming
21 the dependency exemption of a child -- that there was no way
22 for the Internal Revenue Service to effectively determine
23 whether there was a dual claim of the dependency exemption.
24 So, the '86 Act enacted a provision that required the
25 placing on the tax return of a minor child's Social Security

1 Number.

2 At the time that that was being debated, an issue
3 arose as to whether the Social Security Administration would
4 be able to accommodate the increased number of Social
5 Security Numbers that would have to be assigned, and they
6 indicated at the time that they could.

7 Senator Mitchell's proposal would extend that provision
8 to children over age two, and there is clearly some
9 compliance improvement from that. As we indicated, we
10 estimated something slightly less than \$10 million per
11 year.

12 The Chairman. How long have you been holding that
13 one back?

14 (Laughter)

15 The Chairman. Mr. Ross?

16 Mr. Ross. Mr. Chairman, if I could just briefly state
17 give you the benefit of Treasury's views on this?

18 The Chairman. All right.

19 Mr. Ross. This isn't a proposal that we have had a
20 chance to study, and we certainly haven't had a chance to
21 do a revenue analysis of it that the Joint Committee has;
22 but I think you should note that the provision in the '86
23 Act created many additional numbers that the Service now has
24 to deal with -- these TINS for Tots, as it is commonly known.

25 Many millions of Social Security Numbers were required

1 to be gotten. The Service was given a large additional
2 source of data. And frankly, I think they are just now
3 going through what use that data is, and trying to integrate
4 it into their general matching program.

5 To now expand that program, taking it down from age five
6 to age two, is simply going to add many millions more of
7 dependent claims that they will have to keep track of.

8 Frankly, I think there is an issue at this stage, at the
9 least, of what additional compliance gain that will create.
10 Again, that is sort of an off-the-cuff view, because we
11 have not had a chance, really, to review this proposal.
12 But I think that is something you should be aware of.

13 Senator Mitchell. Certainly, Mr. Chairman, conceptually
14 a child of age four of a divorced couple should not be
15 permitted to be claimed as a deduction on both as opposed to
16 a child of age five. There is no difference conceptually.

17 I understand he is talking about problem with that.

18 Senator Chafee. Or a child of age one.

19 Senator Mitchell. Right.

20 The Chairman. Save that until next year.

21 (Laughter)

22 The Chairman. Are there further questions on this?

23 Senator Rockefeller. Mr. Chairman, I have one
24 additional statement, in that it is not just community
25 development corporations that we are talking about here. I

1 mean, we are talking about nonprofits that could be into
2 this demonstration; we could also be talking about community
3 action agencies. I didn't want to leave the feeling that it
4 was just the CDC's that would be eligible for these
5 demonstration projects.

6 The Chairman. Are you moving your amendment?

7 Senator Rockefeller. I have done so.

8 The Chairman. Second?

9 Senator Mitchell. Second.

10 The Chairman. Any further discussion?

11 (No response)

12 The Chairman. If not, all in favor of the amendment
13 as stated, make it known by saying Aye.

14 (Chorus of Ayes)

15 The Chairman. Opposed?

16 (No response)

17 The Chairman. The amendment is carried.

18 Senator Bradley. Mr. Chairman?

19 The Chairman. Yes, Senator Bradley.

20 Senator Rockefeller. Mr. Chairman, before Senator
21 Bradley begins, could I just say a special word about
22 Senator Mitchell? He fights long and hard trying to find
23 ways to create jobs out of this program, and I would just
24 like to say that.

25 The Chairman. All right.

1 Senator Bradley?

2 Senator Bradley. Mr. Chairman, this again goes to the
3 child support enforcement.

4 Under the bill that we now are considering, we have
5 immediate wage withholding but only in those child support
6 cases that come before the child support agency. Those are
7 cases where there is some problem that has come to light.

8 The suggestion has been made that we should apply this
9 to all child support cases, whether they are before the
10 child support agency or not.

11 (Continued on the following page)

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1 Senator Bradley. I would prefer that; but, Mr.
2 Chairman, you as well as others have urged us not to go
3 that route until we have more information. So, I would
4 suggest that we mandate the study of what immediate wage
5 withholding would mean for all cases, in particular its
6 administrative feasibility, its cost implications, its
7 ramifications, and a number of other areas.

8 This essentially is a request for a study relating to
9 immediate wage withholding for all child support enforcement
10 cases, not just those that come before the child support
11 agency.

12 Mr. Chairman, I would move then that we make all
13 child support -- no --

14 (Laughter)

15 The Chairman. I beg your pardon?

16 Senator Bradley. This is a request simply for a study,
17 pursuant to your request that we not make all child support
18 cases have immediate wage withholding until we have seen
19 what the administrative ramifications are.

20 The Chairman. Yes. This was in the original Moynihan
21 bill, as I understand it.

22 Senator Bradley. Yes.

23 The Chairman. Yes; it is not of my doing, frankly.

24 Senator Bradley. This is Senator Moynihan's request?

25 Right.

1 The Chairman. Yes. So, now what you are asking for
2 is simply a study?

3 Senator Bradley. A study, yes.

4 The Chairman. I see no objection to that. Is there
5 any comment or any objection?

6 (No response)

7 The Chairman. Fine. Yes, Senator Rockefeller?

8 Senator Rockefeller. Mr. Chairman, I have a two-part
9 amendment. The first of these would be to direct the
10 States to place educational activities as the first priority
11 for participants who lack a high school diploma. Now, that
12 sounds formidable; and this is not an effort to try to tie
13 States' hands.

14 I simply think it would be unwise of us not to have
15 in the language of this legislation the fact that education
16 really plays the first and foremost role in making it in
17 the work place.

18 The statistics that back this up are simply overwhelming,
19 and I won't go into them now. For example, the difference
20 between graduating and not graduating from high school is
21 at least \$352.00 a month, which is more than an AFDC family
22 makes in a month in West Virginia.

23 I think also that we tend here to be looking at some
24 of the younger people, under 22 years of age, in this
25 legislation; but frankly, folks who are over 22 or are 30 or

1 35 or 40--unemployed coal miners or whatever--have had
2 plenty of time to figure out and understand that they
3 are not getting jobs because they don't have skills and
4 they don't have education; they don't know math and they
5 can't read properly.

6 The Chairman. Senator, I couldn't agree with you more,
7 but you are not calling on the States to have any kind of a
8 formula here, are you?

9 Senator Rockefeller. No formula.

10 The Chairman. All right.

11 Senator Rockefeller. It simply puts it in the language
12 of the bill. It does do anything more than place that as a
13 high priority of the committee.

14 The Chairman. That is fine with me. Any objection to
15 that?

16 (No response)

17 The Chairman. Fine. We will do it.

18 Senator Rockefeller. The second amendment, Mr. Chairman,
19 would have to do with a little bit better cooperation at
20 both the Federal and the State level.

21 HHS is assigned this, and at the level of the States,
22 the Departments of Welfare are assigned this, by the law.
23 All of us have seen so many examples in trade adjustment
24 assistance and other areas where Federal agencies don't
25 coordinate, don't work together, where State agencies don't

1 coordinate and don't work together.

2 I would like to see HHS working with Labor and with
3 Education; and at the State level, I think that welfare
4 departments should be consulting the adult education people,
5 the vocational training people, the Department of Education
6 folks.

7 There is nothing really more in this amendment but to
8 emphasize that they have to work together on this to make
9 it work. It a little bit gets at what Senator Packwood was
10 worried about.

11 I think it is a reasonable and modest amendment, and I
12 would move its adoption.

13 Senator Moynihan. I second that motion.

14 The Chairman. Is there further discussion?

15 (No response)

16 The Chairman. If not, all in favor of the amendment
17 make it known by saying "Aye."

18 (Chorus of ayes)

19 The Chairman. Let me state at this time that we have
20 gone through the package of modifications that Senator
21 Moynihan and I have proposed after visiting with many
22 members of the committee and their staffs.

23 I would like to see it moved that we accept the
24 modifications to the original bill.

25 Senator Baucus. Mr. Chairman, I have a slight

1 modification on page 25, asking for committee report
2 language that we are going to have oversight efforts in
3 the implementation of this bill.

4 I would like to amend that reference to include specific
5 mention of implementation of oversight for rural and low
6 growth areas of the country. Welfare reform is generally
7 conceived as urban reform.

8 I think, as Senator Daschle pointed out, there are
9 rural parts of America that also should have specific
10 attention addressed, to the degree to which this legislation
11 is addressing their concerns.

12 Senator Moynihan. Absolutely.

13 The Chairman. Does anyone have any objection to that?

14 (No response)

15 The Chairman. Without objection, that will be adopted.

16 Senator Moynihan. In that case, Mr. Chairman, if I
17 may I would like to move the modifications?

18 Senator Armstrong. Mr. Chairman?

19 The Chairman. Yes, Senator Armstrong?

20 Senator Armstrong. I assume that if amendments touch
21 the bill at some place that is being modified, it doesn't
22 affect our opportunity to offer those amendments?

23 The Chairman. Oh, that is quite right, Senator.

24 Senator Armstrong. Thanks.

25 The Chairman. That is quite right.

1 (Laughter)

2 Senator Armstrong. I am not sure I understand the
3 modifications, though.

4 The Chairman. If there is no further discussion, all
5 in favor of the motion to accept the modifications as
6 proposed, say "Aye."

7 (Chorus of ayes)

8 The Chairman. Opposed?

9 (No response)

10 The Chairman. The modifications are adopted.

11 Senator Chafee. Mr. Chairman?

12 The Chairman. Yes, Senator Chafee?

13 Senator Chafee. I have an amendment, which I will
14 explain. Under the bill as it currently exists--and I am
15 talking of the Medicaid coverage field now for those who
16 are working, those who go to work--under the current bill,
17 the Moynihan bill, there is 12 months of mandatory coverage
18 that the States have to offer; but the final six months, it
19 is with a premium.

20 The States must provide the 12 months' coverage, but
21 in the last six months it is with a premium. In other words,
22 if the person doesn't pay the premium, they don't get the
23 insurance.

24 Does everybody get that?

25 (No response)

1 Senator Chafee. All right. Now, what I would do is
2 extend it, make it exactly as Senator Moynihan does--in
3 other words, the 12 months by the States--but I would ask
4 another 12 months with the premium, in other words, 24
5 months.

6 The first six months would be mandatory coverage, and
7 the last 18 months would be with a premium.

8 Now, I have a little different premium that comes out
9 costing the same, but it is calculated by a little diferent
10 method.

11 Now, what is the rationale for this? The rationale for
12 this is that these are all working poor who are in a situation
13 where they just plain don't have any kind of insurance
14 coverage. That is the figure that we have had around here
15 so often; 37 million Americans don't have any insurance
16 coverage at all.

17 And the statistics are that these folks, when they come
18 off welfare and go to work, usually are working in low income
19 jobs; and those are the people who don't have coverage by
20 their employer.

21 So, to get them started, we both agree that there would
22 be the six months' coverage in which that would be paid for
23 by the governments; and Senator Moynihan would have an
24 additional six months with a premium; and I would have 18
25 months with a premium.

1 The Chairman. So, what you have is a further
2 liberalization of the Bentsen/Moynihan amendment's
3 modifications?

4 Senator Chafee. That is right.

5 The Chairman. And how much money are you talking about?

6 Senator Chafee. I am talking about \$135 million over
7 five years.

8 The Chairman. Additional cost?

9 Senator Chafee. Additional cost.

10 The Chairman. Mr. Rolston, what does the Administration
11 have to say on this?

12 Secretary O'Beirne. On the Medicaid extension, Mr.
13 Chairman?

14 The Chairman. Yes.

15 Secretary O'Beirne. We are, as part of S. 1511, oppose
16 to these transition benefits. Our posture has been that
17 transition benefits, especially Medicaid transition, has
18 a tendency to increase dependency, we believe; and it is
19 currently being tested in both Wisconsin and New Jersey.

20 Our posture is that, because we don't know whether or
21 not will indeed induce people to leave welfare, there is
22 no research to so indicate.

23 Before a national program is put in put into place, we
24 would much prefer to see what we learn from New Jersey and
25 Wisconsin, who are testing this very proposition.

1 Senator Chafee. Let me say that I have done a test.
2 My test wasn't in Wisconsin; it was in Providence, Rhode
3 Island. And clearly, anybody who has ever talked with
4 welfare recipients has heard that that is one of the great
5 deterrents to getting off welfare.

6 When you said it increases dependency--I think it
7 decreases dependency. They are so worried about getting off
8 because they are not going to make much money by getting
9 off, but they are willing to get off; but then, they are
10 confronted with no medical coverage at all.

11 So, therefore, I think that the Moynihan package is a
12 good one with the coverage for six months; and that is not
13 very long; and then we go on to the ability to keep it up
14 with the coverage if they pay a premium.

15 They have to pay the premium.

16 Secretary O'Beirne. If I might respond? We do, of
17 course, have Medicaid coverage available to people leaving
18 welfare, which Mr. Rolston will elaborate upon, because it
19 varies from State to State.

20 But by and large, this population is covered under
21 current law. We do find among this population very often
22 they are not aware that this coverage exists in whatever
23 given State they might be in.

24 Again, we will know an awful lot more after the governors
25 in both Wisconsin and New Jersey have a chance to test this

1 proposition. It will be strenuously evaluated, and we will
2 finally know whether or not this lengthy extension of
3 Medicaid is indeed an incentive.

4 Mr. Rolston will just cover quickly the sort of Medicaid
5 coverage that is available currently.

6 Mr. Rolston. For recipients who leave AFDC because of
7 increased earnings or hours of work, there currently is a
8 form of extension. In addition, there is a nine-month
9 extension for those who leave because they lose the \$30.00
10 and the third disregards.

11 I think it is important from the point of view of
12 looking at what the evidence is in terms of whether
13 recipients will leave because of these extensions. It is
14 important to distinguish how people describe what they
15 think their problems are from whether there is any direct
16 evidence for that is why they are staying on welfare.

17 There isn't much evidence on this; that is why we are
18 doing some demonstrations. There is some small evidence to
19 the contrary.

20 For example, when OBRA was enacted, which--as you all
21 know--removed a large number of people with earnings from
22 AFDC, there was great concern that people would quit their
23 jobs and come back on welfare.

24 Studies done by both the Department and the General
25 Accounting Office indicated that this wasn't so. Those

1 individuals who were removed--and there were, I think, about
2 250,000 working families--did not return, and they got no
3 Medicaid extension whatsoever, not even the four-month or
4 the nine-month because it wasn't due to increased earnings,
5 and the nine-month extension didn't exist then.

6 So, there is at least some evidence that a Medicaid
7 extension is not necessary for people to be off of the rolls.

8 The Chairman. Senator, you obviously have some
9 serious difference of opinion here expressed by the
10 Administration; and you are talking about quite an expensive
11 amendment. You are talking about \$135 million.

12 I would have some concern with it. Are there other
13 comments on this amendment?

14 (No response)

15 Senator Chafee. Well, I have a way of paying for it,
16 Mr. Chairman.

17 Senator Armstrong. Here comes the cigarette tax --

18 (Laughter)

19 The Chairman. Do you want to tell me about it?

20 (Laughter)

21 Senator Chafee. I want to give you a double winner here,
22 Mr. Chairman.

23 (Laughter)

24 Senator Chafee. A tax that is going to keep America
25 healthier. First, let me just say in response to Mr.

1 Rolston's statement that the National Governors' Association
2 supports this, the Children's Defense Fund, the Children's
3 Welfare League, Association of Maternal and Child Health
4 Programs, the National Association of Children's Hospitals,
5 and so forth.

6 I really feel very serious about this Medicaid extension.
7 I am glad that Senator Moynihan's program calls for that.

8 Most of us have spent some time meeting with welfare
9 recipients. Certainly, I have in my State; and the empirical
10 evidence is that this is a deep concern to them.

11 It is not the welfare recipient his or herself; it is
12 for their families, for their children. And if we are going
13 to have this thing succeed, which I hope we will, I think
14 we have got to have both what Senator Moynihan has proposed,
15 which of course I support, but also an extension of that.

16 So, now for the tax. The tax, Mr. Chairman, is one that
17 has long had appeal for you, I know; and it is modest. It
18 would only be one cent on the cigarettes, an additional cent.

19 And that would get \$135 million in a year. Now, this
20 program only costs \$135 for five years. So, it is one of
21 those taxes that could end at the end of a year; and then
22 somebody could seize upon it for something else.

23 (Laughter)

24 Senator Chafee. So, Mr. Chairman, being responsible
25 fiscally and healthwise both, I urge my program upon you.

1 Senator Heinz. Mr. Chairman, I would like to ask a
2 question of the Administration.

3 The Chairman. Yes, Senator Heinz?

4 Senator Heinz. I wasn't quite clear on what you said
5 the experience on limiting or cutting off people who were
6 employed from additional months of Medicaid happened to be.

7 I thought I heard you say that there were actually
8 250,000 people who lost their Medicaid eligibility but who
9 remained working. Is that right?

10 Mr. Rolston. Lost AFDC and Medicaid, unless they were
11 covered under the medically needy part of the program.

12 Senator Heinz. But they were working and they lost
13 both AFDC and Medicaid? If they had stopped working, would
14 they have become eligible for both?

15 Does that tell us one way or the other about the
16 willingness of people to go out and find a job?

17 Mr. Rolston. I don't think it speaks directly to that
18 issue, but it does suggest often what people say about their
19 behavior is a barrier, and the barrier is removed, doesn't
20 necessarily mean that the other behavior will ensue.

21 Senator Heinz. Okay. I just wanted to be clear on
22 that. Thank you.

23 Senator Rockefeller. Mr. Chairman?

24 The Chairman. Yes, Senator Rockefeller?

25 Senator Rockefeller. I like enormously what Senator

1 Chafee is suggesting, but it just seems to me that Senator
2 Moynihan and you and others have been through an enormously
3 long and difficult process here of trying to get out a piece
4 of legislation that can pass on the floor of the United
5 States Senate.

6 We have been through this before. You have compromised
7 on money; you have compromised on UP; you have compromised on
8 benefit expansions. This bill is being attacked from the
9 right; it is being attacked from the left.

10 But I agree thoroughly with you in your approach to
11 find something which can get the necessary votes to pass
12 in the committee and on the floor. Therefore, I would
13 oppose the amendment of Senator Chafee, not because of what
14 he is trying to do, but because I think we are going to have
15 a close vote on this, anyway; and we don't need any more
16 problems.

17 The Chairman. Senator Rockefeller, you know I voted
18 with Senator Chafee on increasing the cigarette tax in the
19 past. I have all the scars to show for it; and I am
20 sympathetic with what he is trying to achieve.

21 But I also want to get this thing into law and not
22 just some issue. That is what concerns me in taking on
23 the additional fight of trying to raise that tax, Senator.

24 Senator Baucus. Mr. Chairman?

25 The Chairman. Yes?

1 Senator Baucus. Mr. Chairman, I agree. One other point.
2 I, too, favored increasing the cigarette tax, but I don't
3 think that revenue should be used to extend Medicaid in
4 this way.

5 I think there are more appropriate ways to use those
6 funds for other programs. As much as I agree with an
7 increase in the cigarette tax, this is not the place to do it.

8 Senator Chafee. My amendment seems long on sympathy
9 and short on votes here.

10 (Laughter)

11 Senator Chafee. But let me just say this, Mr.
12 Chairman. We have been around this track a lot in this
13 committee on this cigarette business. And every year--and
14 maybe it is a couple times a year now--the feeling always
15 seems to be "Don't stir up that hornet's nest." And I
16 think that is unfortunate.

17 I think we are being scared off by a force that isn't
18 as vigorous as we think it is. I can remember when we took
19 it up at eight cents; then, the question was to terminate.
20 You remember that, Mr. Chairman, and we voted not to
21 terminate it against all the wisdom that seemed to be
22 there, and it prevailed.

23 If somebody has a better way of paying for this--and we
24 have some ingenious ways of paying for this around here,
25 like dropping the age of those who have to be listed from

1 five to two--you can see the ingenuity that exists. I wish
2 we could do this.

3 And I might say this, Mr. Chairman. Every year we are
4 extending the coverage of Medicaid, usually when we do the
5 reconciliation measures, as we did in the last reconciliation
6 measure. We extended the coverage of Medicaid to those
7 low income children, and we are now up to, I believe, five
8 years. Isn't that right, Ms. Kelly? Five years?

9 Mr. Ross. Through age six.

10 Senator Chafee. Through age six, and we are going to
11 continue to do that; and it is going to continue to cost
12 money, but I think it is the right thing to do.

13 In any event, I would ask for a voice vote on this,
14 if you would be good enough to put it to a voice vote?

15 The Chairman. I will do that. All in favor of the
16 amendment make it known by saying "Aye."

17 Senator Chafee. Aye.

18 The Chairman. Opposed, no?

19 (Chorus of noes)

20 Senator Chafee. All right. Now, Mr. Chairman, I would
21 ask if we could deal with the premium that Senator Moynihan
22 has offered. He might be agreeable to that.

23 The basis on which he assesses his premium; could you
24 comment on that; Ms. Malone?

25 Mr. Humphreys. Senator, in the Moynihan bill, the

1 premium that applies for the second six-month period is
2 set by the State, but cannot exceed 10 percent of the amount
3 by which the family's income minus child care costs exceeds
4 what is basically the minimum wage over a 40-hour week,
5 which is \$581.00.

6 So, the State sets the premium, but there is a limit
7 as to how much there can be on the family.

8 Senator Moynihan. Could I ask a question, Senator
9 Chafee? Would you find this premium more attractive in
10 principle?

11 Senator Chafee. The premium I suggested.

12 Senator Moynihan. I think ours is the one that might --

13 Senator Chafee. The premium I suggested was to take
14 three percent of the adjusted gross income on those whose
15 incomes exceed 100 percent of the poverty level.

16 As I understand it, it comes out--the revenue results
17 are the same.

18 Mr. Humphreys. CBO says they are approximately the
19 same.

20 Senator Moynihan. If it is agreeable to you, if you
21 would like your premium, I can make a case either way; and
22 I think if you feel that yours is the better, it would be
23 agreeable to me, Senator.

24 The Chairman. Are there comments on that?

25 Mr. Humphreys. Could we just clarify one point?

1 The Chairman. Yes.

2 Mr. Humphreys. If your income exceeds 100 percent of
3 poverty, is the premium three percent of that excess?

4 Senator Chafee. Yes.

5 Mr. Humphreys. In other words, the premium limit, as
6 I understand it --

7 Senator Chafee. Of the adjusted gross income.

8 Mr. Humphreys. I am sorry. The adjusted gross income.
9 If your income is over the poverty level, then you are
10 subject to a premium?

11 Senator Moynihan. That portion which is above.

12 The Chairman. Let's get that clear. Is it on the
13 entire amount or that in excess of the poverty level?

14 Senator Chafee. No. It would be on the entire amount.

15 Secretary Newman. Three percent of the entire adjusted
16 gross income.

17 Senator Chafee. Of the adjusted gross income.

18 The Chairman. And that would mean then that there
19 would be no additional cost. Is that correct? Do I
20 understand that?

21 Senator Chafee. Yes, that is right. They would have to
22 be above 100 percent of the poverty level before you proposed
23 it. That is right, if you were at 101 percent.

24 And that would only be a ceiling. The State could set
25 it less.

1 The Chairman. I wonder if I could get CBO to give us
2 a comment on how they did their estimates?

3 Mr. Humphreys. We were checking with CBO. It is not
4 clear whether their estimate was based on the three percent
5 applying to the entire adjusted gross income or just the
6 portion of the AGI that exceeds the poverty level.

7 We have to clarify with CBO.

8 Senator Heinz. Senator Chafee's amendment, as I
9 understand it, is to apply three percent of AGI but only
10 for people whose income is above 100 percent of the poverty
11 level.

12 As I understand your alternatives, neither of the two
13 you have described.

14 The Chairman. Why don't we just defer this until we
15 can get CBO's numbers and how they made their estimate, and
16 resolve this at a later point? We can get to that one
17 tomorrow or later today.

18 Senator Chafee. That is fair enough.

19 The Chairman. All right. Fair enough. Senator
20 Armstrong?

21 Senator Armstrong. Mr. Chairman, I would like to go
22 back to an issue that I raised earlier, but I did not
23 offer an amendment; and that is the issue of AFDC-UP. My
24 amendment, very simply, pertains to present law.

25 At the present time, States have the option of providing

1 AFDC benefits to two-parent families with the option not to
2 do so. It so happens that 26 States currently provide these
3 benefits.

4 The Chairman. Right.

5 Senator Armstrong. The bill we have before us, as I
6 understand its current status, says that every State must
7 provide for at least six months of the year benefits to
8 two-parent families.

9 I would ask that we go back to the current law for
10 two or three reasons.

11 The first reason is rooted in the costs. This is one
12 of the most costly provisions of the bill, not only costly
13 for the Federal Government, but also costly for the State
14 governments.

15 I would like to ask OMB to address that in a moment,
16 but my impression is that this is one of the most costly
17 provisions of the bill. And I would like to ask them about
18 the documents they have submitted on the State costs.

19 The second reason why I would like to suggest that
20 we retain State discretion is that the idea of the States
21 having a substantial policy role in administering these
22 programs, I think, is a proper one.

23 I would not favor it if somebody came forward with an
24 amendment to prohibit the States from making benefits
25 available to two-parent families. This seems to me to be a

1 proper area for the States to exercise some discretion.

2 And frankly, aside from the money issue, there is a
3 larger, and I think a more important, question of public
4 policy and of social policy here.

5 And there is a real dispute among thoughtful people
6 as to whether or not it is better from a social standpoint,
7 ignoring the cost implications, from a social policy
8 standpoint of whether it is better to provide this to
9 two-parent families or not.

10 The only definitive work I am aware of in this area
11 are two studies conducted, I think, by the Department several
12 years ago, one of which was called the Denver Income
13 Maintenance Experiment and the other was the Seattle
14 Income Maintenance Experiment.

15 Those two experiments attempted to show, Mr. Chairman,
16 the effect on intact families, that is, two-parent families
17 of a guaranteed income; and what it showed was--if I could
18 just sum up two five-year studies very simply--is that, if
19 there is a guaranteed income of that kind, it discourages
20 work and encourages the breakup of families.

21 Now, I am not sure whether or not that is a completely
22 valid study, although I looked at it fairly carefully a
23 few years ago; and it seemed valid.

24 But what I am saying is that the Federal Government ought
25 not, as a matter of policy in a welfare bill, step in and

1 require that the States cross this threshold, which 26 have
2 decided to cross and the balance have decided not to.

3 So, my amendment simply retains the current law.

4 It would be a \$1 billion item over the next five years.

5 The Chairman. Senator, that was a matter of some
6 concern to me, and I think we worked out an acceptable
7 compromise in the Bentsen/Moynihan modifications insofar
8 as time limitations and work-oriented version of that for
9 the unemployed parent.

10 I believe that is a reasonable compromise of some of
11 these concerns, but I would defer to Senator Moynihan for
12 any comments.

13 Senator Moynihan. I thank you, Mr. Chairman, and I
14 want to agree that the Bentsen/Moynihan amendments responded
15 to this.

16 There are two points. First, my good friend from
17 Colorado should know that a University of Wisconsin study
18 just recently published by Professor Kane has reassessed
19 the Seattle/Denver income maintenance experiments. Mr.
20 Spencer Rich of the Washington Post reported this recently.

21 The new findings are completely at odds with those
22 earlier impressions we got which say there is, in fact, no
23 noticeable distinction between the experiences. This is
24 just the data.

25 Senator Armstrong. What that proves is what is in

1 dispute.

2 Senator Moynihan. More important, we had good testimony
3 from Senator Evans and from officials at Utah who said, Mr.
4 Chairman--and I am sure you recall the testimony--they went
5 through what we call the natural experiments, as against
6 the controlled one over here, in which the States had the
7 AFDC-UP program and then they put an end to it.

8 And the next thing you know, a very significant number
9 of the families that had been two-parent families on the
10 AFDC-UP were showing up as one-parent families under AFDC.

11 So, Utah has worked this out; they like it. They are
12 sensible. If I could say this, Senator Armstrong, we did
13 do what we were asked, which was to mandate this in the
14 form it existed for two-thirds of the population. We said,
15 all right, let's have the more limited position that Utah
16 has; and that was Senator Bentsen's proposal, and it seemed
17 to me to be the proposal of experience and practicality.

18 Senator Danforth. Mr. Chairman?

19 The Chairman. Senator Danforth?

20 Senator Danforth. Mr. Chairman, I don't know anything
21 about any studies, but it just seems to me amazing if it
22 were not the case that, to provide AFDC payments only where
23 the family is not together, that would not act as an
24 incentive to break up families.

25 I mean, it would seem to follow as the night the day that,

1 if the Government says to families that we will pay you
2 money if you are no longer a family, that is not going to
3 break up families.

4 Now, it is my understanding that the Administration is
5 against this provision. I thought this was supposed to be
6 the great pro-family Administration. I don't understand
7 how the Administration can oppose extending AFDC payments
8 to families that are intact.

9 Who speaks for the Administration on this?

10 Secretary O'Beirne. Senator Danforth, I am more than
11 happy to reiterate what the President, of course, told
12 Congress in the fall of 1986, that he would veto a
13 reconciliation bill over this provision.

14 We feel very strongly that the 24 States who are free
15 at any time to pick up AFDC-UP coverage--and we would
16 certainly do the Federal match--have not chosen to do so.

17 They are choosing to use their resources in other ways
18 to help their low-income population; and in the absence of
19 any evidence that AFDC-UP keeps families intact, we --

20 Senator Danforth. My understanding was that the President
21 used to make campaign speeches about the welfare system and
22 how it had run amuck and how it had been used to break up
23 families and keep people perpetually in poverty.

24 I thought that was a basic campaign speech of President
25 Reagan, and I don't understand why the Federal Government

1 should be spending its money on a program that does exactly
2 what I thought the President had been criticizing.

3 Secretary O'Beirne. We have certainly addressed at all
4 levels of the Administration the failures of the current
5 welfare system. And the President, of course, as recently
6 as the State of the Union a year and a half ago, stated we
7 will measure any welfare reform proposal by how many people
8 it makes independent of welfare.

9 A mandatory AFDC-UP forced on the State will immediately
10 bring on 130,000 new cases. This is spending an awful lot
11 of money --

12 Senator Armstrong. How much?

13 Secretary O'Beirne. By our estimates, \$900 million over
14 the first three years of operation to increase dependency.

15 Senator Armstrong. Is that Federal money?

16 Secretary O'Beirne. I understand it is Federal.

17 Senator Danforth. Now, wait a second. How does it
18 increase dependency? How does that increase dependency to
19 say that, all right, if you happen to be a family that is
20 intact, we are going to give you the same benefits as a
21 family that is split up? How does that increase dependency?

22 That doesn't increase dependency at all. All it says
23 is that we are not going to treat you in a discriminatory
24 way just because the man and the wife happen to be living
25 together.

1 Secretary O'Beirne. It is putting onto the AFDC rolls,
2 Senator Danforth, families that have remained independent
3 of welfare to date.

4 Senator Danforth. If they are not on the rolls, it is
5 because they haven't been allowed to qualify for welfare.
6 That is why they are independent of it.

7 Secretary O'Beirne. Again, the 24 States that have
8 opted not to elect this coverage have general assistance
9 programs, unemployment programs, other program where they
10 don't --

11 Senator Danforth. Why should the Federal Government
12 give a penny to any State that is rewarding families for
13 splitting up?

14 Mr. Rolston. I think that some people have very strong
15 intuitions that families will break up if benefits are
16 provided to intact families; but the evidence just doesn't
17 support that, and I think one of the things --

18 Senator Danforth. I will tell you then that the evidence
19 is crazy, if that is the case.

20 (Laughter)

21 Mr. Rolston. Senator Danforth, could I just offer an
22 explanation?

23 Senator Danforth. No, wait a second. You were saying
24 that, if the Federal Government establishes a policy or allows
25 the policy to exist, where we say we will give money to you

1 if you split up as a family, that doesn't encourage splitting
2 up? Of course, it does.

3 Mr. Rolston. Can I respond to that?

4 Senator Danforth. Of course.

5 Mr. Rolston. One of the things--if I could hypothesize
6 and then I will refer to a recent study that came out of the
7 University of Wisconsin--is that --

8 Senator Danforth. Who pays for these crazy studies?

9 (Laughter)

10 Senator Armstrong. Proxmire.

11 (Laughter)

12 Senator Danforth. Go ahead, Mr. Rolston.

13 Mr. Rolston. There is strong evidence from very many
14 studies and very many rigorously done studies that the
15 provision of welfare benefits reduces work effort; and that
16 comes from the Seattle and Denver Income Maintenance
17 Experiments and a whole range of studies that suggest that.

18 There are also a lot of studies that suggest that
19 unemployment, and prolonged unemployment, is related to
20 family instability. So, there may be a variety of
21 countervailing forces here.

22 There was actually some recent empirical work done by
23 Weisman and Schramm at the University of Wisconsin which
24 suggests that actually, by comparing States with and without
25 UP, and controlling for other factors, at least the empirical

1 analysis they did suggests that there would be more children
2 in the basic, non-UP segment.

3 In 1980, they estimated there would be 500,000 more due
4 to family breakup.

5 Senator Danforth. I didn't follow that, but you are
6 saying, in other words, that if you provide aid to families
7 that are intact, you encourage breakup?

8 Mr. Rolston. Yes, because there is substantial evidence
9 that contact with the welfare system reduces work and less
10 work by primarily male husbands is related to less work
11 effort and to family instability.

12 Senator Danforth. All right, but --

13 Mr. Rolston. And as I understand it, CRS is about to
14 release a study that will also say that there is simply no
15 evidence that States who are providing UP have less of a
16 problem with marital instability.

17 Senator Armstrong. Mr. Chairman?

18 The Chairman. Senator Armstrong?

19 Senator Armstrong. The discussion, I think, underscores
20 why it is a mistake for us to have a national mandated policy
21 at this time, at least.

22 The evidence is equivocal on both sides, and I said at
23 the outset that I personally would not favor an amendment
24 that did the opposite, that said nobody could do it; but for
25 us to step in, running contrary to the experience of a number

1 of the States, running contrary to some of the scholarly
2 evidence--even though some of it may seem counterintuitive
3 to somebody--we are just wading into something that we don't
4 have the basis on which to make a thoughtful decision.

5 So, for that reason, for the cost reason, and because
6 the President says it makes it a certain veto, I would like
7 to press my amendment that we just retain current law.
8 Then, if there is better evidence at a later time, let's
9 take a look at it.

10 The Chairman. Senator, I think we have some others here
11 who want to discuss the amendment. Senator Bradley?

12 Senator Bradley. Mr. Chairman, if I could, and I
13 might be wrong on the exact dates, but the way this thing
14 started--having sat through most of the hearings that we
15 have had on this--was as a widows' pension. That was in
16 the 1930s. It took about 30 years for politicians to have
17 the common sense to say you need a UP program because you
18 might want to encourage and take care of the problem of
19 an intact family.

20 And we made it optional in 1961. As you say, 24, 26,
21 28, 29 is the most States at one time that have taken
22 advantage of the program.

23 It is about another 30 years, and I am sure there isn't
24 a Senator here who hasn't encountered the welfare unit and
25 not had the story told to him time and time again. And at

1 some point, when the experts disagree, common sense should
2 prevail.

3 And I view mandating this as common sense.

4 Senator Rockefeller. Mr. Chairman?

5 The Chairman. Yes. I think we are about ready to
6 vote, Senator.

7 Senator Rockefeller. Just to be perfectly blunt about
8 it, it seems to me that this argument flows from an
9 ideological point of view, which Senator Bradley--and I
10 am not referring to Senator Armstrong, but just what the
11 Administration was saying--pointed out, that somehow it
12 is all right for women to be on welfare, but it just isn't
13 all right for men to be on welfare at all, that a man
14 should be able to get out and find work, no matter what,
15 if he has any concern.

16 All one has to do is take a quick trip to any part of
17 the coal fields of West Virginia to see unemployed coal
18 miners in their thirties and forties who want desperately
19 to work and cannot find work; it is not available. So,
20 then the State makes that cash payment available to them,
21 which strikes me entirely as proper procedure.

22 The Chairman. We worked on this for some time, trying
23 to develop a compromise and felt that the Utah plan was
24 helpful. And this person, of course, has to go into a
25 job training program.

1 I think we have discussed it at length, and the Senator
2 has moved his amendment. All in favor of the amendment make
3 it known by saying "Aye."

4 (Chorus of ayes)

5 The Chairman. Opposed?

6 (Chorus of noes)

7 The Chairman. I kind of thought so.

8 Senator Armstrong. I guess it passed, Mr. Chairman.

9 The Chairman. No, that is my bad ear.

10 (Laughter)

11 The Chairman. It did not carry. Let me have a show
12 of hands then, if the Senator has a question.

13 All in favor of the amendment, show their hands, please.

14 (Show of hands)

15 The Chairman. Two. All opposed?

16 (Show of hands)

17 The Chairman. All right. With several proxies.

18 Senator Armstrong?

19 Senator Armstrong. Mr. Chairman, I have additional
20 amendments; but if we are taking turns, I will be glad to
21 yield to someone else.

22 The Chairman. Anyone else?

23 Senator Wallop. Mr. Chairman, I wanted to propose an
24 amendment as well.

25 The Chairman. Why don't we alternate then? Do you want

1 to try yours?

2 Senator Wallop. Mr. Chairman, mine would simply provide
3 that the noncustodial parent should be reimbursed reasonable
4 legal fees--legal expenses--if that parent prevails in a
5 suit that is initiated by the Government or the State in
6 order to change a support order.

7 Now, there is a big new reach of the Federal Government
8 of which I generally approve here; and one of the parts of
9 this bill which I approve of is the reach to try to gain
10 support for nonpayment of required fees and other things
11 as part of it.

12 But when you are investing the Government with a big
13 new reach, however responsible that is, I think you have
14 to be careful that you don't vest it with the right to be
15 unfair. All I am suggesting is that, if a noncustodial
16 parent is brought to court and his view prevails that he
17 should be entitled to reasonable legal fees because,
18 otherwise, we are in many respects creating an additional
19 burden which actually probably makes payment of existing
20 fees somewhat more in doubt.

21 It is a reach to fairness.

22 The Chairman. Do you have any idea what the cost
23 would be?

24 Senator Wallop. Mr. Chairman, I don't have an idea
25 what it costs. We brought it up in our meeting this morning,

1 and I guess the costs can be determined or estimated on this.

2 The problem that I have is that, if there is a
3 substantial cost to it, it ought to be taken out of some
4 other portion of the bill because I do not think that in
5 issues of fairness, the Government of the United States
6 can weigh costs.

7 If we are going to unfairly bring somebody to court,
8 and nobody here can deny that that happens from time to time --

9 The Chairman. I think that is right, Senator, but
10 don't you think it would have a chilling effect on the
11 State's attempt to collect child support? You know, some
12 of us want to see them really go after those folks.

13 Senator Wallop. Mr. Chairman, I really want to see
14 us go after it, too. I did it when I was in the Wyoming
15 legislature; I believe in it. I believe that it is highly
16 important.

17 But somehow or another, I have a chilling thought when
18 I think that a chilling effect is a breach of fairness.

19 I mean, there are people in the world who, for whatever
20 reasons, operate sometimes not with the best of motives.
21 There are other people in the world who make mistakes, and
22 it should not be the burden of somebody whose mistake it
23 is not to foot that bill.

24 It really troubles me that we do that. We have done
25 similar kinds of things. In the Handicapped Children's

1 Protection Act, we did it; and we did it sort of in 1984 in
2 the Child Support Enforcement Amendment.

3 The Chairman. Let me hear other comments then. What is
4 the feeling of the committee?

5 Senator Bradley. Mr. Chairman?

6 The Chairman. Senator Bradley?

7 Senator Bradley. Mr. Chairman, I understand, I think,
8 what Senator Wallop is concerned about; and I think there
9 are probably examples where someone has been brought in
10 unfairly and had to bear the costs.

11 But the overwhelming majority of cases is a circumstance
12 where the court has ordered a payment, and it has been
13 enforced. The circumstances of the absent parent change.

14 The mother says, well, you know he could pay a little
15 bit more. So, she goes to court and tries to get the child
16 support order increased.

17 Now, if someone is going to come in and defend against
18 that, I really don't know why we want the Federal Government
19 paying those fees. And I think that is what we would be
20 headed toward with this amendment.

21 Senator Wallop. Bill, I hear what you are saying.
22 Clearly, that could happen; but more importantly, when we
23 set out to extend the reach of the Federal Government or
24 any level of government, I just think that you have to be
25 very careful about the rights of people over whom that reach

1 is extended when the Government badly extends it. If they
2 make a mistake, it ought not to fall on a welfare person's,
3 or it ought not to fall on an innocent person's, pocketbook.

4 Now, there is a provision in the bill that already does
5 expand the provision--the noncustodial parents' rights--that
6 requires that the State must review in good faith a child
7 support order at the request of the noncustodial parent.

8 If there is a chilling effect, that would be more
9 chilling than what I am suggesting; but I am not asking
10 that to chill.

11 I am just asking us to consider how fairly a Government
12 behaves when it makes a new extension of its powers from
13 the present set of circumstances.

14 Senator Danforth. Mr. Chairman?

15 The Chairman. Senator Danforth?

16 Senator Danforth. Mr. Chairman, this is very similar
17 to an argument that was made, as I recall, by Senator
18 Armstrong when we discussed the Taxpayers' Bill of Rights,
19 namely: Should prevailing defendants in cases brought by
20 the Federal Government recover attorneys' fees? It may be
21 a great idea. If it is a great idea, I think it should be
22 one that is addressed in a systematic way, rather than in
23 a piecemeal fashion.

24 Maybe it is a great idea for all defendants in law suits
25 or all losing parties in law suits, to be able to recover

1 their attorneys' fees. I don't know.

2 It would certainly reduce litigation; and in an overly
3 litigious country, maybe that is what we should be doing.

4 But I wonder why, if we are going to go that route,
5 we should single out this particular kind of case? It
6 seems to me that what is at issue in this particular case
7 is support for kids who are poor. So, I would think that
8 this would be the worst possible area to conduct a pilot
9 program in recovering attorneys' fees.

10 Senator Wallop. Mr. Chairman, if I thought it was a
11 pilot program, I would not do it; but there are already 150
12 fee recovery statutes in law. It is not a new concept at all.

13 It is one that is driven by a desire to be fair, Jack.
14 We did it in the Handicapped Children's Protection Act two
15 years ago, a similar kind of thing.

16 It is just a question of when you expand the reach of
17 the Government, I think you want to make certain that you
18 are going to be fair. This is not brand new.

19 The Chairman. It is no major item with the chairman.
20 What does the committee want to do?

21 Senator Bradley. Mr. Chairman, I hope we would reject
22 it. For many years, we have built a broad bipartisan
23 support for trying to address the problem of the family unit
24 --the single parent--who is not being adequately supported.

25 And we were accused of tilting too far to one parent's

1 side in redressing this with the Child Support Enforcement
2 Amendments. I think that it was appropriate, and I think
3 that this amendment just opens up a whole other side of
4 debate to the extent that it is counterproductive.

5 Senator Wallop. Let me just say that there are areas
6 in which we already do this: the Age Discrimination in
7 Employment Act, the Equal Pay Act, the Fair Housing Act,
8 the Civil Rights Attorney Fees Awards Act; it goes on and
9 on and on here.

10 And I am not trying to lessen the pursuit of appropriate
11 support payments. I very strongly am in favor of that, but
12 I do not think it is wise for a Government just cavalierly
13 to suggest that in every instance it is going to be fair.

14 And when it has not been fair, we ought to seek to
15 provide the means to do it.

16 The Chairman. The Senator wants a vote on it. The
17 Senator moves his amendment. All in favor of the amendment
18 make it known by saying "Aye."

19 (Chorus of ayes)

20 The Chairman. Opposed?

21 (Chorus of noes)

22 The Chairman. Let's have a show of hands. All for
23 the amendment?

24 (Show of hands)

25 The Chairman. Opposed?

1 (Show of hands)

2 The Chairman. The amendment is defeated. Senator
3 Armstrong?

4 Senator Armstrong. Mr. Chairman, I would like to offer
5 an amendment that addresses the participation issue. A little
6 earlier, we discussed the question of what level, if any,
7 participation we should require of the States in the
8 education program.

9 The Administration's position, if I understand it, is
10 that over nine years, we ought to gradually phase in --

11 Mr. Chairman, the issue is the extent to which, if any,
12 we want to require the participation of the States or
13 require the States to obtain participation of recipients
14 in the education and training programs.

15 Now, the Administration's position, if I understand
16 it correctly, is that they want to go to the 70 percent
17 participation rate by the late 1990s. Initially, I was
18 attracted to that; in fact, as a goal, I guess I am still
19 attracted to it.

20 But after consulting with Senator Moynihan and others
21 about the difficulty of achieving such a level, I now offer
22 a more modest amendment, which simply says that participation
23 rates which we will ask of the States will be 15 percent
24 in fiscal year 1991, 20 percent in fiscal year 1992, 25
25 percent in fiscal year 1993 and thereafter.

1 And in addition, it will require a study by the Secretary
2 to be completed in fiscal year 1993, evaluating the use of
3 participation rates.

4 I offer this amendment in the hope that it will be
5 agreeable to the sponsors. I must say that the thought that,
6 five years out the best we can hope for is to get 25 percent
7 of the people who are receiving cash aid into a program
8 where they would also receive educational aid doesn't seem
9 to me to be a very ambitious approach; but after talking to
10 some people, I guess that is at least a step in the right
11 direction.

12 So, that is my motion.

13 The Chairman. You have heard the Senator's motion.
14 Senator Moynihan, do you have comments?

15 Senator Moynihan. Yes, Mr. Chairman, and I do
16 appreciate the good faith and interest with which the
17 Senator from Colorado tried to work with this.

18 May I say that this is not an issue for social
19 philosophy. It is an issue which program managers have
20 found in their experience was one that got in the way of
21 good management.

22 And I think we almost heard that told us by Mr. Stanton
23 earlier on. As a matter of fact, that is exactly what he
24 said to us.

25 We have in the bill a very specific participation rate,

1 which says that one-half of this money must be spent on
2 people who are the most difficult to help and the ones most
3 in need of help and the ones who are not now helped at all.

4 That is our participation rate. We also say that not
5 later than five--and this is on page 55 of the printed bill
6 --not later than five years after the date of enactment,
7 the Secretary shall in consultation with representatives
8 of organizations, governors, State and local administrators,
9 educators, and so forth, develop performance standards with
10 respect to the programs.

11 We are setting up a new program. It is entirely new.
12 We have never done this before in 50 years. This has been
13 a maintenance program; it is now becoming a jobs program.

14 We say you have got to target the money on the most
15 difficult cases; and in five years time, the Secretary,
16 dealing with the governors, who now do not ask for performance
17 standards, will then propose some.

18 Senator Packwood. Mr. Chairman?

19 The Chairman. Yes, Senator Packwood?

20 Senator Packwood. I am going to support Senator
21 Armstrong. With all the admiration I have for Senator
22 Moynihan, and I understand the arguments pro and con and
23 the skimming and nonskimming; but it doesn't seem to me an
24 overwhelming demand that we get to 25 percent by 1993 when
25 the study is due.

1 I have the same fear; if we don't have any standards,
2 we won't meet any standards. I think what the Senator from
3 Colorado is asking is a very minimal threshold, frankly.

4 Senator Bradley. Mr. Chairman?

5 The Chairman. Yes, Senator Bradley?

6 Senator Bradley. Maybe I could address this once again.
7 I do think this is a more limited proposal, but GAO in looking
8 at the issue of participation quotas, said high mandated
9 levels of participation with continued limited funding, i.e.
10 the cap, would likely exacerbate the tendency to serve more
11 welfare recipients in inexpensive options while providing
12 fewer with the education and training services they need.

13 I mean, that is what we are up against. As I understand,
14 the bill now in five years does then require participation
15 rates. Is that not correct?

16 Senator Moynihan. Then we would assume that that will
17 be the --

18 Senator Armstrong. No. It says in five years they
19 will look at it.

20 Senator Bradley. They will look at it.

21 Senator Armstrong. It doesn't say you have to achieve
22 a particular rate in five years.

23 Senator Bradley. That is correct, but it specifically
24 says we look at participation rates in five years, after we
25 have tried to bring all these resources on education and

1 training. It seems to me that that is better than spreading
2 it over the whole amount.

3 The Chairman. Let me see if we have Mr. Wright here of
4 CBO. Can we get an estimate cost-wise on this? I mean, OMB;
5 I beg your pardon.

6 Ms. Malone. Mr. Chairman, CBO has not made a formal
7 cost estimate of this provision, but they have told us that
8 they expect that it could cost as much as \$50 million a
9 year because States that under their estimates now are
10 not expected to reach those rates will be drawing down
11 additional funds.

12 The Chairman. With that in mind, I will have to oppose
13 the amendment. If there is no further discussion, we have
14 an amendment before us.

15 Senator Armstrong. Mr. Chairman, I think we have really
16 discussed it, and I am ready to vote although I would be glad
17 to add this footnote to it.

18 I really think it comes down to a question of where we
19 think we best invest the money. Obviously, the first thing
20 you have to do is provide people some minimum need for
21 things like food, clothing, and shelter.

22 But once you achieve that minimum need, the question is:
23 What do you do with the discretionary dollars? It seems to
24 me that the most significant thing we can do for some person
25 who is facing a life on welfare is to give them education and

1 training and give them some hope that they can get themselves
2 into an independent rather than a dependent status.

3 Honest to Pete, I can't see why we wouldn't want to
4 push that hard. To say that 25 percent of the people who
5 receive the cash payments shouldn't also, as a minimum,
6 receive the education benefits, seems to me to be hard to
7 understand.

8 I hear the argument but I guess I am just persuaded that
9 it is a high enough priority that we ought to put that in
10 the law and ask States to meet that standard.

11 The Chairman. Thank you, Senator. We have a motion
12 before us. All in favor of the Senator's motion make it
13 known by saying "Aye."

14 (Chorus of ayes)

15 The Chairman. Opposed?

16 (Chorus of noes)

17 The Chairman. Do you want a show of hands?

18 Senator Armstrong. Yes.

19 The Chairman. All in favor make it known by a show of
20 hands.

21 (Show of hands)

22 The Chairman. Opposed?

23 (Show of hands)

24 The Chairman. The motion is defeated.

25 How many more amendments do we have, Senators?

1 How many do you have, Senator?

2 Senator Armstrong. Mr. Chairman, I have a couple or
3 three more that I might try. We seem to be picking up
4 steam on the amendments; it is improving a little.

5 (Laughter)

6 The Chairman. Is it the desire of the committee to
7 go ahead?

8 Senator Packwood. What time do you want to come in the
9 morning if we don't go ahead?

10 The Chairman. We will be coming back in at 10:00.
11 With that in mind, we will go ahead and stand adjourned.

12 (Whereupon, at 4:49 p.m., the meeting was recessed,
13 to be reconvened on Wednesday, April 20, 1988 at 10:00 a.m.)

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C E R T I F I C A T E

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This is to certify that the foregoing proceedings of a meeting of the Executive Committee of the Committee on Finance, held on April 19, 1988, in re: Consideration of Welfare Reform, S. 1511, were held as appears herein and that this is the original transcript thereof.


WILLIAM J. MOFFITT
Official Court Reporter

My Commission expires April 14, 1989.

D. Danforth

STATEMENT-SENATOR DANFORTH

Mr. Chairman, I am pleased to join with Senators Mitchell and Rockefeller in offering this amendment. The purpose of our amendment is to demonstrate the capacity of non-profit community based organizations--primarily called Community Development Corporations (CDC's)--to promote job creation and enterprise development to benefit economically disadvantaged people--particularly those receiving public assistance.

CDC's will accomplish this by using venture capital and technical assistance to help private business ventures develop and expand the efforts to create permanent jobs which can go to welfare recipients.

Up to \$7.5 million will be available for no more than 10 CDC's. Funding will be provided on a competitive basis with those assisting the highest number of individuals receiving public assistance receiving priority. Congress will receive a report from the Secretary of HHS detailing and evaluating the effectiveness of this demonstration.

In my state, the Community Development Corporation of Kansas City (CDC/KC) is an excellent example of the work of CDC's. CDC/KC operates in Kansas City's inner city where family income is 30% lower than the city as a whole; the unemployment rate is almost twice as high. Obviously what people need in this poor community is new business development and jobs--and CDC/KC has provided both. For example:

- * CDC/KC has formed a partnership with the Baptist Union of Kansas City which represents 100 churches. This partnership enlisted strong support from citizens, community groups, foundations, private financial institutions and government agencies, raised \$5.5 million for the initial development of a shopping center which now employs several hundred area residents.
- * CDC/KC has provided several neighborhoods business capital necessary to survive and expand. An investment in a building block factory initially saved 20 jobs and the factory now employs 35 local residents in two shifts. A loan to an area plastics company provided the capital necessary for plant expansion and a ten fold increase in jobs.
- * Overall CDC/KC has provided the technical and financial resources to create over 1,900 jobs in the community and over \$20 million in private and public development funds. CDC/KC projects have a total annual payroll of more than \$13 million and more than \$3 million in payroll, property and sales tax.

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In addition to this, CDC/KC has rehabilitated and developed over 150 units of low income housing in the community.

CDC/KC is exactly the kind of agency that can put the demonstration to good use. The President's welfare reform report Up From Dependency cited the work of organizations such as CDC/KC as key actors in promoting the permanent solution for welfare reform: a job.