

RICHARD
4/20/88

1 EXECUTIVE COMMITTEE MEETING

2 WEDNESDAY, APRIL 20, 1988

3 U.S. Senate

4 Committee on Finance

5 Washington, D.C.

6 The meeting was convened, pursuant to recess, at
7 10:09 a.m. in Room SD-215, Dirksen Senate Office Building,
8 the Honorable Lloyd Bentsen (chairman) presiding.

9 Present: Senators Bentsen, Moynihan, Baucus, Boren,
10 Bradley, Pryor, Rockefeller, Packwood, Danforth, Chafee,
11 Heinz, Wallop, Durenberger, and Armstrong.

12 Also present: Ms. Kate O'Beirne, Deputy Assistant
13 Secretary for Legislation, Department of Health and Human
14 Services.

15 Also present: Messrs. Ron Pearlman, Assistant Secretary
16 for Tax Policy, and Pat Oglesby, Chief Tax Counsel, Department
17 of the Treasury.

18 Also present: Mr. Howard Rolston, Associate
19 Administrator, FSA.

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

23 Also present: Mr. Bruce Kelley, Health Counsel; and
24 Ms. Lindy Paul, Deputy Chief of Staff, Minority.

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

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1 The Chairman. This hearing will come to order, and we
2 will get started. We may be having some more votes as we
3 go along; so I would like to get rolling here.

4 There were other amendments that were pending, and I
5 will recognize whomsoever has one. Senator Armstrong?

6 Senator Armstrong. Mr. Chairman, when people think of
7 welfare reform, one of the first things that sort of pops
8 into a person's mind, if you just ask someone on the street
9 what welfare reform is all about, they think of welfare
10 fraud.

11 I note with some concern that that issue is not
12 addressed in this bill; at least as far as I am aware, it is
13 not addressed in this bill. So, I want to offer an amendment
14 to instruct the Secretary of HHS to revise the pertinent
15 regulations to require that all States, within a reasonable
16 period of time, institute a preeligibility fraud detection
17 and prevention program.

18 What I have in mind is something along the lines of
19 the so-called FRED program which has had such enormous
20 success out in California. My amendment would not
21 specifically require that it be the FRED model, but that is
22 what I have in mind in directing the Secretary to develop
23 regulations for a preeligibility fraud screening program.

24 Mr. Chairman, the Inspector General of HHS estimated
25 last year that AFDC fraud could reduce the cost of the program

1 by about \$800 million, and his conclusion parallels that
2 of many of the State officials who have looked at it.

3 In fact, his report--that is, the Inspector General's
4 Report--cited that State officials estimate that the
5 magnitude of fraud is greater. In fact, I think the
6 expression they used is "much higher" than had been
7 previously reported.

8 In any case, without trying to prejudge how much money
9 it might save, let me just explain a word about what the
10 FRED program is; and it is comparable actually to programs
11 that have been implemented elsewhere, including Weld County,
12 Colorado, for one.

13 It is literally a system in which a welfare intake
14 worker who is suspicious of a claim can refer the question
15 of eligibility to an investigative unit which then checks
16 out the merits of the claim. It is not a very elaborate or
17 complicated idea, but in Orange County, for example --

18 The Chairman. You say this was a California program?

19 Senator Armstrong. Yes. California is the most
20 prominent, most visible model of this. In Orange County,
21 they discovered that for every dollar they spent on what they
22 call the FRED program--I think that is an acronym that means
23 fraud--somebody help me on this--fraud detection and
24 prevention. How they got FRED out of that, I am not quite
25 sure.

1 (Laughter)

2 Senator Armstrong. In any case, for every dollar they
3 spent on this preintake fraud screening program, they saved
4 between \$16.00 and \$33.00. So, it is pretty successful.

5 The Chairman. Whose numbers are those? Is that the
6 Inspector General saying that?

7 Senator Armstrong. Yes. I believe I am correct on
8 that.

9 The Chairman. All right.

10 Senator Armstrong. That is the number that is cited
11 in the Inspector General's Report.

12 In three counties with the FRED program, out of 8,642
13 applications which were referred to the investigators for
14 preeligibility clearance, 824 were withdrawn by the
15 applicants and another 1,585 were denied because of
16 information turned up by the investigators.

17 In the calendar year 1985, about 18 percent of AFDC
18 applications in 21 California counties were referred by
19 intake workers for preeligibility investigation; a total
20 of about 5.33 percent were subsequently withdrawn or denied.

21 So, it is a program, Mr. Chairman, that shows some
22 promise, and I stress that my amendment does not say that
23 the Secretary has to prescribe precisely the FRED program.
24 My amendment does say that he has to draw up some kind of
25 regulations for a preintake fraud detection system to be

1 adopted by the States.

2 The Chairman. Senator Armstrong, that has some appeal.
3 I would like to know what CBO says. Do we have any figures
4 from CBO insofar as the cost?

5 Mr. Humphreys. We have checked with CBO on this, and
6 it is something they haven't had time to cost out. Their
7 initial reaction is that they just don't know, that they
8 would need time to look at the details and cost it out.

9 They are not sure whether it would wind up, given the
10 other things that are going on in States already in this,
11 whether adding this particular approach would have a net
12 cost or a net savings, as they would score it.

13 And they also informed us that they have gotten the
14 same reaction from the Administration--that they just don't
15 know at this point.

16 The Chairman. Let me hear from the Administration.

17 Senator Armstrong. Mr. Chairman, could I know the name
18 of the person in the Administration who responds to this?

19 The Chairman. I am about to try to find out for you.

20 Mr. Humphreys. I was relaying what I had heard from
21 CBO.

22 The Chairman. Let me ask the Administration. Can
23 you comment on that?

24 Secretary O'Beirne. I can't speak to the cost; I don't
25 know what the Administration might have responded with respect

1 to a conversation with CBO with respect to the cost of this
2 proposal.

3 I don't have an official position. We, of course, would
4 encourage any effort that would seek to get a preeligibility
5 fraud detection. With respect to the specificity of this
6 particular provision, we don't have an official position.

7 We certainly would much appreciate the approach it takes
8 with respect to the regulations.

9 The Chairman. You don't have a position?

10 Secretary O'Beirne. No.

11 The Chairman. All right then. Mr. Humphreys, go ahead.
12 Do you have any further information as to identification as
13 requested by Senator Armstrong?

14 Mr. Humphreys. I don't know. I was relaying what CBO
15 had told me, that they don't have the information to make
16 an estimate and that they had gotten similar information
17 from the Administration. They didn't identify who it was
18 in the Administration.

19 Senator Armstrong. Mr. Chairman, could I know the name
20 of the person at the CBO who doubts that the implementation
21 of a program like this would save money?

22 If I understood Mr. Humphreys correctly, somebody over
23 there at the Congressional Budget Office evidently told him
24 he wasn't sure whether or not there would be a net savings;
25 and if that is literally true, I would like to know who that

1 person is because that seems like such a far-fetched idea in
2 light of the experience in those jurisdictions that have
3 tried it.

4 It is almost incomprehensible to me. So, maybe if I
5 could know that, I would like to counsel with that person
6 at an appropriate time.

7 Mr. Humphreys. The cost estimator at CBO we checked
8 with is Ms. Jan Peskin, whose reaction was simply that she
9 really had not had time enough to study the details of it.
10 It wasn't that she was casting doubt on it as such.

11 Senator Armstrong. I misunderstood. I thought there
12 was some doubt in somebody's mind that it would save money.
13 The California experience and the Weld County, Colorado
14 experience and the experience of Kansas and Wisconsin would
15 indicate a savings.

16 The Chairman. Senator, let me say that I have no
17 objections to the amendment, but I would say that in the
18 meantime, before we get to conference, I would like to have
19 some CBO numbers and something that would help us make a
20 decision on this as we get into conference.

21 But I would be ready to carry it into conference, subject
22 to the numbers that develop between now and then, if that is
23 all right with the committee.

24 Senator Rockefeller. Mr. Chairman, I would like to ask
25 Senator Armstrong a question.

1 The Chairman. All right.

2 Senator Rockefeller. A preeligibility fraud detection
3 and protection program doesn't really bring it down to how
4 it actually works, at least to this Senator. Could you
5 give me a sense of preeligibility fraud detection?

6 I mean, how do the case worker and the client interact
7 to the point where the case worker says: I think I detect
8 something here I don't like. How does this work before we
9 just plunge ahead?

10 Senator Armstrong. Senator, first, the amendment simply
11 directs the Secretary to develop appropriate regulations,
12 making a preintake fraud detection mechanism a part of the
13 program. It doesn't tell him how to do it.

14 I cited as an example the FRED program in California,
15 and there is probably somebody in the room who knows more
16 about it than I do.

17 Senator Rockefeller. I would like to know how that
18 works and how potential fraud or fraudulent-appearing or
19 whatever --

20 Senator Armstrong. The way it works in California,
21 which might or might not be the way it would work in final
22 regulations promulgated by the Secretary; but the way it
23 works there is that, if an intake worker--that is, a person
24 who is processing an application for welfare--is for some
25 reason in doubt about it or suspicious of the validity of it,

1 they refer it to an investigative unit, when then uses such
2 things as computer matching and so on to determine whether
3 or not, in fact, the person is qualified.

4 The thing that is interesting about it is that--and
5 perhaps we could ask somebody who does know more about it
6 than I do--but the thing that I found interesting is that
7 in a number of cases--quite a fairly substantial number
8 of cases--824 out of 8,642 in one sample that was brought
9 to my attention--the mere referral of these to the
10 investigative unit resulted in their being withdrawn.

11 Another 1,500 out of that group were subsequently
12 denied upon investigation.

13 Senator Moynihan. Mr. Chairman?

14 The Chairman. Yes?

15 Senator Moynihan. Could I just say a brief word, sir?
16 I understand that you are willing to accept this measure,
17 and I certainly would --

18 The Chairman. With certain provisos.

19 Senator Moynihan. Yes, when you know more about it,
20 and that is fine. I would simply like to say that this
21 power already exists. The States have this power; the
22 Secretary has this power.

23 We passed a similar fraud provision a year ago. It was
24 passed last year; it passed this year. But we are on the
25 brink of something large, a great effort to redefine this

1 program and to keep it from being a stigmatized program of
2 stigmatized people.

3 We have been holding this hearing about welfare cheats
4 for a quarter of a century. I remember a distinguished
5 member of this committee talking about--another distinguished
6 member in this town--about this fellow who walks into the
7 store and he has some food stamps. He has a sack of oranges
8 in one hand and a bottle of vodka in the other, and he
9 gets change, you know.

10 We have had a quarter century of stigmatizing people.
11 That is why, for example, in the distinguished Senator from
12 Colorado's State, as in New York, the real benefits for
13 children under this program have declined 38 percent since
14 1970.

15 We have cut them by more than a third because we have
16 stigmatized their parents. This has nothing to do with our
17 bill. Our bill is to find work for these parents, to train
18 them, to redefine this program as coming back into the real
19 world. And I hope we can stay in that mood, sir.

20 The Chairman. Let me make it clear. I want to be
21 sure that on the CBO numbers we get them, that we don't find
22 this costs us because if it does, I don't want the problems
23 we have on the floor on the budget ruling.

24 So, subject to that, I would be prepared to accept it
25 if the committee agrees to it; but if the CBO comes in with

1 negative numbers, then I think it should be dropped. Will
2 the Senator accept that qualification?

3 Senator Armstrong. How would we make that decision?

4 The Chairman. CBO. If we can get an estimate from
5 them, and we will be diligently trying, and if they come
6 in with a negative, then I would want it to be the concensus
7 of this committee, at least the majority, that we drop it.

8 Now, if you don't want it that way, we will just take
9 a vote.

10 Senator Armstrong. Mr. Chairman, I must say I have
11 mixed feelings about that.

12 The Chairman. We can resolve them in a hurry here.

13 Senator Armstrong. The concern that I feel about it
14 is this, that frankly after long exposure to the CBO, I
15 have mixed feelings about the CBO.

16 At a deeper level, I must say that it troubles me that
17 the Congress finds itself more and more delegating to the
18 CBO its prerogatives to make decisions, not particularly
19 on little amendments like this, but on much larger questions.

20 Huge policy issues, it turns out, rise or fall on what
21 somebody over at CBO says, even after the fact, even after
22 we have legislated, even after statutes have been enacted.

23 So, I guess, Mr. Chairman, my reaction is this. I
24 would like to see us adopt this; and if somebody wants to
25 take it out on the floor, you know, that is their right.

1 But I am not quite sure I understand what you are
2 suggesting. You are not suggesting, I trust, that if staff
3 sends back a number that doesn't fit into Rubik, that it
4 just be automatically dropped?

5 The Chairman. I am saying that if CBO gives us a
6 number that is negative and, therefore, we would be subject
7 to a point of order that it be dropped; but if you don't
8 agree with that --

9 Senator Armstrong. If someone makes a point of order
10 against it.

11 The Chairman. Pardon?

12 Senator Armstrong. That it would be subject to a point
13 of order?

14 The Chairman. No, no, no. That we drop it. Now, if
15 you don't agree with that, just propose your amendment, and
16 we will vote on it.

17 Senator Durenberger. Mr. Chairman?

18 The Chairman. What do you want to do, Senator?

19 Senator Armstrong. We might as well put it in on that
20 basis. Frankly, the notion that this could have a negative
21 number attached to it seems pretty far fetched to me; but
22 I must say I am not very comfortable about that way of doing
23 business either.

24 The Chairman. All right.

25 Senator Armstrong. But that is the best we can do, I

1 guess.

2 The Chairman. Is there objection to our accepting it
3 under those conditions?

4 (No response)

5 The Chairman. All right. We will take your amendment.
6 Yes, Senator Durenberger?

7 Senator Durenberger. Mr. Chairman, just a brief comment
8 on that because I think each of us faces both the quandry
9 presented by the Senator from Colorado and the opportunity
10 that you gave him; and I thought the way you put this was
11 perfect.

12 I just want to say to my colleague that I did not know
13 about his amendment. Had I known about his amendment--and
14 I don't know if anyone was situated like this--maybe we
15 could have been helpful to him. And I think you gave him
16 an opportunity today for all of us to be helpful to him.

17 So, maybe even if it comes with some kind of a negative
18 number, maybe we will still make the decision on the floor
19 that we would like to be more helpful to our colleague than
20 we were today.

21 I would just like to say that that is my position, that
22 he pressed this without taking your offer, I would have voted
23 against him because I think you are being very, very fair
24 in the way it was handled. But he may have something of
25 great merit here, and I wouldn't want to see CBO in their

1 estimating process interfere with that; and that is my
2 commitment to him and to the rest of you.

3 The Chairman. Are there other amendments? Yes,
4 Senator Chafee?

5 Senator Chafee. Mr. Chairman, yesterday we didn't quite
6 finish on the Medicaid premium issue. On the bill that is
7 before us, Senator Moynihan has provided that the premium
8 shall not exceed 10 percent of the amount by which the
9 family's gross monthly earnings exceed the current minimum
10 wage.

11 It was a method of calculating the premium that goes
12 into effect after the first mandatory coverage for six
13 months.

14 I propose an alternative to that, and you asked that
15 we get it straightened out with the Congressional Budget
16 Office. It is my understanding that that has now been
17 worked out successfully, that my premium would apply to
18 all income if an individual's income exceeds 100 percent
19 of the Federal poverty level.

20 And the maximum that that could be would be three
21 percent. That would be ceiling. If they are below the
22 100 percent of the poverty level, then it is nothing.

23 It just doesn't apply to the difference. If they go
24 over, then it applies to all; and that, I understand, has
25 been calculated out and is acceptable.

1 The Chairman. And I understand we are not using adjusted
2 gross income.

3 Senator Chafee. No, we are not using adjusted gross
4 income.

5 The Chairman. And CBO tells us, as I understand it,
6 there is no cost. Is that correct?

7 Senator Chafee. No variation in the cost.

8 Mr. Kelley. It is the same as the cost in the bill.

9 The Chairman. Yes, better stated. Thank you. Are
10 there other questions?

11 (No response)

12 The Chairman. I don't see a problem with it.

13 Senator Moynihan. Mr. Chairman, I think this is useful.

14 The Chairman. Yes, I think so, too. I think it helps.
15 If there is no objection, do you propose the amendment?

16 Senator Chafee. I do, Mr. Chairman. I move the
17 adoption of the amendment.

18 The Chairman. All in favor make it known by saying
19 "Aye."

20 (Chorus of ayes)

21 The Chairman. Opposed?

22 (No response)

23 The Chairman. The amendment is adopted.

24 Senator Chafee. Mr. Chairman, I have one more amendment
25 which has been circulated, and this is a demonstration program.

1 Here is the situation.

2 We all agree that probably the most difficult cases
3 that are on welfare are the teenage pregnancies, or the
4 teenagers who have children. When they have been dropouts,
5 without any education, without education, these are the
6 most difficult of all.

7 The accent has been on education and job training, and
8 we have taken care of that; but there is another factor that
9 is involved in here. Marion Wright Edelman, who as you know
10 is head of the Children's Defense Fund, spoke to this,
11 about a third effort that has to be made.

12 If I might quote: "The third strategy which I cannot
13 stress too much is to provide young people who are not
14 academically talented, though they can learn and develop
15 basis skills, to provide them with a range of nonacademic
16 opportunities for service and for feeling good about
17 themselves, whether it is sports or recreation or the arts
18 or other enrichment activities, are terribly important.

19 Then, absent of this, it all deals with the self-esteem
20 of the individual, and these may be terms that most of us
21 can't understand. Precious few Senators lack self-esteem
22 in my judgment.

23 And all Senators that we deal with and most others have
24 had encouragement from their families all along; these are
25 the left-outs that no one is encouraging, and they get into

1 drugs and alcohol and they become pregnant frequently in
2 order to achieve something.

3 So, Mr. Chairman, I have proposed in consequence of
4 the thoughts of Ms. Edelman, a teen care demonstration
5 program of very modest amount--\$6 million over three years
6 --with some four projects; and the objective is to see,
7 with a massive effort in spotting these individuals, not
8 when they become pregnant--from the statistics and all,
9 we pretty well know who are the ones who are going to become
10 pregnant; you can spot them pretty early in school.

11 This would be to see if through a series of efforts,
12 an outreach, a referral, whether it is athletic programs
13 --and I don't think we ought to scorn athletic programs--
14 athletic programs do yield self-esteem; and this is an
15 attempt to combat these four major problems of drug abuse,
16 dropping out, pregnancy, and suicide.

17 So, I would set up this program, \$6 million total for
18 three years, for projects; each project thus would get a
19 half a million dollars a year to see if we can reach out
20 and spot these and have a program, and let's see how it
21 works out.

22 Now, I asked the GAO whether anything has been done
23 on this, and they gave me a report, which the gist of it
24 is that they really don't have any good data on this whole
25 program. But they do point out that, of a half a million

1 births to women younger than 20 years old, 270,000 of them
2 --in other words, over half of them--were to unmarried
3 teenagers.

4 And by unmarried teenagers, we are getting down into the
5 thirteen year olds.

6 So, I think it is something we should try, Mr. Chairman,
7 and I would urge it upon the committee.

8 Senator Pryor. Mr. Chairman, would the Senator yield?

9 The Chairman. Yes, Senator Pryor?

10 Senator Pryor. This could possibly be, Senator Chafee,
11 an inclusion of language maybe in the committee report or
12 in your amendment specifically that half--if you are going
13 to do four pilot programs--or at least one-fourth could
14 be rural?

15 Senator Chafee. We split it up by States based on
16 population. Apparently, that is in there. Yes. It talks
17 about density of population, which I presume would get
18 down into the rural areas. The States with low density
19 would qualify, I understand.

20 Senator Pryor. I would just like to write that in the
21 committee report.

22 Senator Chafee. Sure. Why don't we put that in the
23 committee report?

24 The Chairman. All right. Are there further questions?
25 Senator Moynihan, do you have any comment?

1 Senator Moynihan. I think this is an excellent proposal.
2 I think the report language should also ask for evaluation.

3 Senator Chafee. Oh, of course. Yes, absolutely; that
4 is the whole purpose of it. It is labeled a demonstration
5 grant, and there must be reports on it. At the conclusion
6 of the three years, see what happens.

7 The Chairman. Are there further comments?

8 (No response)

9 The Chairman. Senator Chafee, do you propose the
10 amendment?

11 Senator Chafee. I do, Mr. Chairman.

12 The Chairman. The amendment has been moved. All in
13 favor make it known by saying "Aye."

14 (Chorus of ayes)

15 The Chairman. Opposed?

16 (No response)

17 The Chairman. The ayes have it. The amendment is
18 adopted.

19 Senator Chafee. I want to thank you, Mr. Chairman,
20 and the full committee. That greatly improves my average
21 around here.

22 (Laughter)

23 The Chairman. All right. Are there further amendments?

24 Senator Durenberger. Mr. Chairman?

25 The Chairman. Senator Armstrong, I believe, was first.

1 Senator Armstrong. No, go ahead.

2 The Chairman. All right. Senator Durenberger?

3 Senator Durenberger. Mr. Chairman, I believe I have
4 circulated an amendment which adds to Title 8 of the bill,
5 Section 493(c)(2) on page 118 specifically, where we list
6 --this is in the demonstration projects--we list that the
7 Secretary must give special consideration to demonstrations
8 designed; and then there is a list.

9 And what I add to that, "to address and promote the
10 special needs of rural areas." My colleague has just
11 suggested one very good example. Here, we are going to do
12 a demonstration on teenage pregnancy potentials.

13 One of those ought to be not just in a rural State, but
14 it ought to be in a rural setting in a rural State or in an
15 urban State. So, with regard to demonstrations generally
16 in this bill, this simple language would say that the
17 Secretary should give special consideration to them and a
18 demonstration designed to address and promote the special
19 needs of rural areas.

20 Senator Moynihan. Mr. Chairman?

21 The Chairman. Yes, Senator Moynihan?

22 Senator Moynihan. Could I suggest that Senator Daschle
23 also raised this question yesterday, and I think this would
24 respond to the interests of a genuine issue; and I would
25 hope we might accept this.

1 The Chairman. I assume you have no objections to the
2 Durenberger/Daschle amendment?

3 Senator Durenberger. Not at all, Mr. Chairman.

4 The Chairman. All right. To the cosponsorship?

5 Senator Durenberger. Yes, thank you.

6 The Chairman. All right. Is there any objection?

7 (No response)

8 The Chairman. Do you move the amendment, Senator?

9 Senator Durenberger. I do move the amendment.

10 The Chairman. All right. All in favor of the amendment
11 as stated make it known by saying "Aye."

12 (Chorus of ayes)

13 The Chairman. Opposed?

14 (No response)

15 The Chairman. The ayes have it. All right. Are there
16 further amendments? Senator Armstrong?

17 Senator Armstrong. Mr. Chairman, yesterday the
18 Administration--I have forgotten now whether it was OMB
19 or who it was, but either the Department or OMB--raised
20 the question of when a person who is receiving public
21 welfare may be required to take a job.

22 Under the present WIN program, an individual who is
23 eligible for assistance is also entitled to an income
24 disregard for the amount of the cash benefits they receive.
25 In other words, in simplest terms, somebody cannot be

1 required to take a job if the job pays less than their
2 cash benefits.

3 There might be a reason for them to want to do so, but
4 they can't be required to do so. As I understand the bill
5 before us, it says that an individual may not be required
6 to accept a job if it results in a net loss of income,
7 including food stamps and the insurance value of health
8 benefits.

9 The practical effect of this is to say that we are
10 setting in States like California, and maybe some others,
11 about a \$12,000 minimum wage, that is, in effect a minimum
12 wage of roughly twice--I guess maybe more than twice; I
13 haven't thought it through exactly--but at least twice
14 the actual minimum wage.

15 We are saying for recipients under this program that,
16 in effect, there is a sort of a \$12,000 floor. Since the
17 objective here is really to encourage people to become
18 self-supporting, and since we have taken some steps to
19 help them transition from welfare to work, including steps
20 that relate to things like child care and health insurance
21 both during the transition period and even after they get
22 off welfare all together, it would seem to me that this
23 requirement is counterproductive.

24 So, I move to retain the current law.

25 The Chairman. Are there further comments?

1 Senator Moynihan. Mr. Chairman?

2 The Chairman. Senator Moynihan?

3 Senator Moynihan. Again, we find ourselves talking
4 about another subject, which is the existing AFDC
5 legislation; but it is also relevant to our issue here.

6 I would hope this might not be accepted. First of all,
7 we have here--and I hope we all and especially the Senator
8 from West Virginia will remember--a bill that was brought
9 to us in essence by the governors and was overwhelmingly
10 endorsed by the governors, 49 to 1, including the Governor
11 of California, at the Governors' Conference in Michigan
12 this last July.

13 Our present bill says that, if a person volunteers for
14 a job that pays less than they would otherwise be getting,
15 the State makes it up to where they were. And we also
16 provide that, if a State requires an individual to take the
17 job, they also take them up to where they were.

18 In the real world, there is almost none of this. This
19 is a hypothetical thing. In the real world, it doesn't
20 happen; or when it is happening, the States are happy to
21 say "yes, take the job, but it won't cost you; we will fix
22 it up; we will get you going."

23 And that is what this bill is all about, getting people
24 going. These are the highest rates of unemployment in the
25 world, that is, in this population--96 percent unemployed.

1 Seventy percent of married women with children are in
2 the work force. Four percent of AFDC because we define
3 them as widows, and this is a maintenance program.

4 We are trying to get these people to work. I think the
5 provisions, which have been very carefully thought out,
6 approved by the governors. The governors want this. I
7 would hope we keep it as it is.

8 I may add, sir, that the House bill is much more
9 emphatic in this regard.

10 The Chairman. Are there further comments?

11 (No response)

12 The Chairman. All right.

13 Senator Armstrong. Mr. Chairman, no sense in laboring
14 the issue, I think; but I don't want to let it pass without
15 noting that it really comes down at some stage to what we
16 think welfare is. In some sense, we are asking people on
17 welfare to make a choice--at least at the margin--of whether
18 they want to be on welfare or whether they want to work.

19 And we are giving to people at the margin--and I am
20 not talking about people who are in desperate circumstances
21 because they really don't have a lot of choices; somebody
22 who has no employment skills; somebody who just can't work,
23 for one reason or another; is unsuited to work or there are
24 no work opportunities available or whatever--but at the
25 margin, we are enshrining here the principle that they ought

1 to be able to choose between welfare and work and choose the
2 one that pays the most.

3 I am a little uncomfortable with that principle to begin
4 with; but if we are going to do it, it seems to me we ought
5 to be judicious about where we draw the line.

6 The present law says that that line ought to be drawn
7 at the level of cash benefits. This represents--this bill
8 says--cash benefits plus the cash value of food stamps and
9 medical care.

10 Now, I come here before you today as a person who
11 represents some people who are not on welfare, who are
12 struggling to make ends meet on less than the amounts that
13 we are talking about under this new standard.

14 Out in places like eastern Colorado, there are families
15 of two and three and four whose cash income is substantially
16 less than this amount. It just seems to me that there is a
17 question of justice, as well as social policy here; and so,
18 do what you want to with it, but my view is that the present
19 standard is plenty high enough when we are talking about the
20 justice of whether people ought to have to go to work if
21 they are going to receive benefits.

22 A second and related issue is what we are doing to the
23 people involved, and I don't think we are doing them any
24 favor by discouraging work to any significant degree; and
25 I judge that this is a discouragement to some of them to go

1 to work.

2 The Chairman. Are there further comments?

3 (No response)

4 The Chairman. The Senator has proposed the amendment.

5 Do you move the amendment?

6 Senator Armstrong. I do.

7 The Chairman. All in favor of the amendment as stated

8 make it known by saying "Aye."

9 (Chorus of ayes)

10 The Chairman. Opposed?

11 (Chorus of noes)

12 The Chairman. The noes have it, unless the Senator
13 wants a count?

14 Senator Armstrong. No.

15 The Chairman. All right. Are there further amendments?
16 Yes?

17 Senator Wallop. Mr. Chairman, I don't have an amendment.
18 The amendment that I offered yesterday was roundly defeated,
19 but I wish that the people here--the members here--would
20 take a few minutes to read a letter from a Capitol Hill
21 policeman, talking about how the use of Federal funds with
22 no guidelines essentially treated him--I think you will
23 agree--rather unfairly.

24 All he was trying to do, if you recall, is put out
25 some guidelines by which, if the State did not prevail in

1 a situation with a custodial parent, that there would be
2 some minimal compensation for his legal fees.

3 Here is a man who earns \$1,800 a month, and the State
4 provided his wife with \$60,000 a year with free legal
5 counsel. I am not going to press my amendment; I may on
6 the floor.

7 But I just want you to know that I think, when we
8 expand the reach of the Federal Government into the lives
9 of Americans, that it makes sense as well to contemplate
10 the fairness that might or might not take place if there
11 is a piece of misjudgment.

12 That is all I sought to do. We turned it down as a
13 committee. I will not offer it again, but I hope in the
14 process that maybe by the time we get to the floor, we can
15 rethink this and try to make some sense out of fairness.

16 I am all for collecting monies that are owed children.
17 More than anybody in here, I believe in that, I think. I
18 am also worried when we extend the reach of the Government
19 that, somehow or another, we can't contemplate that it
20 might act unfairly on occasion, that an American should
21 be subject to that without recourse.

22 The Chairman. Thank you very much, Senator. That is
23 an interesting case. Are there other comments? Yes,
24 Senator Armstrong?

25 Senator Armstrong. Mr. Chairman, I have a question. I

1 am not clear. Did we solve the demonstration issue? I
2 guess I thought that we had increased in some way the number
3 of demonstration projects that could be authorized.

4 The Chairman. No, I don't think we did.

5 Senator Armstrong. I move we increase it to some much
6 larger number than ten; and I am negotiable on the number,
7 but ten doesn't begin to be the kind of number we ought to
8 have, if we are really serious about giving these local
9 jurisdictions an opportunity to come to grips with the
10 situation in a creative way.

11 There are a lot of places. I mentioned Weld County,
12 Colorado as one that has done a lot along this line. I
13 would say a hundred, but I would take fifty or whatever
14 anybody would go for.

15 The Chairman. I think I might take your last offer.
16 Is there any objection to raising that from 10 to 50? I
17 don't see any costs involved.

18 Senator Bradley. Mr. Chairman, this is to raise the
19 number of demonstrations of what? The demonstrations in
20 which there can be waivers? Is that it?

21 The Chairman. Would the Senator speak to his amendment?

22 Senator Armstrong. Mr. Chairman, I guess if I could
23 defer for a moment, the reason I asked the question was that
24 I thought it had been taken care of. But as I understand it,
25 the bill provides not more than ten demonstration programs.

1 The Chairman. As I recall it, yes.

2 Senator Armstrong. In which the Secretary may waive the
3 provisions of the Act in order to permit local jurisdictions
4 to conduct various kinds of demonstrations. I am not clear
5 --and I would be glad to be helped out--but I think that
6 means ten projects, not ten States.

7 So, you could end up in a situation where if you had
8 ten counties even that wanted worthwhile projects that the
9 Secretary wanted to approve, that would use up the whole
10 entitlement.

11 The Chairman. I certainly didn't understand it as
12 States at all. Ms. Malone, would you comment on that?

13 Ms. Malone. The bill, as it is drafted, limits the
14 number to ten projects at any one time.

15 Senator Armstrong. Whether they are State projects or
16 county projects or whatever. So, my point was not to clarify
17 that, but simply to raise the number of projects because
18 there are obviously a lot more than ten worthwhile
19 demonstration projects that will hit the Secretary's desk
20 if this is implemented. There will be more than ten good
21 opportunities.

22 The Chairman. All right, Senator. I don't have any
23 objections. Does anyone? Senator Moynihan?

24 Senator Moynihan. Mr. Chairman, the whole spirit of
25 this exercise is innovation and evaluation. I think this

1 would help, and I hope we might accept it.

2 The Chairman. If there is no objection, it will be
3 adopted. Yes?

4 Senator Danforth. Mr. Chairman, why should there be
5 any limitation on the number of demonstration projects?

6 Senator Moynihan. As a matter of fact, there isn't
7 under the existing Social Security Act; but not enough of
8 them happen actually.

9 Senator Danforth. Not enough what?

10 Senator Moynihan. Happen. You know, you have to do
11 something; you have to think about it.

12 The principle of our demonstration projects is that the
13 Secretary has to approve not just the project but the
14 evaluation. You have really got to learn something, and
15 that is what we are after here.

16 Demonstration projects, you can have all you want; but
17 there is an old saying in this area that "We didn't have
18 any controls because it was only an experiment." You have
19 to think about that.

20 (Laughter)

21 The Chairman. I suppose it means you finally get to
22 where you would have no guidelines any place. I suppose
23 it would mean if you had demonstration projects without
24 limits, you would finally have no guidelines, wouldn't you?

25 You know, if we try to go to the extreme on that kind of

1 situation. Is there objection then to the 50 as requested
2 by the Senator from Colorado.

3 (No response)

4 The Chairman. If not, it will be so amended. Are we
5 prepared to report the bill?

6 Senator Bradley. Mr. Chairman?

7 The Chairman. Senator Bradley?

8 Senator Bradley. I would like to raise once again the
9 funding source--one of the funding sources--here. Using the
10 child care credit as a means to finance the welfare reform
11 continues to trouble me because, although it hits families
12 with higher incomes, it essentially hits many professional
13 families.

14 And just the principle of saying you are going to take
15 it from the two-earner family and give it to the low-income
16 family--you know, if there is no other source, and that was
17 the only possibility--then that would be a choice that we
18 would have to make.

19 But I don't think it is the only possibility, and there
20 are any number of other sources of revenue. Overnight, I
21 was thinking about what could be an alternative source; and
22 I talked to Joint Tax, and if you simply reduce the meals
23 and entertainment deduction from 80 to 78 percent, you
24 could get the \$800 million that you need.

25 So, Mr. Chairman, I obviously would like to hear some of

1 the committee's sentiment on this before I decide whether
2 I want to move this.

3 The Chairman. We have been down that road as I recall.
4 Senator Packwood?

5 Senator Packwood. I think maybe a limitation on
6 advertising deduction would be no-no. I asked the Joint
7 Committee about the threshold that this is at--what is it?--
8 \$3,390 or whatever--\$73,000 is the upper five percent.
9 The \$93,000 is the upper one percent.

10 I am not going to quarrel at the moment on this, but
11 if we are ever going to move down the road toward means
12 testing entitlements, if we cannot limit an entitlement to
13 the upper five percent of the income earners in the country,
14 we are not going to test anything.

15 Senator Bradley. If we were going to means test the
16 other tax expenditures, that might--you know, you can carry
17 that argument through; but I understand your point.

18 The Chairman. And I would say to my friend from New
19 Jersey that the reason we put that child care credit in is
20 to try and help people who otherwise would have to stay home,
21 would not be able to work, and who could not afford reasonable
22 child care.

23 It would seem certainly to me, at this income level,
24 that they can do that. What we are trying to do is help
25 these people who have children, not to have latchkey children,

1 and go out and get about their education and their training
2 and filling that job.

3 So, I would hope the Senator would not propose his
4 amendment.

5 Senator Bradley. Mr. Chairman?

6 The Chairman. Yes?

7 Senator Bradley. As I look around the room and see
8 all the support that I have been getting from the committee
9 members, I will follow your advice.

10 The Chairman. All right. Are we prepared to report
11 out the bill?

12 Senator Packwood. Mr. Chairman?

13 The Chairman. Yes?

14 Senator Packwood. Senator Dole has a statement that
15 he would asked to be placed in the record before the vote.
16 He is going to support the bill.

17 The Chairman. Without objection, that will be done.

18 Mr. Pearlman. Mr. Chairman?

19 The Chairman. Yes, Mr. Pearlman?

20 Mr. Pearlman. I am sorry, Mr. Chairman, but before
21 you act to report out the bill, could we request that the
22 committee give direction to the staff to smooth out the
23 phase-out of the child care credit, assuming it can be
24 done on a totally revenue-neutral basis, so that it is as
25 smooth as possible, and so we can make it as workable as

1 possible? That might include the creation of a table so
2 that it will make it easier for taxpayers.

3 We think we need some direction from the committee on
4 that.

5 The Chairman. Is there any objection on that?

6 (No response)

7 The Chairman. If not, that will be done.

8 Mr. Pearlman. Thank you, Mr. Chairman.

9 The Chairman. And staff is so authorized.

10 Now, the question is reporting with amendments S. 1511
11 to reform the welfare program.

12 Senator Armstrong. Mr. Chairman?

13 The Chairman. Yes?

14 Senator Armstrong. Obviously, this is not the moment
15 for any extended debate on it; but I would just like to say
16 that I, for one, am going to vote against this, and I will
17 file views with the committee.

18 In brief, the reason I am going to is that it does not
19 contain the elements of reform. It is an extension of the
20 welfare program. It will add under the UP provision 130,000
21 people to the welfare rolls.

22 The transition requirements will add 500,000 people to
23 the rolls. We have decided not to put any meaningful
24 participation requirements in the bill, which is the very
25 essence of the idea that we are working on, to train people

1 and put them to work.

2 We are preempting the States. So, at least until we can
3 get some of these problems resolved, I am constrained to
4 oppose the bill.

5 The Chairman. I understand.

6 Senator Bradley. Mr. Chairman?

7 The Chairman. Yes, Senator Bradley?

8 Senator Bradley. If I could, may I thank you for moving
9 this bill, and may I also salute Pat Moynihan who has worked
10 on this for a generation? I think this is a real testament
11 to his efforts.

12 The Chairman. Thank you very much, Senator. Would
13 someone move the bill?

14 Senator Moynihan. I so move.

15 The Chairman. All right. So, the question again is
16 on reporting with amendments the bill, S. 1511, to reform
17 the welfare program. The clerk will proceed to call the
18 roll.

19 The Clerk. Mr. Matsunaga?

20 The Chairman. Aye, by proxy.

21 The Clerk. Mr. Moynihan?

22 Senator Moynihan. Aye.

23 The Clerk. Mr. Baucus?

24 Senator Baucus. Aye.

25 The Clerk. Mr. Boren?

1 Senator Boren. Aye.
2 The Clerk. Mr. Bradley?
3 Senator Bradley. Aye.
4 The Clerk. Mr. Mitchell?
5 The Chairman. Aye, by proxy.
6 The Clerk. Mr. Pryor?
7 Senator Pryor. Aye.
8 The Clerk. Mr. Riegle?
9 The Chairman. Aye, by proxy.
10 The Clerk. Mr. Rockefeller?
11 Senator Rockefeller. Aye.
12 The Clerk. Mr. Daschle?
13 The Chairman. Aye, by proxy.
14 The Clerk. Mr. Packwood?
15 Senator Packwood. Aye.
16 The Clerk. Mr. Dole?
17 Senator Packwood. Aye, by proxy.
18 The Clerk. Mr. Roth?
19 Senator Roth. No.
20 The Clerk. Mr. Danforth?
21 Senator Danforth. Aye.
22 The Clerk. Mr. Chafee?
23 Senator Packwood. Aye, by proxy.
24 The Clerk. Mr. Heinz?
25 Senator Heinz. Aye.

1 The Clerk. Mr. Wallop?

2 Senator Wallop. No.

3 The Clerk. Mr. Durenberger?

4 Senator Durenberger. Aye.

5 The Clerk. Mr. Armstrong?

6 Senator Armstrong. No.

7 The Clerk. Mr. Chairman?

8 The Chairman. Aye.

9 Now, as a technical matter, since we are reporting the
10 bill introduced by Senator Moynihan and several other
11 members of this committee, we will need to get the House
12 passed bill back to the calendar.

13 And without objection, H.R. 1720 will be reported without
14 recommendation and without a written report.

15 Now, would the clerk report the vote?

16 The Clerk. The vote was 17 yeas and three nays. The
17 vote carries.

18 The Chairman. Senator Rockefeller?

19 Senator Rockefeller. Mr. Chairman, I feel a need just
20 to respond to the Senator from Colorado for a moment. I
21 think this is a genuine welfare reform, not all that
22 everybody might have wished; but I think it is extraordinary
23 the way you have managed to shepherd this bill through--a
24 very delicate and careful and fair act on your part.

25 And I must say that my heart rejoices for the Senator

1 from New York who has been understanding these matters and
2 writing about them and talking to us about them for years;
3 and I would hope that he feels some of the satisfaction
4 that he certainly deserves.

5 The Chairman. That is very generous of you, Senator.
6 This is a major step forward, I believe, in welfare reform;
7 and I want very much to see this brought into law and not
8 just a political issue for 1988.

9 We are well on the road to it now. Thank you.

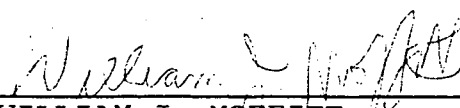
10 Senator Moynihan. Mr. Chairman, may I thank you
11 personally, sir?

12 The Chairman. I was very glad to participate. Thank
13 you. We are adjourned.

14 (Whereupon, at 10:56 a.m., the meeting was adjourned.)
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C E R T I F I C A T E

This is to certify that the foregoing proceedings of an Executive Committee Meeting of the Committee on Finance, held on April 20, 1988, in re: S. 1511, Welfare Reform, were transcribed as appears herein and that this is the original transcript thereof.


WILLIAM J. MOFFITT
Official Court Reporter

My Commission expires April 14, 1989.

Moffitt Reporting Associates

(301) 350-2223

*For the
Record*

STATEMENT OF SENATOR BOB DOLE
WELFARE REFORM

SENATOR MOYNIHAN SHOULD BE CONGRATULATED ON THE EXTRAORDINARY WORK HE HAS DONE OVER THE LAST TWO YEARS IN PUTTING TOGETHER THE BILL WE HAVE BEFORE US TODAY. AND WHILE I DO NOT AGREE WITH ALL ASPECTS OF THE BILL, I BELIEVE HE HAS BEEN SERIOUS IN HIS DESIRE TO ADDRESS THE MANY ISSUES THAT HAVE BEEN RAISED.

THERE IS NO QUESTION IN MY MIND THAT WE HAVE FINALLY REACHED AGREEMENT ON THE NEED TO PUT WORK AND TRAINING AT THE CENTER OF ANY REAL REFORM MEASURE. THE INITIATIVES THAT BOTH SENATOR MOYNIHAN AND I INTRODUCED LAST YEAR SEEK TO ACHIEVE THIS END. SO THERE IS NO DISPUTE ON OUR GOAL -- ITS SIMPLY A QUESTION OF HOW TO GET THERE.

THERE ARE THREE PARTICULAR AREAS ON WHICH
THERE HAS BEEN A CONSIDERABLE AMOUNT OF
DEBATE: THE NEED FOR PARTICIPATION STANDARDS;
THE NECESSITY OF PAYMENT FOR CERTAIN SERVICES
DURING THE TRANSITION OFF WELFARE, AND FINALLY,
THE ABILITY OF THE STATES TO EXPERIMENT WITH A
WAIVER AUTHORITY. I MAY WELL CONSIDER
SUGGESTING AMENDMENTS IN EACH OF THESE AREAS
ONCE THE BILL IS BEFORE THE ENTIRE SENATE.

PARTICIPATION STANDARDS

THIS IS ONE OF THOSE AREAS WHERE THERE IS LITTLE PHILOSOPHICAL DEBATE AS TO THE VALUE OF SOME KIND OF PERFORMANCE MEASURE, BUT, RATHER, A DIVISION OF OPINION AS TO WHAT THE MEASURE SHOULD BE AND HOW QUICKLY IT SHOULD BE PUT INTO PLACE.

I BELIEVE REASONABLE PARTICIPATION STANDARDS CAN HELP TO ENCOURAGE THE STATES TO ACTIVELY PURSUE THE JOBS PROGRAM AND OFFER SERVICES TO A BROAD ARRAY OF PARTICIPANTS.

BY 1992, UNDER THE MOYNIHAN BILL, ONE BILLION DOLLARS A YEAR WILL BE SPENT ON JOBS AND EDUCATION -- I DON'T THINK IT IS TOO MUCH TO EXPECT THAT THE STATES WOULD HAVE TO MEET SOME SPECIFIED LEVEL OF PARTICIPATION BY THAT TIME.

TRANSITIONAL CHILD CARE BENEFITS

WHILE I WOULD CERTAINLY AGREE THAT THE AVAILABILITY AND FINANCING OF CHILD CARE SERVICES IS A CRITICAL COMPONENT OF A WORK-BASED WELFARE

SYSTEM, THE RECORD IS UNCLEAR AS TO WHETHER OR NOT THE PROVISION OF CHILD CARE AFTER SOMEONE LEAVES THE WELFARE ROLLS IS NECESSARY. I BELIEVE ALLOWING RATHER THAN MANDATING THAT THE STATES COVERS THESE SERVICES MAKES MORE SENSE UNTIL WE HAVE SOME BETTER SENSE OF WHAT IS REALLY NECESSARY. THE SAME ARGUMENT IS, OF COURSE, TRUE WITH RESPECT TO FURTHER REQUIREMENTS REGARDING MEDICAID. IN THIS CASE, THERE ARE ACTUALLY EVALUATIONS ONGOING TO EXAMINE THIS ISSUE.

WAIVER AUTHORITY

AND FINALLY, PERHAPS THE ISSUE OF MOST CONCERN TO THE ADMINISTRATION HAS BEEN THE ABILITY OF THE STATES TO TEST OUT THEIR OWN THEORIES ON HOW A WELFARE SYSTEM SHOULD BE ORGANIZED AND RUN. AS THIS COMMITTEE IS WELL AWARE, MUCH INNOVATION HAS TAKEN PLACE ON THE STATE LEVEL. IT IS THE ADMINISTRATION'S HOPE THAT WE WOULD ENCOURAGE EVEN MORE ACTIVITY BY PROVIDING A BROAD WAIVER AUTHORITY.

WHILE I RECOGNIZE THAT THE PROTECTION OF THE BENEFICIARIES FROM ANY EXCESSES ON THE PART OF THE STATES SHOULD BE OF CONCERN TO US, I CANNOT BELIEVE THAT WE ARE UNWILLING TO TRUST THESE SAME GOVERNORS WHO WE ARE TRYING TO SATISFY WITH OTHER ASPECTS OF THIS BILL.

AS DRAFTED, THE MOYNIHAN BILL PLACES SUCH RESTRICTIONS ON THE WAIVER AUTHORITY, THAT THERE IS LITTLE REASON TO LEAVE OUT PROGRAMS LIKE

MEDICAID. OTHER PROGRAMS SUCH AS HOUSING AND FOOD STAMPS, OF COURSE, ARE NOT WITHIN OUR JURISDICTION AND WOULD HAVE TO BE DEBATED ON THE FLOOR IN ANY EVENT. THE STATES DESERVE A CHANCE TO TEACH US EVEN MORE ABOUT HOW WE CAN IMPROVE THE SYSTEM.

CONCLUSION

AGAIN, I COMMEND SENATOR MOYNIHAN AND THE
CHAIRMAN FOR HAVING GONE A LONG WAY TOWARDS
MAKING THIS BILL A REASONABLE AND RESPONSIBLE
REFORM MEASURE. I AM HOPEFUL THAT, WITH PERHAPS
TWO OR THREE ADDITIONAL CHANGES, IT WILL BE
SOMETHING THE ADMINISTRATION CAN ALSO SUPPORT.

Apartment #2B
Alexandria, VA 22310
(703) 971-8464
April 16, 1988

Dear Member of Congress:

This letter is written to seek your assistance in correcting a major flaw in a federal, as well as state, law. Please let me explain.

Title 4-D of the Social Security Act of 1984 Amended provides federal funding to the states for the purpose of collecting child support. However, that law does not set guidelines by which the states must use these funds. The intent of Congress was to give assistance to the state in order for the state to help indigent custodial parents with obtaining a court order for support, and then assisting in the collection process, not for the increase or modification of those orders or appeals. In the State of Virginia, however, the Attorney General's office has given anyone free legal counsel in not only the Juvenile and Domestic Relations Court, but in the Circuit Court as well regardless of their financial status or the fact that there is already an existing court order. The State of Virginia Code to which I refer is Title 63.1-250.2, Volume 9-A, Chapter 13. Here is a classic example of misuse of federal funds by the State of Virginia.

On March 29, 1988, I received a subpoena to appear in the Juvenile Domestic Relations Court for an increase in child support. On that date, there was already a court order in effect dated February, 1984, stating I would pay \$550 a month. I had requested that those payments be made through the court. If I did not pay my support, the courts would have found me in contempt and could have placed me in jail. I was never late on my payments.

When I appeared in court on April 14, 1988, I had obtained legal counsel to assist me in maintaining the current level of child support because I was supporting the children half of every month when they resided with me. My children reside with me on Wednesday, Thursday, Friday and Sunday of every week. At the trial, I noticed that my ex-spouse was there with legal counsel and after my inquiry found out that the counsel was, in fact, the Attorney General's lawyer for the Fairfax District. Upon further investigation, I found out through Attorney General Mary Sue Terry's assistant in Richmond, Mr. Tom Czelusta, telephone number 804/786-1021, that the state provides free counsel irregardless of the financial status of the custodial parent. Not only does the state provide that counsel in the Juvenile and Domestic Court, but also in the District Court.

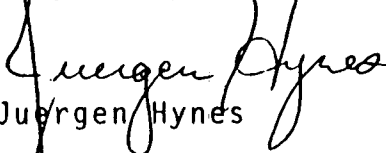
My ex-spouse filed a child support increase with free federally-funded legal counsel and I had to pay for mine. She has an income with her husband of over \$60,000 a year, owns a \$150,000 home, has \$14,500 in actual cash (stocks and bonds), plus 5 TV sets, 3 VCRs, and a relatively new auto, and only works two days a week. I have a meager one-bedroom apartment, a 1979 Dodge Van with 150,000 miles and am now paying, on a monthly paycheck of \$1800, \$775 a month support for three children that live with me half of the month. Based on the guidelines set by the Social Services Department of Child Support Enforcement, there is no provision for a parent who does not "legally" have joint custody, but who provides for the children 50% of the time. Since the time that the children spend with me is only considered "visitation", the court's will not consider the expenses I incur in calculating the monthly support payments. I would welcome joint custody but have been unable to obtain it because I cannot provide the children with the same luxurious lifestyle that my ex-spouse can.

Your help would be deeply appreciated because as of May 1, I will be forced to relinquish my apartment because I can no longer afford to maintain a residence and feed my children. I will have to move back to my parents' home in Maryland. I am 42 years old and have been a police officer for 17 years. I am guilty of loving my children and refusing to give up my right to being an active, equally participating parent, but have been reduced to living a poverty-level existence because of the inequities of the law.

I do not object to the assistance this law provides to the genuinely indigent parent who needs the help, but feel guidelines should be set by Congress and the state to prevent misuse of the funds by someone who is obviously financially capable of paying for legal counsel and who is using this law to cause further financial hardship for the non-custodial parent by repeated litigation.

I would appreciate the opportunity to discuss this matter with you personally.

Very truly yours,


Juergen Hynes

United States Senate

WASHINGTON, DC 20510

MINIMUM WAGE LEVELS FOR REQUIRED WORK

Current Law

Under the WIN program, an individual eligible for an income disregard may not be required to accept a job unless the wage level meets or exceeds the Federal or state minimum wage. Where no income disregard applies due to employment, the wage level (minus mandatory deductions and a deduction for employment-related expenses) must equal or exceed the family's AFDC cash benefits.

S. 1511

Under the JOBS program, an individual may not be required to accept a job if it results in a net loss of income including food stamps and the insurance value of any health benefits, unless the state provides a supplementary benefit.

Armstrong Amendment

Retain current law.

Senator Dave Durenberger Amendment to S. 1511

Demonstration Projects: Rural Emphasis

Proposed Language to Title VIII Section 493(c)(2)(p.118), "
the Secretary shall give special consideration to demonstrations
designed:"

Add: "(I) to address and promote the special needs of rural
areas."

Rationale: The welfare and job training problems in Rural
areas are different and require different solutions. At the
very least, there must be a sensitivity to the special
conditions in rural America. To date, this sensitivity has been
lacking in some federal programs. This amendment will ensure
that the needs of rural America are given consideration and not
overlooked in the development and funding of demonstration
projects under this Act.

United States Senate

WASHINGTON, DC 20510

WELFARE FRAUD

Current Law

Current anti-fraud efforts in AFDC focus on fraud after-the-fact, that is after an ineligible person gets on the rolls and is improperly collecting benefits. The courts are notoriously slow to deal with welfare cases, and many judges are reluctant to penalize defrauders. In the 1987 reconciliation bill, Congress gave the States the option of using administrative penalties against defrauders, rather than going to court. That should help those states which are really trying to cut down on fraud.

Some states and counties -- California, Arizona, counties in Colorado, Georgia, Kansas, New Jersey, and Wisconsin -- have implemented or are planning early detection systems. The prototype is California's FRED: Fraud Detection & Prevention. There is no requirement in current law that the States take this preventive approach.

S. 1511

Does not address the subject of welfare fraud.

Armstrong Amendment

Instruct the Secretary of HHS to revise the pertinent regulations (45 CFR 235) to require that all States, within a reasonable period of time, implement a pre-eligibility fraud detection and prevention program similar to FRED in California.

Discussion

* The Inspector General of HHS reported last fall that AFDC fraud was a billion-dollar problem. He estimated that HHS could save \$800 million annually by requiring States to implement FRED.

* The report noted that:

^ "Many state officials estimated the magnitude of fraud to be much higher than has been previously reported."

^ "State officials reported further that fraud perpetrators' sophistication is keeping pace with automated fraud detection techniques."

* While there is disagreement over precise amounts, it is clear a considerable amount of fraud can be reduced by making States follow the proven success of FRED.

* Under FRED, welfare intake workers are able to refer suspicious matters to an investigative unit, which checks out dubious claims. The idea is to keep ineligibles off the rolls in the first place by moving the investigative staff to the front-end of the entitlement procedure.

* The IG report stressed the need for early detection:

^ "The eligibility worker is the cornerstone of the State's fraud detection efforts but is often poorly prepared for this responsibility."

^ "Many eligibility workers view the fraud investigation and prosecution process as being ineffective."

^ "Eligibility workers report that the lenient response to AFDC fraud is well known in the communities."

^ "The presence of an active, visible and effective fraud investigation function is critical to the integrity of the AFDC program."

* The results in California are worth noting:

^ An HHS review of the FRED program in Orange County found between \$16.60 and \$33.81 in savings for every \$1.00 spent on FRED.

^ In three counties with FRED, out of 8,642 application referred to the investigators for pre-eligibility clearance, 824 were withdrawn by the applicants. Another 1,585 were denied because of the information turned up by investigators.

^ In calendar year 1985, about 18 percent of AFDC applications in 21 California counties were referred by the intake workers for pre-eligibility investigations. A total of 5.33 percent were subsequently withdrawn or denied.