

WELFARE REFORM

HEARINGS
BEFORE THE
SUBCOMMITTEE ON
SOCIAL SECURITY AND FAMILY POLICY
OF THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
ONE HUNDRED THIRD CONGRESS
SECOND SESSION

—————
JANUARY 18 AND FEBRUARY 25, 1994
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WELFARE REFORM

TUESDAY, JANUARY 18, 1994

U.S. SENATE,
SUBCOMMITTEE ON SOCIAL SECURITY
AND FAMILY POLICY,
COMMITTEE ON FINANCE,
Washington, DC.

The hearing was convened, pursuant to notice, at 9:35 a.m., in room SD-215, Dirksen Senate Office Building, Hon. John Breaux (chairman of the subcommittee) presiding.

Also present: Senators Packwood and Durenberger.
[The press release announcing the hearing follows:]

[Press Release No. H-2, January 12, 1994]

FINANCE SUBCOMMITTEE SCHEDULES HEARING ON WELFARE REFORM

WASHINGTON, DC—Senator John Breaux (D-LA), Chairman of the Senate Finance Committee's Subcommittee on Social Security and Family Policy, announced today that the Subcommittee will hold a hearing on issues relating to welfare reform. This hearing was scheduled when a November 19, 1993 hearing date was canceled.

The hearing will begin at 9:30 A.M. on Tuesday, January 18, 1994, in room SD-215 of the Dirksen Senate Office Building.

"Five years ago, Congress passed the Family Support Act, marking a major shift in our national welfare policy," Senator Breaux said. "The central concept of this watershed legislation was that parents must take responsibility for the financial support of their children and themselves; non-custodial parents must contribute to child support; welfare parents should be trained for employment and then expected to work; and welfare should not be a permanent or even extended circumstance, but a transition to employment.

"Poverty and long-term dependence on welfare remain critical issues. The number of people living in poverty rose for a third year in a row in 1992 to 37 million Americans, an increase of 5.4 million from 1989; and the number of out-of-wedlock births has increased to epidemic proportions.

"President Bill Clinton has promised to 'end welfare as we know it,' and the Administration has identified welfare reform as an item on the top of its agenda.

"It is time we review the impact of the Family Support Act of 1988, the reform approaches States are implementing, and the range of policy options open to the federal government. I expect that after the Administration has developed its welfare reform proposals, we will hold additional hearings to examine specific ways to combat poverty and change welfare," Senator Breaux added.

OPENING STATEMENT OF HON. JOHN BREAUX, A U.S. SENATOR FROM LOUISIANA, CHAIRMAN OF THE SUBCOMMITTEE

Senator BREAUX. The Subcommittee on Social Security and Family Policy will please come to order. President Clinton has promised to end welfare, as we know it. The administration has placed welfare reform near the very top of their agenda.

I believe that Congress can and should address welfare reform now, this year, and with the same urgency as health care. I believe

our Nation needs welfare reform as badly as it needs health care reform. The United States health care system is too expensive and it does not provide all citizens with adequate access to health care and it desperately needs to be reformed.

But just the same, our welfare system does not serve well the people who are on it, nor does it serve well the people who are paying for it. Clearly, our welfare system also desperately needs to be reformed to end for many Americans a perpetual cycle of poverty and dependency.

Ending welfare as we know it does not mean simply ending welfare support systems and saving tax dollars. The goals are not just to reduce welfare roles and welfare spending, the central challenge is to alleviate both poverty and welfare dependency, not just for the welfare recipients, but also for the working poor.

Five years ago Congress passed a Family Support Act of 1988, largely due to the efforts of two people. One was a man who led the National Governor's Association in its welfare reform efforts—Bill Clinton. The other is now the Chairman of this Senate Finance Committee—Senator Daniel Patrick Moynihan.

The Family Support Act was the beginning of a major shift in our National welfare policy. For the first time, we demanded that parents take responsibility for the financial support of their children and for themselves.

Congress also took the first steps to strengthen requirements that noncustodial parents contribute to the financial support of their children, to see that welfare parents are trained for and expected to work, and that welfare should not be a permanent or even an extended circumstance, but rather a transition to employment.

It is now time for Congress to review the impact of the Family Support Act of 1988, the changes that the States are making, and the range of policy options that are now opening to the Federal Government.

Poverty and long-term dependence on welfare remain critical issues. In 1992 the number of people living in poverty rose for the third year in a row to 37 million Americans, an increase of 5.4 million from 1989. The number of out-of-wedlock births have increased to epidemic proportions.

In my own State of Louisiana almost one-third, 31.2 percent, of all children live in poverty. In Orleans Parish, nearly half of all children, about 46 percent, also live in poverty and well over half of the African-American children in my State of Louisiana, 56 percent, live in poverty.

Welfare policies are of particular importance to my State of Louisiana because the lives of so many of our citizens are partially shaped by welfare and also by the culture that it creates.

Today's hearing will help us to begin developing a public record on welfare issues and will lay the ground work for congressional consideration of specific proposals for improving the welfare system.

We will hear from Vermont Governor Howard Dean about the innovative approaches that he is implementing to combat poverty and change the welfare system in his State. We will also hear from administration witnesses concerning current information on pov-

erty and the welfare population, and the operation of the Family Support Act, and their perceptions of the national problems that led to the establishment of the White House working group on welfare reform and the status of that working group's efforts.

The program directors of Missouri and Wisconsin will outline new approaches that their States are taking to change welfare as we know it. And, the one person who is probably the most experienced in evaluating the JOBS program and determining which approaches do and do not work will also testify about her findings.

And finally, we will hear recommendations from diverse perspectives about the social policy directives that our society should consider in dealing with the issues of welfare, poverty and dependence. Testimony of our witness will help provide a framework for producing real welfare reform in this Congress.

I look forward to working with the administration and receiving their recommendations on how to improve our Nation's welfare system. I note that the ranking member of our subcommittee is going to be with us, Senator Durenberger; and I am pleased that the ranking member of the full committee, Senator Packwood from Oregon, is with us this morning in a timely fashion despite all the weather, and we would welcome any comments that he might have.

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

OPENING STATEMENT OF HON. BOB PACKWOOD, A U.S. SENATOR FROM OREGON

Senator PACKWOOD. Well, Mr. Chairman, as opposed to Louisiana, we are used to this kind of weather.

Every time I hear the word "reform" I get a little shiver. It does not matter if it is welfare reform or tax reform. I remember one of Louisiana's former Senators, Russell Long, who was Chairman of this committee, talking about the tax credits that we give to businesses from time to time—the investment tax credit—and he said since, I am quoting him, "Since I have been on this committee," "we have put the investment tax credit in three times and we have taken it out three times; and we have always done it in a tax reform bill." "One time we put it in and took it out under the same President."

Now you tell me when it is reform and when it is not. Welfare reform is a phrase I have heard since I was in the State Legislature 30 years ago and the goals are always the same—to get people off of welfare and get them into productive jobs. I do not know how many times we have heard those words or something so similar to them that you can repeat them ad nauseam.

We all support that goal. And yet we look at the job training programs that we have, you look at the GAO reports on them, by in large the job training programs have not worked very well. There is anecdotal evidence in some cases that some have. But generally we have spent lots of money on worker retraining and they have not worked.

We have had a variety of welfare efforts in the States to change their systems. It is not current; it is not brand new. Most of those have not worked. The Federal spending on aid to federally depend-

ent children has gone from roughly \$1.5 billion 30 years ago to \$23 billion now and the problem gets worse and bigger.

So I sometimes question whether or not money per se is the answer. I am not adverse to spending it, but I have been burned often enough in the past to question whether or not just spending it will work.

Are we going to venture down really a new path on welfare reform, something we have never heard of before, never tried before, that is totally different than the things we have tried in the past, or is it a variant of what we have tried? And in that case, why is it likely to work now when it has not worked before? What is it that is going to be different? How are we going to guarantee people are going to be trained for productive jobs so that they are off of welfare and on to work?

Heaven knows there is not a member of this committee that is not receptive to the answer to that question. But what guarantee can the witnesses give us? They cannot give us guarantees. But what assurances can the witnesses give us that what they suggest we try is sufficiently different from everything we have tried in the past, that there is some hope that it might work, when everything we hoped for in the past did not work very well.

One last thing I would address to the administration witnesses. The President in his campaign said he would try to assure all States that when they applied for waivers they would get them within 90 days. Oregon applied last October, the 90 days is just about up, and I would hope that the administration would be willing to grant Oregon's waiver. I know other States have waiver requests in too, but I would hope that the administration, if they are going to hold to their 90 days, would very soon grant the waiver that Oregon has requested.

Thank you, Mr. Chairman.

Senator BREAUX. We thank the gentleman for his statement and welcome and say good morning to our colleague, Dave Durenberger, who is ranking on the subcommittee for any comments he might have.

OPENING STATEMENT OF HON. DAVE DURENBERGER, A U.S. SENATOR FROM MINNESOTA

Senator DURENBERGER. Mr. Chairman, thank you for the opportunity to be here. As I was looking out at the people that are with us today it sort of looks like the traffic lull in Washington. There are a lot of spaces. I hope that no one takes that as a lack of interest in welfare reform.

We have been interested obviously on this committee for all of the period of time that I have been here. I would just say, briefly, Mr. Chairman, I am grateful that you called a hearing on this subject because in the interim between sessions there has been a lot of discussion about whether welfare reform different from health reform and whether we do one without the other.

I think that most of the people on this committee will recognize that there is a relationship between the two. I trust that that will become clearer as the morning goes on. Because of your interest, Mr. Chairman, and your leadership on some of the health reform issues, and because of the importance of this committee is reform-

ing coverage for health care and access to services for a lot of people who particularly now cannot afford that access, I look forward to hearing the witnesses and to the rest of 1994 which I think will be very, very productive.

Senator BREAUX. We thank the Senator for his statement.

Before I invite our first witnesses, let me make a couple of announcements. Because of the weather, Governor Howard Dean of Vermont will be delayed. He is on his way and I understand about landing at the airport now. We will take the Governor as soon as he is able to be with us.

Gary Stangler, who is Director of the Missouri Department of Social Services could not get out of Missouri and will not be with us. Mr. Charles Murray from the American Enterprise Institute is stuck in rural Virginia and not able to come in as well. Everybody else is here.

We are delighted then to welcome as our first witnesses from the administration Dr. Mary Jo Bane, who is Assistant Secretary for Children and Families with the Department of Health and Human Services—if you will take your place at the witness chair—and Dr. David Ellwood, who is Assistant Secretary for Planning and Evaluation with the Department of Health and Human Services.

Dr. Ellwood and Dr. Bane, we would be pleased to hear your testimony and the report on the progress that you are making. Dr. Bane, if you would like to go first, Mary Jo, we would be pleased to have you.

STATEMENT OF MARY JO BANE, ASSISTANT SECRETARY FOR CHILDREN AND FAMILIES, DEPARTMENT OF HEALTH AND HUMAN SERVICES, WASHINGTON, DC

Dr. BANE. Thank you. Mr. Chairman and members of the subcommittee, I am delighted to have the opportunity to appear before you this morning as one of the co-chairs, as you mentioned, of the President's Working Group on Welfare Reform, Family Support and Independence.

I am really pleased that you have provided us this opportunity to lay the groundwork for the administration's welfare reform proposals. I want to assure you that welfare reform continues to be a top priority of the President, the administration, and of both of us. We are working as hard as we can to put a proposal together for the President's consideration. We are hopeful that this proposal will indeed provide the framework for congressional action on welfare reform and that legislation will move forward this year.

Last June the President appointed a working group on welfare reform to develop a plan for reforming welfare to be built around the basic principles of work and responsibility. For the past 7 months, David Ellwood, Bruce Reed, who is the third co-chair of the working group, and I have been visiting programs, listening to testimony, talking to welfare recipients, and meeting with people around the country to understand what is wrong with the present system and to develop strategies for change.

As you mentioned, the Family Support Act of 1988 laid the foundation for welfare reform. Under the leadership of Senator Moynihan and the Senate Finance Committee and Governor Bill Clinton, the Family Support Act laid the cornerstone for welfare reform

proposals by setting in place expectations that families, not the government, are first and foremost responsible for the well-being and support of their children.

The Family Support Act recognized the need for investments in education, training and employment opportunities for welfare recipients, as well as in child care and medical assistance, to help them make the transition from welfare to work.

Most importantly, the Family Support Act introduced the expectation that welfare would be a transitional period of preparation for self-sufficiency.

Now an obvious question is why we are talking about welfare reform again if the Family Support Act did make these changes. The short answer, which I would like to elaborate on in my testimony this morning, is that the Family Support Act represented a down payment on welfare reform, but that down payment has not proven sufficient to do everything that needs to be done.

Members of the working group have devoted a good deal of time and effort over the last few months trying to learn first-hand about how the existing welfare and child support systems operate in this country. The most compelling testimony we heard in our hearings around the country came from clients who were frustrated by the barriers that were placed in their way by the welfare system when they attempted to assume responsibility for supporting their families.

Their stories made a very strong argument for the need to make changes in the organizational culture of the system. At our Washington hearing three individuals with welfare experience testified about the current system's inability to respond to their desires to become independent. They expressed their determination, as so many welfare recipients do, to do more than collect a welfare check.

But they spoke about how their determination to become self-sufficient was thwarted by an unyielding, unresponsive welfare system, which often seemed to be punishing them for trying to become independent. They cited their inability to obtain important support services, like child care and training. They spoke about how hard the system came down on them when they took the initiative to get a job. They spoke about how difficult it was to become financially secure without child support or medical coverage.

In sitting in on eligibility interviews around the country, which many of us did and which I also did when I was Commissioner in New York, we were all struck by the fact that the entire focus of the questioning in eligibility interviews seems to be on the applicants' paperwork and very, very little of it seemed to be about their needs.

The worker wants to see the latest electric bill, but does not seem to have time to talk about the JOBS program. The system seems to be content to get the documentation right, but does not seem to be interested in empowering the applicant to pay the bill herself.

The impression we have of welfare offices includes crowded conditions, overwhelmed workers, long waits, and astounding questions on the most minute details of people's lives. The office, the interview, and the entire process become a blur of paper, questions, and regulation.

During these encounters the most important question seems never to be asked. What can we do together to help you begin the process of becoming independent?

The testimony we heard from people trying to receive child support illustrated strikingly similar situations.

At public hearings in Cranford, NJ and here in Washington we heard from a number of mothers who had been repeatedly frustrated in their efforts to secure child support from their children's noncustodial parents. They faced a host of problems, including jurisdictional problems related to their husbands moving out of State, inadequate support orders, unresponsive bureaucracies, lost and misdirected paperwork, lack of follow-up, inadequate investigative staff, and legal bills.

These problems resulted in their being deprived of tens of thousands of dollars of support and sometimes being forced onto the welfare rolls.

I think our biggest disappointment with the implementation of the Family Support Act has been that we have not seen a widespread change in the organizational culture of the welfare system. We are really very far from the point where welfare is indeed viewed as a transitional period of preparation. There is still too little emphasis on self-sufficiency. We have not seen much integration of services in local offices.

Now there are some exceptions, and these exceptions give us real hope for being able to reform the welfare system. We, too, believe like Senator Packwood that reforming the welfare system will take more than money. It will take a change in attitude, a change in direction, a change in organizational culture.

One place that I visited this summer as part of our tours on welfare reform illustrates what that change might look like. Riverside, California is one of the six counties being evaluated by MDRC. I know that Judy Gueron will talk more later about that evaluation and about her experiences.

I had the pleasure of visiting that program this summer and seeing what a change in the welfare system can mean in terms of an organization. The Riverside program really provides a terrific example of what it means to bring about a change in agency culture. Everywhere you go in the Riverside office you see the same clear message—we are here to help you get a job. We expect you to get a job.

That same message is conveyed by everybody, from the line workers to the Commissioners. It is conveyed during orientations, during job clubs, at all opportunities. Staff understand what is expected of them. Clients understand what is expected of them. They are enthusiastic about doing the activities, getting the training, and getting the services that they need to make that transition from welfare to work.

The emphasis on employment is reinforced through very specific goals, an aggressive job development and placement process, performance-based contracts, and ongoing case management. Individuals needing training and education are helped to get them, but always in the context of a move towards employment.

The results of Riverside County are quite promising. Although we need a longer term evaluation that MDRC is doing, it seems

clear to us that changing the organizational culture makes a big difference. It makes a big difference that the whole organization is oriented towards work, oriented towards making that transition.

Riverside, I think, provides us an example of the kind of program that serves as the key to developing effective JOBS programs around the country and that will be a real building block toward welfare reform.

We have similar experiences to report with regard to child support. As I said, some of the most compelling testimony in our hearings was from women frustrated with the child support system.

Over the last 5 years, the Family Support Act has led to substantial improvements and innovation in child support. In fiscal year 1993 the IV-D system collected an estimated \$8.8 billion in child support. That is about double the amount that was being collected before the passage of the Family Support Act. In fiscal year 1993 the IV-D system established over half a million paternities, about 80 percent more than in fiscal year 1988.

But again, it is not enough. The changes have been very important, but we still have a long way to go to ensure that families receive the child support that they need to support themselves and to stay off the welfare system.

We have to address some shortcomings in the child support system that are really very important. We have to make sure that paternities are established and that orders are put in place. We have to ensure that orders are of an appropriate amount and are updated periodically. And we have to assure that the child support that is due is, in fact, collected.

The President's 1993 economic package made a down payment on his pledge to ensure that both parents take responsibility for their children. That legislation capitalized on some of the pioneering state innovation in paternity establishment and in medical support. Our welfare reform efforts will fulfill that pledge.

These experiences with the JOBS program and with child support provide us with the foundation for moving forward on welfare reform. While we have not yet developed a final plan, and we certainly have not cleared such a plan with the President, we have agreed to some common principles.

We must carry out the mandate of the Family Support Act and make the welfare system more work-focused. We must change the organizational culture in welfare agencies so that they enforce rather than undermine the values of work and responsibility. We must provide more and better support to families in getting the education, training, employment, and child care that they need in order to become self-sufficient.

At the same time, we need to make sure that work pays and the child support is available. We need to simplify the program rules and administrative requirements in AFDC so that people, in fact, have time and energy to do these other more important things.

In summary, Mr. Chairman, the working group has been very encouraged by the wide degree of consensus we have found around the country over the need to reshape the system. We also have been very encouraged by the models of reform that we have seen.

Across the country and across the political spectrum, people agree that our goal is a system that supports work and responsibil-

ity. Our challenge is to implement successful programs, like Riverside throughout the system, which requires nothing short of reshaping the mission and culture of the welfare system.

We look forward to working with you and with the committee to meet the enormous and historic challenge of fulfilling the promise of the Family Support Act. Changing a system that is too focused on writing checks and not focused enough on helping people become independent and self-sufficient will be a daunting challenge. But doing so will truly result in an end to welfare as we know it.

Thank you.

[The prepared statement of Dr. Bane appears in the appendix.]

Senator BREAU. Thank you very much, Dr. Bane, for a very interesting and detailed statement.

Dr. Ellwood, we would be pleased to receive your testimony. To the extent that you can, David, if you could summarize we would appreciate it. Thanks.

STATEMENT OF DAVID T. ELLWOOD, ASSISTANT SECRETARY FOR PLANNING AND EVALUATION, DEPARTMENT OF HEALTH AND HUMAN SERVICES, WASHINGTON, DC

Dr. ELLWOOD. Thank you very much, Mr. Chairman and members of the subcommittee. I really am grateful for the invitation to appear here and commend you in your efforts to reform the welfare system and, frankly, I am really encouraged by the committee's longstanding support of children and finding new ways to help our working people.

I think Mary Jo emphasized quite effectively that there's near universal consensus now that the welfare system is broken. It does not reinforce the values of work and responsibility, family and opportunity. The real question is, how do we get to a new vision? How do we find a new set of ideas that really will reinforce those values? As Senator Packwood pointed out, it is easy to make statements, it is much harder to fundamentally make the changes that we are talking about.

Having said that though, I really do think the Family Support Act gives us a powerful foundation, a starting point, and from there I think we can leap to the next step—an even bolder vision of what the reality should look like. I would like to speak to that in a moment.

Before doing so though, in response to your request, I would also like to stress that welfare reform really cannot be viewed in isolation. You have to understand two major trends are going on. I think we have to deal with them if we are truly going to make it possible for people to achieve independence and economic security.

In my view, the two most important demographic and economic changes in the last few decades are first, the decline in real wages of low-wage workers; and, second, the dramatic increase in single-parent families. These are the two primary reasons we have had such large growth in poverty among children and in welfare use.

Let me say a word about each and then turn to proposals. I think in some ways the most dramatic change in the last 20 years has been the change in the wage structure. In the quarter century following World War II, real wages increased by 40 percent per dec-

ade and then the growth more or less stopped about 1973. Wages stagnated, and some groups even began to lose ground.

We have heard talk about a widening income distribution. But in some ways even more troubling is the fact that low-wage workers, people at the bottom, have begun to lose ground, and often rapidly.

Between 1964 and 1974 the proportion of people working at what I would call relatively low paying jobs—those not paying enough to support a family of four above poverty—the number of full year full-time workers in that status, working full time, and not able to support a family of four declined from 24 percent down to 12 percent between 1964 and 1974. Since 1979, however, we have seen an increase. We are back up to 18 percent. We had gotten it down to 12 percent; we are back up to 18 percent.

So long as people work hard, play by the rules, do the right thing, and yet are not in a position to support their families, it is going to be very difficult to move people from welfare to work and to reinforce the basic value of work. This is part of the reason making work pay is such a critical part of our agenda.

The second element is the dramatic change in family structure, which many people are talking about and is getting the attention I think it rightly deserves. Certainly everyone knows that Ozzie and Harriet are not typical, but we are really very, very far away from those days.

In 1960, 9 percent of all children were in one-parent families; now it is 25 percent. In 1991, nearly 30 percent of all children were born out of wedlock, a dramatic increase from previous years. We are now to the point where about half of the children born in the U.S. will spend time in a single-parent home.

Now contrary to what a lot of people believe, this is not just a problem of teen pregnancy either. Two-thirds of the out-of-wedlock childbearing is among non-teenagers. Nonetheless, the teenagers are a group that deserve particular attention.

When you have these two things going on, wages for people at the bottom part of the distribution are going down, when the number of single parent families is going up, you get more poverty. And, boy, we do. We now have more than one child in five that is poor and almost 40 percent of the poor are children.

Why is it? Well, if you are in a single parent family, the poverty rate is 46 percent. If you are in a two parent family, the poverty rate is 8 percent. That is part of the story. Obviously, if you are working full-time and you cannot support your family, you are going to be poor.

And so we have had, especially in recent years, really some dramatic increases in poverty and welfare use, which were cited earlier. We had relatively stable AFDC caseloads between 1971 and 1989. But in recent years we have seen very dramatic growth.

So where do we go? I think the President has been very clear about his vision for welfare reform. I want to say just a couple of words about it. It really is going back to some fairly traditional values. You know, for all the talk about welfare reform, we really have not—except in 1988—had a system of reform that really was focused on things like work and responsibility.

The President charged us with four basic principles—make work pay so that working people are not poor; dramatically improve child support enforcement so that both parents are held accountable and have responsibilities; provide education and training to people so that they can get off welfare; but finally, say that welfare cannot last forever without work. At some point, people must go to work. Put in a time limited system—make welfare time limited and follow it by work.

Mary Jo has already mentioned that we have been around the country. We have held dozens and dozens of focus groups, met with welfare recipients, and welfare workers. Everywhere we hear the same message—refocus; you are in the wrong business; change what happens.

If we are really going to end welfare as we know it, we are going to build on these notions of work and responsibility. Our working group has now developed a preliminary set of ideas that have four basic elements, pretty much paralleling what the President said, but somewhat broader.

The first is, we really do have to reward people who go to work by making work pay, by ensuring that they do not lose health insurance by leaving welfare for work, and with tax credits so that they can support their families.

The second thing we have got to do is promote parental responsibility. We have to strengthen child support enforcement so that noncustodial parents provide support for their children. We also have to find ways to make sure the parents are responsible in the sense of responsible parenting. That means reducing teen pregnancy. That means sending every signal we can about the importance of family and about waiting until you are in a position to realistically support your children before one has children.

We want to promote work and self-sufficiency through a combination of education and time limits. And finally, we want to reinvent government assistance. As Mary Jo mentioned, we seem to be in the business of rules and regulations and forms. Our welfare offices are in the business of writing checks. That is the wrong business. We ought to be in the business of helping people help themselves.

I am happy to elaborate further on the kinds of things we can do on each of these elements. There is one point though I would like to emphasize. Some people talk about this job as though it is impossible. Can we realistically move people into work? Well, recent evidence that LaDonna Pavetti, a recent Ph.D. and now working at the Department of Health and Human Services, suggests there really is cause for hope.

For we find that the very large majority of people who come on welfare leave it relatively quickly—70 percent leave within the first 2 years; 90 percent within the first five. The problem is, once they leave, they do not stay off. They often come back on. And as a result, 70 percent of those who leave come back.

That is part of the reason a major part of our effort is outside the welfare system—making work pay, making sure people have health insurance, child care and the like—so that once people leave welfare they can make it, get to the next job and move on.

Given these kinds of findings, we really do believe we can move people from welfare into work. We can help people help themselves. And ultimately, our goal is to have a transformed welfare system that fulfills the vision of this committee and the Family Support Act.

We believe that it is possible. We think we should take our time in terms of phasing in. But ultimately what we are talking about is a profound change in the way the welfare system is organized and the way we provide support for our families and children.

Thank you very much.

[The prepared statement of Dr. Ellwood appears in the appendix.]

Senator BREAUX. Well, thank you, Dr. Ellwood and Dr. Bane, for your presentations. Let me start by asking, Dr. Bane, you made some key points in terms of talking about a total rewrite of the system. What you are advocating is an approach that does not tinker around the edges, but is basically something that looks towards re-writing the entire system as we know it. Is that correct?

Dr. BANE. That is correct, Senator.

Senator BREAUX. I was going to ask you, because I think we really learn by history, and the Family Support Act authored by this committee and with the work of the President as Governor, really made some changes in how welfare recipients were looked at and how they now had a responsibility to enter into training under the JOBS program for the first time.

What have we learned from that? If you could tell me—I do not want to do David Letterman's top 10 list. But can you name three or four things that did not work with the program that need to be improved?

Dr. BANE. I think we have actually learned a fair amount, Mr. Chairman, about how the Family Support Act operates. As I said in my testimony, it varies a lot from place to place. The Family Support Act turned out to be implemented during a period which was very tough for the States.

The States were in fiscal crises. Many of them were seeing recessions. It was difficult for them in many cases to invest the resources that they needed to draw down the resources that were made available by the Federal Government. And, as a result, it was also difficult to bring about the changes in organizational culture that we needed.

I think one of the main things we learned from the Family Support Act is that bringing about this change in the welfare system is very, very difficult. It requires resources. But more important than resources, it requires a real change in orientation and attitude.

In the places where we saw that change in orientation and attitude, we actually saw real changes in the welfare system. We have learned that it needs to be a full-fledged effort. We need to build on the Family Support Act. We need to make sure that the States can, in fact, get the resources that they need to be able to implement the programs, and we need to just push, push, push on that change in culture.

Senator BREAUX. You talk about the change in culture. It seems that one of the problems is that welfare offices around the coun-

try—I think you have mentioned it—are focused on issuing checks instead of becoming a job placement office. Instead of a welfare office I guess we are really advocating that it is a job office that would hope to get people into the workplace.

How important is a time limit on the concept of a check? How important is that to reach that goal?

Dr. BANE. Having a time limit on the period during which one can receive cash assistance without working, is actually, I believe, very important in setting new expectations and a new way of thinking about welfare.

A time limit on the period during which you can receive cash assistance without working will send a very clear message—this is a transitional system; you need to get yourself ready for that. We, the welfare office, need to help you get ready for that because time is marching on, and there will be a time when you are going to have to work.

I think that notion of a very clear expectation is going to be extremely important in bringing about a real change in culture.

Senator BREAUX. David?

Dr. ELLWOOD. I would just like to add that I think sometimes when you hear 2 years—the 2-year time limit—people get the impression that we are talking about not doing anything for 2 years. I think 2 years is way too long to wait to do something. I think from the moment someone walks into the welfare office, we ought to be signaling in every conceivable way, this is about finding a way to help you help yourself.

So I think in some sense after 2 years the expectation is work. But I think our expectations have to be much higher than that. Our vision has to be to help people.

Senator BREAUX. Let me follow up on that because I have visited a number, and I know my colleagues have, JOBS programs under the Family Support Act, centers around this country, and including my State particularly. It seems to me that some of the people that come into the program do not need 2 years.

Dr. BANE. That is correct.

Senator BREAUX. They could probably mainstreamed into the work force in 6 weeks just with some brushing up of some of their skills. Others obviously need a lot longer than that.

So when we talk about a certain time, it seems to me that the individual that we are dealing with, for some a shorter period is sufficient, for some a longer period may be required. What are your thoughts on how we handle that?

Dr. BANE. I think that is exactly right. And certainly the notion would be that everyone who comes into the welfare office would be helped and pushed to move into the work force as quickly as possible.

I talked a little bit about Riverside, and I know you will hear more about that today. But what is very clear in Riverside is that from the first day that you walk into the welfare office, the expectation is to start looking for a job, to start getting into the work force.

Another thing we have learned as we have talked to people about their experience with the Family Support Act often is that getting into the work force is the most important first step, even before

education and training. What people want is a job. What we want them to have is a job. In many cases, getting into the work force is the best preparation for moving on to other jobs.

So we think we need to put a real emphasis on moving into the work force as quickly as possible. We also recognize that, for most people, a 2-year time limit will be enough to make that transition into the work force. There will be some exceptions that we need to deal with as we construct the system.

Senator BREAUX. Some argue that the main emphasis of the program should be training and education; others emphasize the main purpose should be seeking a job. Where do you come down on that?

Dr. BANE. You will not be surprised to learn that I think both are very important, Mr. Chairman. I think that, as you mentioned, there is great diversity in the people who come into the welfare office. We need to be responsive to that.

Having said that, though, the clear message of the welfare system should be that moving into the work force is what is important. Education and training should be provided to move people quickly into the work force, not for their own sake.

But to ignore education and training, given the backgrounds of some of the people who come on welfare, would be silly. An emphasis on moving into the work force and an emphasis on education and training are crucial.

Senator BREAUX. Well, the main focus it seems you are saying should be moving into the job work force?

Dr. BANE. Yes, sir.

Senator BREAUX. Thank you.

Senator PACKWOOD, any questions?

Senator PACKWOOD. Mr. Chairman, I see that Charles Murray is not going to be with us today. But I am curious what our new panelists think. I am looking at his statement that he would have given, in which he just says "we ought to cut off AFDC to single parents, that the biggest single problem we face he says is a white under class that is growing and will soon reach epidemic proportions and devastate our neighborhoods." Is he right?

Dr. ELLWOOD. I certainly think that the concern with the dramatic increase in single parent families is absolutely well founded. I mentioned it in my own statement.

Senator PACKWOOD. Is his solution right? If we will just cut off AFDC, people will figure out one way or another how to survive.

Dr. ELLWOOD. Mr. Murray also talks about not collecting child support enforcement and not establishing paternity and a variety of other measures. I think the right place to start is by saying parents have responsibilities. If you parent a child, you will be held accountable. If you are a noncustodial parent, we are going to get paternity established. We are going to insist that you pay. We are going to insist that you participate and provide for your children.

I think that is a critical signal about responsibility. I think if you are a custodial parent we have to send the signal that you cannot—

Senator PACKWOOD. I hear what you are saying. But if I read what he is saying, he is saying it is the very fact of AFDC that causes the illegitimacy; and if you take that government subsidy away, it will start to reduce. Is he right?

Dr. ELLWOOD. Again, I think the notion of eliminating AFDC, food stamps, housing and the like is going to create an awful lot of hunger and an awful lot of other outcomes. I am not quite sure what the next generation would look like as a result of that.

There is not a lot of scientific evidence that suggests variation in benefit levels makes a big difference in terms of these outcomes.

What I want to say, and I want to be very clear—I think we have to find lots of strategies to find a way to reduce out-of-wedlock childbearing in every way we can. I don't think the notion of simply letting people go hungry is the most appropriate solution. But on the other hand, I think we have to find a way to work on it.

Senator PACKWOOD. I think he is assuming they are not going to go hungry. He is talking about massive adoption and orphanages, which he refers to as 24-hour pre-schools.

Dr. ELLWOOD. Again, I cannot comment on the specifics. But we have not held both parents accountable. I think let us start there. Let us start by insisting that parents have responsibilities. Let us start by helping people learn that you cannot, should not, parent children when you are not in a position to realistically support them, but get the signals right from all levels about out-of-wedlock childbearing and the like.

I think that is the strategy we have to pursue. I think we have a long way to go in terms of really sending the right message. I will acknowledge that I think our welfare system has been sending the wrong message for too long.

Senator PACKWOOD. Dr. Bane?

Dr. BANE. I would agree. Senator, you mentioned that there have been many waves of welfare reform over history. The major reform, the major breakthrough of the early part of the twentieth century was to recognize that children ought to be supported by their parents rather than by orphanages, by foster homes and so on. The mother's pension movement of that time was a real breakthrough, I believe, in this country's ability to deal with children.

So I think it would be a mistake to move to something as dramatic as Charles Murray has suggested without having at least tried the major reforms of the welfare system that we think can send a very different message.

I think the important message to be sent is one of parental responsibility. I think we can do that through firm enforcement of child support and through firm enforcement of requirements to move from welfare to work. I do not think it would be appropriate or humane to go further than that before we have tried.

Senator PACKWOOD. Thank you, Mr. Chairman.

Senator BREAU. Thank you, Senator.

Senator Durenberger, any questions?

Senator DURENBERGER. Yes, lots of them, but I will not try to ask them all. It seems to me the real problem is, and always have been, the problem of poverty and the kinds of things we need to do for families, that families just cannot do for themselves. If you go back far enough, we are talking about public hospitals and a variety of institutions. Bob mentioned orphanages, the churches, nonprofits, all community based. It is also about the Child Welfare League and other organizations. There are so many American traditions of tak-

ing care of each other, all of which at one time, were community based.

In the mid-1930's a lot of that was not sufficient to support us at a prolonged period of economic restructuring or whatever you want to call it. Some States tried to figure out better ways of doing it. Our neighbors, Wisconsin, I think, were among the first. The Federal Government responded to that with its role in unemployment compensation, in AFDC and so forth.

Now it seems to me what we have been doing as long as I have been here, is trying to figure out an appropriate Federal role in what is basically a localized family and community problem. Bob in discussing Charles Murray, puts his finger on a serious problem, which is, how do you deal in keener terms with the problems you already have and how would you do it if you were starting today with the capacity our communities now have?

I mean, there is a lot of richness and resources in our communities. If you were starting today, you might do it one way. But you also have the transition problem. I wonder if one or the other of you would just speak about the people that we are dealing with here.

I am assuming that among the welfare dependent—using welfare in its broadest terms, not just the AFDC connection—there are a lot of people who are so dependent that all of these signals about responsibility and so forth are just not going to work, at least not in the short term. It is like lecturing a drunk or something like that, you know. Until they or anybody else with an addictive problem, make the decision that they are going to deal with it, nothing will work.

So, is it a fact that in constructing an appropriate government role—national, state, local, whatever—that there are different conditions of the human person, spirit, motivation, acceptability and so forth that you have to deal with. Even with the things we are talking about here in terms of work incentives and responsibilities and so forth, a lot of people just are not going to work.

So should we have different approaches at the local level to different kinds of problems? If so, how do we do the analytical or the diagnostic part? And then how do we handle the accountability issue since the money is filtering down from places that are not local? How do you deal with the accountability for that?

Dr. ELLWOOD. I think the first thing to understand is that the system really prevents a lot of people that are ready to go to work and want to go to work from doing it. And the first place to start is, by gosh, we ought to make sure that everybody that wants to go to work can. We heard story after story after story about people desperately trying to do the right thing and feeling like at every turn the system is telling them to do just the opposite. So let us start there and do that.

I think the second thing is that, you know, you absolutely have to send this signal about work. Then I think the role of the Federal Government is to evaluate that, to take a look at it. Start measuring outcomes instead of whether you got every piece of paper there and say, how are you doing about placing people? Who are the folks you are helping? Who are the people you are having the trouble with? Who are you not?

And then finally, I do think we are going to have to have some measures for people that for whatever reason after a couple years are not ready to go to work and we are going to have to provide some work. But I think ultimately it is a change of expectations.

I really do believe when you look at the fact that 90 percent of people within our welfare system leave within the first 5 years, you have to come up with the sense that the vast overwhelming majority of people really are in a position where they do try, they do move forward for awhile at least and then fall back.

So I think, yes, we are going to have to deal with those kinds of problems. Clearly there are going to be people who are disabled or have disabled children. But I am much more optimistic than some would be about our capacity to change.

Dr. BANE. Senator, it seems to me that your emphasis on the richness and strength of community institutions is absolutely right. Many of the most successful programs that we have seen have been programs where the whole community is involved in providing services and jobs.

Some of my favorite stories from Riverside are stories about the involvement of the business community, of the local community, helping to find jobs for welfare recipients, agreeing to hire welfare recipients, and participating with the social services agency in developing those jobs.

Any system that ignores community institutions will miss an important opportunity, and we must not do that. The Federal role obviously is one of financing and ensuring some degree of uniformity in what is available around the States.

Your emphasis on accountability also is extremely important, and we need to have appropriate ways of reviewing, of monitoring, and seeing that benefits are being delivered, and that local communities are, in fact, bringing to bear the resources that they have to help welfare recipients.

Senator DURENBERGER. While Governor Dean warms himself up over there, let me ask you maybe one or two other related questions.

One is, have you analyzed what the administration has on the growing numbers of the uninsured? I think the last figure we heard from Ira Magaziner was that we are going to add 2 million uninsured individuals to the rolls every year. Have you analyzed how many of those uninsured people are in either the welfare system or would be dependent on something other than a job in order to access to the health care system?

There is a big debate that goes on now and will go on in the future about who those 38 million people really are, how many can be helped by the job connection and how many need to be helped in other ways. Should we be dealing with Medicaid reform? Should we scrap Medicaid and go to a low-interest voucher?

Have you analyzed that particular part of the problem and do you have some recommendations for us that relate to welfare reform?

Dr. ELLWOOD. The first thing, of course, as you know, Senator, anybody that is still on welfare will still get Medicaid. So none of the 37 million are the people that are on welfare because they are the ones that get Medicaid.

And, indeed, one of the critical elements for welfare reform has got to be health reform precisely because people when they leave welfare often lose their health insurance and, therefore, have less incentive to move off welfare.

Senator DURENBERGER. But, shouldn't we really be saying that Medicaid is not a very appropriate way to access people to health care in a lot of communities?

Dr. ELLWOOD. I think the Medicaid system varies just enormously in terms of the quality of services it offers, in terms of the kinds of benefits and the like. So I think it is really time to move away from a welfare based medical system in the same way as it is time to move away from welfare based other systems.

A large part of what the President has talked about in terms of welfare reform, as well as in terms of his whole vision is really about helping working people make it, move forward, do the right thing, and get rewarded for it. It is criminal, it seems to me, to have a system where you get health insurance when you are not working and on welfare, but do not get health insurance when you are working and off welfare.

We have fundamentally got to change that focus, it seems to me, in health reform.

Senator DURENBERGER. I appreciate that response. The last question is also kind of a bridge question between these two issues. Many of us have been dealing for a number of years with the problems of generational inequities, particularly those that are sponsored right here in Washington, DC.

I was at a little conference with one of our colleagues, Bob Kerry, the other day and I do not know if he gave me these figures correctly. But he said in the fiscal year 94 budget we increased above base line entitlements by \$43 billion and we increased appropriated accounts by only \$4 billion, which leads me to appreciate the difficulty we have in reforming this part of the system.

If I look at one of the things we need to do in the area we are talking about, welfare reform, it is prevention. We need to deal with the deterioration of communities, housing, the environment, educational systems, a whole lot of these sort of things.

If I look at the prevention investment versus money that is in health care reform, I do not see where this administration is at. I see in health care reform \$65 billion in prescription drug benefits for a population that is over 65 and is hardly in the poverty class.

I see \$80 billion for something called early retirees where also folks with jobs, at very large companies, get fully paid health benefits. That makes \$145 billion in new entitlement money for people those who already have benefits.

And I look at welfare reform funding and I see \$7 billion for comprehensive jobs. I do not know what, if anything, is in there for child care. I just ask you, what sense does this make?

Dr. BANE. You certainly identified a dilemma, Senator.

Senator BREAUX. You may have asked the wrong people.

Dr. BANE. You will not get any argument from us, about the importance of investing in programs for families and children—the importance of investing in Head Start, the importance of investing in public health programs like immunizations, like well-baby care, like maternal and child care.

I cannot speak to the financing of health care. But you have obviously identified one of the big dilemmas overall for this administration and for all of us, which is how to keep our commitments while we start investing more in our young people and in our families. Only if we invest are we going to make any progress on these problems at all.

Senator DURENBERGER. And I know you both well enough to know the sincerity of that response and the professional integrity of that response as well. But I think it is important for everybody else to understand that this is the quandary that faces this committee.

You know, whether it is some of the statements that the Chairman has made, that people have quarreled with or the fact that we are starting here with a welfare reform hearing at the beginning of the year or whatever, this committee has lived now for darn near 10 years with a widening disparity between what we insist on doing and what we are willing to pay for.

We are up to five point something trillion dollars in the out years and we continue to finance this generational disparity. There is not a member of this committee that would not like to reverse that—but we have to have some help.

I think the way in which this administration looks at its responsibility in doing health care reform, welfare reform and, getting at some of these issues, is an opportunity. Right now if those figures are all true, and I have no reason to believe that they are not, I think they are blowing it.

Dr. ELLWOOD. Can I just make one quick point also? Part of the goal of health reform, obviously, is to reduce costs and to use some of those savings to provide more benefits to all Americans. It seems to me the notion that all Americans deserve, have a right to, security—health security—is absolutely fundamental.

Having said that, I also think it is essential that we do the things necessary to make sure that working families can make it with child care, that they get the training they need, that we provide the jobs that people need and so forth.

My goal and my hope, and certainly this administration's goal, is to try and do both. I realize it is a challenge.

Senator DURENBERGER. I do not mean to belabor this, Mr. Chairman, but we do not need to buy the elderly into a system that already works for them albeit very inefficiently. We do not need to buy big companies into this system with money that belongs to kids.

Mr. Chairman, I am sorry.

Senator BREAUX. Well, I think Senator Durenberger indirectly perhaps, but very clearly made the point that we cannot do health care and welfare reform in isolation of each other, that they are interrelated. The dollars that are out there are interrelated. They are going to be shared. You cannot do one and then do the other one at some other time after we finished the first.

I think it is very clear that these problems are interrelated. Let me ask just a couple of quick follow-up questions. State experiments. We are approving a number of States—we are going to hear the Governor of Vermont talk about their State—how important is what the States are doing to you making your recommendations?

Do we have to wait until they all are completed? Are they part of what you are looking at? Give me some thoughts about that.

Dr. BANE. Well, we certainly do not have to wait until they are all completed. The welfare reform experiments that the States have been doing over the last decade have been extremely important to us in understanding what works and what does not and in providing the basis for where we are. There have been welfare reform demonstrations going on for many years now, and we are starting to get the evaluations in from some of those very exciting ones.

The President also is very committed to State flexibility and to opportunities for States to apply different approaches to the welfare system.

I am delighted that Governor Dean will be able to share with you today the very exciting program that Vermont is putting in place, and there are others as well. As Senator Packwood mentioned, we have a waiver request in front of us from Oregon which has some very innovative and interesting features. We are looking at it very closely.

The welfare reform experiments that are going on represent a wide range of approaches. Many of them represent a range of approaches to time limits. I think that as they develop we will learn a lot about implementation and we will learn a lot about effects simultaneously with being able to move forward on some things on a nationwide basis.

Senator BREAUX. Thank you for that response. My final question is with regard to timing. What can you tell the committee, from a timing standpoint, where you are with your review and what is the prognosis for submitting something up the chain to come to the Congress?

Dr. ELLWOOD. I can just tell you, we are working absolutely as hard as we can. We intend to submit something this year. We hope to work with this committee and the members of Congress to get it passed this year. Our goal is to move forward.

Senator BREAUX. All right. I thank you on behalf of the committee for your presentations. We certainly look forward to continuing to work with both of you, Dr. Ellwood and Dr. Bane. Thank you.

Dr. ELLWOOD. Thank you.

Dr. BANE. Thank you, Mr. Chairman.

Senator BREAUX. We want to welcome up our next witness, who will be introduced by our good friend and colleague Pat Leahy. Governor Dean was going to be our lead-off witness, but this kind of weather in Vermont I imagine is a piece of cake, but once you started going south you got stuck in that southern city of Albany, New York and were delayed. We are very pleased that you are here.

To present you to the committee in a more formal fashion, we ask our good friend, Pat Leahy, to make any comments he might deem appropriate. Pat?

STATEMENT OF HON. PATRICK J. LEAHY, A U.S. SENATOR FROM THE STATE OF VERMONT

Senator LEAHY. Thank you, Mr. Chairman. I must say that in Vermont whether the weather slowed us up or not we would never admit it. It's a requirement. My mother said once she called com-

plaining that they had had 10 inches of snow overnight and the schools were opening a half hour late and she was wondering why they were wasting the taxpayers' money that way and could I do anything about it. I told her to call the Governor.

Mr. Chairman, I want to applaud you for having these hearings. I think that it is essential, as has been said in this panel that you cannot be considering health care reform without considering welfare reform.

As you know, I have long ago established bragging rights about Vermont and how we have tackled so many problems that we are debating here. In this regard, I think we are extremely fortunate in the Senate to have Governor Dean here. He has been without a doubt the most energetic Governor our State has had in these issues of health care reform and welfare reform.

He is going to outline his plan which passed just a couple weeks ago in Vermont. I think, as I have said over and over again, that some of the best ideas in health care reform, welfare reform, and so on come from the States.

Governor Dean and I worked on the President's Task Force on health care reform. We stressed to a lot of people that the States had to be flexible. They could not have a simple mandate from Washington and every State be the same. Vermont is different from Louisiana, Louisiana is different from Minnesota and so on.

Fortunately, the President is a former Governor. He realized the difficulties Governors have and he agreed with us. While there is certain Federal overall standards, the States are given in his plan means that implement it. So I think that the same has to be in welfare.

Mr. Chairman, I applaud you for having this because you allow us to come forward and say in the individual States if there are innovative approaches, are they working. I think in Vermont we have faced this question. We need to make welfare work for people, but not so that it is a way of life for them. You have to have the confidence and the training to have better lives for our families.

I worked with Governor Dean to get the kind of Federal waivers necessary to do that. But ultimately in our plan, and I will close with this, it reflects the fact that our Governor was willing to take on an issue that most people say is insolvable and reflect the fact that we have certain specific needs in a small rural State and that we can do them better.

The Governor was one who set forth the leadership, the legislature to do it. I think there is a lot in our experience that could be helpful to you.

With that I would yield to my good friend and my Governor, Howard Dean.

Senator BREAU. Thank you, Senator Leahy.

Governor Dean, welcome to the committee. We are happy you are able to be here.

STATEMENT OF HON. HOWARD DEAN, GOVERNOR OF THE STATE OF VERMONT, ACCOMPANIED BY JANE KITCHEL, VERMONT SOCIAL WELFARE COMMISSIONER

Governor DEAN. Thank you very much. I should apologize. It is my pleasure. I should apologize and we can blame Governor Cuomo of New York for the weather. [Laughter.]

I have prefiled my written testimony. What I would like to do, with the permission of the committee, is just try to touch some highlights and then open this up to the kind of excellent dialogue you have just been having.

Thanks, Pat, very much.

I want to thank Pat for his very kind words. I am sure I will do the same for him when he comes back up north next week. We do have a very good relationship. I also want to thank HHS for their waivers which enabled us to do this.

Let me just start out by saying that a number of you are going to think that, well, Vermont is different. Vermont does not have a large proportion of minorities. Therefore, our welfare system is different. Our problems are different. That is not true.

We did a survey in Vermont and we found that one-quarter of all the single parent families on AFDC in 1983 had received benefits continuously for at least 8 years. That is right: during the biggest boom in New England's history since the Great Depression—the best economy in New England since the Great Depression, 25 percent of our caseload had been on AFDC for at least 8 years; 55 percent would have been enrolled for 5 years or more if noncontinuous periods of benefit receipts were counted.

We learned that the longer a family received benefits the harder it is to leave the program. A single parent family that has received AFDC benefits for 5 years has a 15 percent chance of getting off the program in the next 12 months.

Senator PACKWOOD. What is that figure again?

Governor DEAN. A single parent family that has received AFDC benefits for 5 years has a 15 percent chance of leaving the program in the next 12 months.

Senator PACKWOOD. And by 5 years, do you mean continuous or you used a figure intermittent a moment ago.

Governor DEAN. This is continuous.

Senator PACKWOOD. Continuous?

Governor DEAN. Right. Let me also interrupt to say that with me is Jane Kitchel, who is our Commissioner of the Department of Social Welfare. When I stumble and get the facts confused, she is to tactfully elbow me and correct me.

The point of these statistics is that Vermont is not different than New York. The colors of peoples' skins may be a little bit different, but poverty is poverty wherever it is and we have the same kinds of problems that everybody else does. Our State is more rural than most States. But I think all of you have very rural areas in your States and you know how poor rural poverty can be. Some argue that it is in some cases more depriving than urban poverty because of lack of services.

This is a good timing for me to be here because 6 days ago I signed our welfare reform law, which takes effect on July 1. I think we are going to be the first State in the Union to use time-limited

benefits as a complete State. Starting July 1 the clock starts ticking on a 30-month period.

The rule is basically that after 30 months of receiving AFDC single parents with children under thirteen will be required to work half time; single parents with older children will be required to work full time. If there is no job in the private sector, after training and so forth and so on, we are going to make jobs in the community sector.

There are a lot of things that need to be done in nursing homes, in nonprofits, in schools, in libraries, in our forests and parks. We have no doubt—in fact, we have been planning this for about 3 years—and we have no doubt that we can create the proper number of community service jobs if, in fact, the economy does not continue to turn around and we cannot find those jobs in the private sector.

We do have a lot of requirements in this bill. Some of the people have called this welfare reform with a human face. Well, perhaps it is and perhaps it is not.

We recognize that it is not going to be possible to move people off welfare that have been on for some cases a generation or more and suddenly throw them into the work force and cut off their benefits. So there will be training money, and child care money, and transportation money and so forth—transportation, of course, being essential in a rural State. And if we do not come up with that money, they do not have to take the job, they do not have to go to work.

Now what I have said is our benefits are time limited, but they are time limited in a different way than some of the other experiments going on around the State. We do not actually cut off benefits. The reason for that is—and I expect we will get into an interesting dialogue here because I have read some of the comments of Charles Murray and tried to think about how that might affect what we are doing here.

I have spent a lot of time as Governor investing in children. I believe, and I just discussed this with the previous witnesses, is that we need to make these investments up front. That there are a tremendous number of things, such as special education, the needs of the emotionally disturbed kids, ultimately the correction system, that we are paying out big bucks for as Governors. It is very expensive to deal with corrections. Why do we not invest some of that money between zero to six?

We have a very, very active and increasingly expensive network for kids zero to six. So before they ever get to school, they can start to overcome some of these problems.

So I did not want to set up a system where children were going to be the victims of their parents recalcitrance to work or inability to work. So we do not cut off benefits after 30 months. What we say is, we are going to take over your financial management. We will do vendor payments for everything you can think of—for rent, for fuel, for whatever other services.

So that the amount of disposable cash each family will have will be as close to zero as possible. That way we feel that we are still going to protect the children in families that do not comply.

Now we think that families on welfare are not different than other families or other people in the United States and they will comply by and large with the law. But there will be some that do not and there have to be some sanctions. The sanctions do not mean loss of benefits in our case. We made that choice because of the conceivable effects on the children in that household.

I think that is probably enough to start the conversation going. As I say, I have about 11 pages of prefiled testimony which will outline this in greater depth. But I would be very pleased to take questions. I will ask Commissioner Kitchel to help me answer them if they get a little more complicated than I know.

Senator BREAUX. Thank you very much, Governor Dean. And we particularly thank you for making the special effort to be with us today. I know it was not that easy. We thank you for being here and for the work that you have done in your State in trying to bring about some innovation. I think that is very important.

Ms. Kitchel, we are delighted to have you here as well.

[The prepared statement of Governor Dean appears in the appendix.]

Senator BREAUX. Let's me talk about the time limit that you have in your program, Governor. You say it is a 30-month period, after which certain things happen if a person is on welfare assistance, AFDC assistance. We had a discussion earlier that indicated clearly that some people when they enter into an AFDC assistance program with a minimum amount of training, maybe even 6 weeks for some to refresh their skills and math and English and comprehension, are ready to move into the work force. Whereas, others take longer, maybe 2 years, 24 months, or as in your State 30 months.

How has Vermont looked at the difference among the individuals who are in the program? I mean, is it all right to have the person that could be ready to go in 6 weeks still get 30 months? Give us some discussion on that if you might.

Governor DEAN. Well, what we found was this, that about 25 percent of our folks had been on benefits for 8 years or more. But many of the others wanted to work. The advocates will say, well, we should not do this, this is punitive. The people want to work. Well, some people do and some people do not.

The ones that do use welfare in my view appropriately. That is, they get on the system when they have lost their job and they have no other means of support. Usually those are the bottom end of the ladder during a recession and then they get off as soon as they can.

When this Congress passed the Family Support Act some years ago, we took immediate advantage of that and we have a very vigorous child support collection area which is partly responsible for what this problem is about and also began a program called "Reach Up," which are basically a lot of training, support, and child care support and so forth to get folks ready to work.

That is a very popular program. I think some huge number, how many, 50 percent of the caseload or something has tried that one time or another. Some of the money we are putting into welfare reform is going into that program. That program gets welfare moms sometimes through college, sometimes just some simple training and gets them into the work force much more quickly.

This really is a total restructuring of welfare. The emphasis at home in the press, because this is the controversial part, has been on the so-called work fare aspect of it. But really we are trying to redo the whole system.

When somebody comes in and applies for welfare in our State what is going to happen as of July 1 is they will sit down immediately that week and design a plan for getting them off it. But we did not feel that we needed punitive sanctions to get most of the people off, because most of the people want to get off.

There are a significant minority that do not or cannot get off and those are the people we think we need the sanctions for.

Senator BREAUX. Does the State program have the ability or a system in place that says, all right, this individual, we think you are eligible for a year, this individual for 2 years, this individual for 30 months? Do you have that?

Governor DEAN. We do not have that. That is not part of our program.

Senator BREAUX. You do have an earned income tax credit type of program on the State level. Could you tell us a little bit about that?

Governor DEAN. It works very much like the Federal program. It is additive. In fact, we are one of the two or three States that are piggy-backed onto the Federal tax system. So your taxes are straight percentage and the earned income tax credit is also a straight percentage of whatever you are eligible for at the Federal level.

One of the things that is interesting when you are piggy-backed is whatever you do here has a big effect on what happens up in our State. So with the Federal opening up of the earned income tax credit that will magnify ours even more.

We support the President basically. We believe that we want to change welfare as we know it. Part of that is making it profitable for people to work.

Let me just, if I can find my piece of paper here, share some of the things that we want to do to make it more profitable for people to work and less profitable for them to stay on welfare as opposed to going to work.

I just talked about one of them. We allow under our reform package AFDC parents who obtain unsubsidized jobs to keep more of their earnings. That is, when you go to work you do not take a dollar for a dollar from the grant. We look at work as something we want to encourage. So we allow them to keep a higher percentage of their earnings. So their income actually goes up as they go to work.

We get rid of the 100-hour rule, which means that folks can actually go to work and still get some support. That does not automatically eliminate them. We extend Medicaid coverage to 36 months after the grant is terminated so that the health insurance piece does not get to be a problem. We have a subsidized child care piece in our program that we have had for 4 or 5 years now, where working people can get subsidies for child care, not just people on welfare.

So you can get rid of all these extra benefits that folks on welfare get and you allow low-income working people to get some of these

benefits. That makes their transition easier. It excludes the value of some assets accumulated from income by a parent receiving AFDC. So if people make money and save it, we do not count that against their grant.

Again, another way of encouraging people to have the same and work on the same values that everybody else in America has, that if you make some money you try to save a little of it, we want to encourage that. And finally, we are excluding the value of a car when computing somebody's assets for AFDC. We think that is essential because if we can count the value of a car, then how are they going to get to work. It is going to be an incentive for them to make themselves more hopeless and helpless so that they can stay on the program.

Senator BREAUX. Well, I think you are certainly to be congratulated for being a leader in this effort in a State to try and do something about the problem and not waiting for the Federal Government to act.

Let me ask you a bottom line question, I guess, from a cost standpoint. All of these things that you are talking about—the training programs and other things, the community jobs that would be offered if a private sector job were not available, the continuation of Medicaid for 36 months, I think you said, after they are off of AFDC—all of these efforts are going to cost you as Governor of Vermont something.

Now from your looking into the crystal ball, are the costs going to be greater under your program or less under your program than they were before? You can elaborate, because I think it is going to cost us something to fix the problem.

Governor DEAN. It is going to cost us more money to fix it. We are not going to save money through welfare reform and I doubt the Federal Government will either.

Senator BREAUX. In the short term.

Governor DEAN. Well, in the short term. That is right, in the short term. In other words, the AFDC payments are not going to go down dramatically enough to save us what it is going to cost us for the training and the child care and transportation.

Let me just underline this because it is one of the most important points I think I can make. I did not get into this—and I became Governor following the death of a Republican Governor who started this—I did not get into this because I felt we could save money. I got into this because I think the culture of welfare fosters dependency and helps destroy this country.

We are teaching people that it is better not to work and that somebody owes them a living. Nobody owes anybody a living. What we owe people is a standard of decency and what we should expect in return is what they can contribute. Our welfare system essentially expects nothing in return. That hurts the taxpayers and people resent it. But the people it hurts more than anybody else are the receivers of the benefits.

We are giving t' m a message that we will give you a check every 2 weeks and you need not return anything to society. And, therefore, you have nothing to return to society. I am very struck by the amount of child abuse and the numbers of broken families,

the number of kids we have had to take into custody. That is happening all over the country.

I think it happens because we encourage a culture of poverty by this system which makes people dependent. So it is worth it to me as Governor to dig a little deeper and have to cut other programs in order to finance this, because in the long run our people will be able to stand on their own two feet.

And most importantly of all, their kids will have positive role models which indicate they have something to contribute and they are expected to contribute whatever it is they can. I do not mind income subsidies. I like the earned income tax credit very much, because it rewards people for work. The bottom line in welfare reform for me, we have to reward people for work and tell people we expect them to contribute to work.

And if it costs another few million dollars in our budget, it is worth it, because I think it is going to change the culture in Vermont and probably elsewhere as well.

Senator BREAUX. We are really talking about saving money in the next generation.

Governor DEAN. That is right.

Senator BREAUX. Those children will be contributing working members of society.

Senator Packwood?

Senator PACKWOOD. Governor, I like what I hear. I hope you are right. Let me ask you a couple of questions. You are going to start July 30th of this year.

Governor DEAN. July 1st.

Senator PACKWOOD. And 30 months, you go into January 1, 1997. Are you on an annual or a bi-annual budget?

Governor DEAN. Annual.

Senator PACKWOOD. Annual. So you are going to need this year to fund the first year of this program.

Governor DEAN. Well, we actually funded it last year because we expected this to pass at the end of last legislative session. It did not; it just passed 6 days ago or I signed it in law 6 days ago.

So we actually put the money in the budget for some of the child care and the training and the transportation that they are going to need. That is in the budget now and it will continue to be in the budget base as we go forward to fiscal year-95.

Senator PACKWOOD. How many people are you projecting in this program?

Ms. KITCHEL. Vermont's JOBS program would be expanded by about a third. We started out last year with about 3,350 individuals we could serve at any given time.

Senator PACKWOOD. And these are private sector jobs?

Ms. KITCHEL. No, this is the number of people we can serve in employment and training.

Senator PACKWOOD. All right.

Ms. KITCHEL. And our JOBS program where we are really dealing with individualized plans. The time frames, the 30 months, it is really prescribed for everyone. But what happens in between is going to be tailored to the individual needs of the family.

Senator PACKWOOD. What is the whole universe you think you will be dealing with?

Ms. KITCHEL. Our estimate was that the number of people out of our caseload—and in Vermont we are talking smaller scale—but out of 9,600 families the people who had hit the 30-month time frame that we would have to create community service employment would be about 975.

Senator PACKWOOD. All right. Now, a question. During the depression both the Civilian Conservation Corps and the WPA were never really intended to be permanent jobs. They were good public sector jobs, but we assumed the economy was going to come back. And by in large the people we were then employing were people that had worked. They had not been on welfare. They just were out of a job.

Unfortunately, the depression went longer than we thought and it was almost World War II before everybody went back to work. Now we come to the 1970's and the early 1980's and we try the CETA program. It did not work very well because we gave people basically dead-end public sector jobs and when the money ran out they were out; and they had not been trained.

I am going to hope that your public sector estimate is right. But when they are doing public sector jobs, is that going to train them for something that is transferable to the private sector, because CETA did not?

Governor DEAN. Sometimes, Senator, the answer is, we would obviously hope that each job had advancement opportunities. But the real world is not like that. And some jobs will and some jobs will not.

I guess it is my view that one of the things we are trying to do here is erase a double set of standards that we have on one hand for middle class Americans and working Americans and on the other hand for people who are on public assistance.

So I think we have to expect that some folks are going to be in dead-end jobs, just as they are in families that have never been on AFDC; and some folks that are not, we cannot promise an interesting job for everybody. But I do not think that removes the requirement of individuals to step up to the plate and try to provide for their families in whatever way they are best able to do that.

I think probably one of the problems in the 1970's and the 1980's in some of these programs like CETA is we over promised. I do not think this is Nirvana. I am very interested in hearing other people's testimony because I have some questions about whether this is going to work. We do not know if it is going to work. We think it is.

One of the interesting parts of this is not everybody on welfare in Vermont is going to be on this program. We have a control group of people who are going to be doing the same thing they have been doing for the last—

Senator PACKWOOD. Is that for purposes of comparison?

Governor DEAN. That is for the purpose of learning about whether work requirements and so forth actually get people out of poverty.

Senator PACKWOOD. What is going to be your method of selection?

Governor DEAN. It is random.

Senator PACKWOOD. Oh, is that right?

Governor DEAN. Yes.

Senator PACKWOOD. That is interesting. Sort of a lottery.

Ms. KITCHEL. If I could also add to this, Vermont is also somewhat different because we are going to have two demonstration groups in addition to our valuation control group. We are going to actually be testing the impact of the enhanced policies which the Governor has outlined and no time limit, and then all the enhanced policies and with a time limit.

So Vermont is really doing a variety of activities for evaluation and policy development purposes.

Senator PACKWOOD. Commissioner, let me ask you this question in terms of your random selection. Somebody is currently on welfare, they would like to get into this program. There is no guarantee they can get into it.

Ms. KITCHEL. Absolutely.

Governor DEAN. Well, there is and there is not, because they could still sign up for Reach Up.

Senator PACKWOOD. Yes.

Governor DEAN. Reach Up is an ongoing program and they will. I mean, if you take the figure that I often use when I am talking about this publicly, that 75 percent of the people are using the system more or less appropriately, those folks are all candidates for Reach Up. They will never have to worry about the time limited benefits part because they will be off by themselves within that period of time.

Senator PACKWOOD. Thank you, Mr. Chairman. It sounds very encouraging. I am impressed. I will be interested in what kind of results you have.

Governor DEAN. Unfortunately, we are not really going to know the results until about the year 2003 and something because it is a 7-year waiver. Actually, it is a little sooner than that. But it is a long process. And in order to see how it really works we are not going to be able to just take it 1 or 2 years and see what happens.

Senator PACKWOOD. No. But I think you are starting at it very realistically.

Governor DEAN. Thank you.

Senator PACKWOOD. Thank you.

Senator BREAU. Thank you, Senator.

Senator Durenberger?

Senator DURENBERGER. Mr. Chairman, and my colleague, Bob, Howard Dean is both a different kind of a Governor and a different kind of a doctor. I think the people in Vermont are very, very fortunate as are the rest of us, because there is the leadership. Howard, you have shown some very gutsy leadership in some of these issue areas.

It is important to us in Minnesota and the rest of the country as it is to the people in Vermont. So as somebody who has been lucky enough to get to know you and some of the other things you have been gutsy about, I want to thank you, as the Chairman said, for making the extra effort to get here today.

I think we are getting to a wider audience than just the folks in this room. Let me just say, I think that is worth the effort for you to come down here and talk to us.

First, I will make an observation since I finished my last series of questions with the other witnesses sounding a bit angry about the administration's priorities. Let me say on the other hand, in response to what Bob was asking you about work transition, that this administration, particularly through the Department of Labor and Secretary Reich and so forth is about to set us on a course of doing a more realistic job of transiting from school and a lot of other places to work.

Again, some of the experiments at the local level in my State, perhaps in yours, was just training work: literacy—learning good work habits; writing, listening, composing, learning computer skills. A whole lot of things like that are clearly a critical component of this transition.

I must say the administration has very wisely, and we will see this in the School-to-Work law, encourage the States to work in that area.

My question is, Governor, relative to the local role of government, communities and so forth. Counties, for example, both in our health care reform debate and welfare and lots of other little places are not very visible; and yet counties as an institutional government have changed substantially in the last couple of decades.

I wonder if you would not, looking both at the role that State/local government plays in matching up people with needs and appropriate services, describe for us what changes in your State are contemplated regarding the role that local government will play in accessing people these services. I should not just concentrate on counties. Counties seem to be the end of a lot of these categorical programs.

Governor DEAN. Unfortunately, Senator, I thank you for your very kind remarks, this is an area I cannot be very much help in. We essentially have no county government in Vermont. We have a State Government; we have town government. Our county government is extremely minimal. Their budgets are tiny. They are not even voted on. They are so small and considered insignificant.

So we, unlike many larger States, have never developed a system that is bigger than the towns that deliver services. At one time, and prior to 1962, we had a welfare system which was completely local. That is, towns were something called the overseer of the poor. And if somebody needed some coal to get them through the next cold spell, they would go to the overseer of the poor and he would arrange for them to get the coal and usually demand some kind of service in return.

Well, that system worked fine some places, but obviously there are problems with it, including the improper use and favoritism and so forth. Fine, that was done away with and we now are part of the modern world.

The only extent town governments might be involved in the carrying out of this program is that they would be eligible for public service jobs if they had specific needs. Now we have an arrangement with the union that they can—AFSCME, which is our biggest union up there that has organized most of the towns that are organized, the employees that are organized—that they get sign-off power, so that we do not take away jobs that should be paid jobs.

But there are jobs that are not in anybody's job description that we can create and towns could be eligible for receiving folks to help them through those public service jobs, just as any nonprofit or State agency would be.

Senator DURENBERGER. So in Vermont then, is all of the social service eligibility determination and matching people up with a variety of these needs, is that all done by State agencies at the local level?

Governor DEAN. It is all done by State agency. We do provide services through some State agencies, but a great deal is done by nonprofits. We provide a lot of our services on contract. Planned Parenthood, for example, does all our reproductive health services for low-income women. The Community Mental Health Centers, which are nonprofit institutions around the State, are under contract with the Department of Mental Health. They do all our service provisions.

So for the most part, towns and counties do not provide social services.

Do you want to add to that, Jane?

Ms. KITCHEL. I did want to say that in the expansion of our JOBS program, we are looking to community-based organizations in some of our educational institutions to actually provide the case management services. So we are working hard.

While we do not have county government, we do have growing State and local partnership. In some areas it is regional, like with our regional transportation. We have integrated our jobs, transportation needs, with our Medicaid transportation.

So we have tried to look at existing systems. Our parent/child center network, we are the State, I believe, with a State-wide network of parent/child centers. We are really using that organization of services and programs to compliment jobs and to provide case management services to AFDC families.

Senator DURENBERGER. I think I am beginning to understand a little better why in Vermont talking about universal coverage in health care might be one step easier than it would be in a lot of other places.

Governor DEAN. That is right. We have no publicly-owned hospitals in Vermont. All we have is private nonprofits. So we can keep the system—you and I have had this discussion privately a number of times.

Senator DURENBERGER. Yes.

Governor DEAN. But we can keep the system in private hands and not have to deal with the dilemma of a New York City or an Illinois which has a number of public hospitals that have to somehow be integrated into the system. We are somewhat more streamlined because we have a little bit less government, although my constituents often do not think so.

Senator DURENBERGER. And you can do the same thing with long-term care then?

Governor DEAN. We have not gotten into long-term care for the same reason that the President's plan did not include any tremendous changes in long-term care. It is expensive. We think we need to get a handle on the acute care problem first. Then we do plan

to take on long-term care. In my estimation, we are not financially ready to do that.

Senator DURENBERGER. Thank you very much.

Senator BREAUX. Thank you, Senator.

Let me just ask one quick question, Governor. Does the Federal Government need to do anything more in your opinion than what we have done with regard to the collection of child support? I know when absent fathers leave the State it becomes difficult for the State to proceed to go after them across State lines. Can you comment on how things are working with regard to that issue?

Governor DEAN. I will. But I would like for Jane to really comment, because she is much more knowledgeable about it than I. We have a high collection rate because we have been very aggressive about it. Thanks to Congress passing first the Family Support Act, but then some mandates about what had to be done.

As a Governor I would be hung by my thumbs if I suggest that you pass anymore mandates. But the truth of the matter is that the States have it in their power now to do a better job than we are doing on child support collections.

And so mindful of the hat that I wear as the vice chair of NGA, I do not want to get us in trouble, but I think that further discussion between the Governors and the Congress, perhaps this committee, is in order to see what more we might do and how we might avoid having you have to tell us to do it, because I think that we—it is my view, and Jane is perfectly willing and able and should contradict me if this is not correct—but it is my view that we have the tools. We need better information. But that is simply a matter of computers and hardware and software.

We may need more cooperation among the States in terms of finding folks. But I think from what I know about the system, we probably have the tools now and we need to learn it better. But I am willing to be contradicted by my Commissioner. Commissioner?

Ms. KITCHEL. I do not disagree with anything the Governor said.

Governor DEAN. Very good. Now you know why she is the Commissioner. [Laughter.]

Ms. KITCHEL. I think one area that we are very troubled by, and Vermont's experience I do not think is dramatically different than most States, but we looked at Census information for the whole decade of the 1980's and our out-of-wedlock birthrate increased every single year of that decade.

So I think in child support if there is an area where we have to focus our attention is getting paternity established and doing that in a much more expeditious way. Some of this is Vermont-related because of some of the legal considerations and legislations pending. But paternity is really key. Everything really has to flow from that.

So if there is an area where we need to do more, it is paternity establishment. And it is a growing problem, simply because—

Senator BREAUX. Is that something the State should be able to address, as opposed to the Congress?

Governor DEAN. Well, it may be. But I would have trouble getting a law like that through my legislature. And there are folks in the legislature who believe that is a great invasion of civil liberties and the State has an obligation to pay for males' irresponsibility.

So, you know, I, again, feel like I am treading on dangerous ground here, if the NGA were to be here, which I know they are. But I do not see that this is an area that is all bad for the Federal Government to get involved in regarding certain mandates about what is required to establish responsibility.

Because sometimes State legislators are not as willing to do some of these things as Governors are and the Federal club actually helps us.

Senator BREAUX. Well, beginning January 1st of this year, immediate wage withholding of child support obligation will be required. I think that is something that would be helpful.

Governor DEAN. We have actually already done that. We did that when you enabled us to do that with the Family Support Act. But I think that is an excellent, excellent step—excellent step. And again, I think there is much to be commended in the Family Support Act.

I think, if anything, it needs to be pushed a good bit further. But I think that was a great start.

Senator BREAUX. Well, Governor Clinton and the Chairman of this committee were very instrumental in that piece of legislation, as well as all the members of this Finance Committee.

Governor, you have been an excellent witness. What you have done in your leadership and the State I think many of our States can learn from the Vermont experience. We thank you so very much being with us today.

Governor DEAN. I appreciate your having me. Thank me, Mr. Chairman.

Senator BREAUX. Thank you, Governor.

Thank you, Ms. Kitchel.

We would like to welcome up our next witness. We are very pleased and honored to have Hon. Antonio Riley, who is a State Representative from the State of Wisconsin, in Madison. Also in the panel with him from Wisconsin will be Mr. Gene Kussart, who is Executive Assistant to the Wisconsin Department of Health and Social Services. So we will have an opportunity to hear from what is happening in the State of Wisconsin.

Gentlemen, we welcome you both here. We will insert Mr. Gary Stangler's testimony into the record of this committee hearing since he will not be able to be with us this morning.

[The prepared statement of Mr. Stangler appears in the appendix.]

Senator BREAUX. Representative Riley, we are delighted to have you with us. You have an interesting story to tell and we are delighted to have you speak to us.

STATEMENT OF HON. ANTONIO R. RILEY, STATE REPRESENTATIVE, WISCONSIN GENERAL ASSEMBLY, MADISON, WI

Representative RILEY. Thank you, Mr. Chairman. I am pleased to be here. Members of the committee, I want to thank you for this opportunity.

Mr. Chairman, if it is without objection, I have a couple of other items that I would like to have entered into the record if that would be okay.

Senator BREAUX. Without objection, we will make it part of the record.

[The documents appear in the appendix.]

Representative RILEY. Thank you, Mr. Chairman.

Good morning, Mr. Chairman, and members of the subcommittee. My name is Antonio Riley. I am a Wisconsin State Representative from Milwaukee. As a first-term legislator, I am just beginning to become more familiar with some of the more technical aspects of welfare policy. So I cannot claim, nor do I pretend to be, an expert of national welfare reform. For that reason, I am not prepared to assess the Family Support Act of 1988.

I am, however, what you might call a kind of welfare expert. As a former welfare recipient myself, and now as a Representative of some of the poorest central city neighborhoods in Wisconsin, I am intimately familiar with the affects of welfare on real people in real life.

For a time when I was growing up in the neighborhoods that I now represent, my family was forced to go onto welfare so that we could keep food on the table. I keenly remember the atmosphere of embarrassment and damaged pride that pervaded the Riley household during those troublesome years.

I also remember the frustration my folks felt at the cruel choice they had to make between staying on welfare and seeking work. They had to choose: would they guarantee at least a minimum standard of living for themselves and for us kids by staying on welfare, or would they return to the minimum wage jobs that would at least allow them the pride of earning a living, even if that living was less than what they would receive on welfare.

Now, eventually my family did get on its own two feet, so-to-speak, and escaped the pride-sapping bind of the welfare trap. Later for a brief time during my college years I, too, had to go on general relief. So, yes, I know at least a little about welfare, about what it means to be on welfare and because many of my neighbors and constituents are welfare recipients and remind me almost daily about their plight.

So I do not have the luxury of forgetting the psychological and economic suffering and deformity caused by our current welfare system.

Now because of my first-hand experience and what I hear from residents of the 18th Assembly District, and as well as some of the book learning that I have had on this subject, Mr. Chairman and members of the committee, I have come to the conclusion that our current welfare system is so flawed that reforming it any further is completely unacceptable.

Instead, I believe that we must simply scrap it altogether and start all over. We must throw it out and replace it with programs that seek to connect people to work.

In Wisconsin at least, welfare has failed, not only to move people off of the public dole and into the work force, but more damningly it has utterly failed to move people out of poverty.

Consider, 12 years ago the State of Wisconsin was rated fifth in the Nation, for the quality of life for children. Now the State ranks 22nd. In 1991, the poverty rate for African-American children in

Wisconsin was 55.8 percent, a rate exceeded only by your State, Mr. Chairman, the State of Louisiana.

Given statistics like these, I am proud to say that in Wisconsin we have recently taken the first step toward dismantling our current welfare system. That historic step was taken when Governor Thompson accepted in part a challenge from Wisconsin Democratic legislators and led by assistant majority leader, Barbara Nolestein, who is the chairperson of the special committee on Welfare Reform and I serve as the vice chair of that committee.

We led the effort to end the State's welfare system by 1999. Now, the Democrats were motivated to take this course of action because we had grown tired of the piecemeal tinkering with the current system.

We felt that we had to go beyond piecemeal tinkering and to talk substantively about some real efforts to once and for all to lay this monster of welfare on the table and to identify all of its shortcomings and to seek to replace it with a system that would make work pay.

Now the Governor's proposal was a limited experimental pilot program, to be tested over about 10 years, and applying to just 1,000—just 1,000 of the 85,000 families on Aid to Families with Dependent Children. He wanted to do this in two counties in the State—500 families per county.

Now this program would end cash benefits to Aid to Families with Dependent Children recipients after 2 years, regardless of whether or not the recipients would have found work. The program was not slated to run in Milwaukee County.

But let me also make something perfectly clear. Our objection to that part of the program was not to the objection to the idea of time-limited welfare. Welfare must not be a way of life. It must be, as the President said, a second chance. Democrats felt that the scope of this program was somewhat limited and it needed to go beyond the piecemeal tinkering that we felt it exemplified in its original form.

What the Democrats did was to amend Work not Welfare with provisions sunsetting AFDC, Aid to Families with Dependent Children, general relief and relief to needy Indian persons and food stamps on December 31, 1998. Now under the Democratic proposal a replacement program recycling the dollars we use to fund the current system, we wanted to use those monies to try and come up with a new program and a new welfare system. I should not say welfare system, but some better safety net by 1995.

Now on December 13, Governor Thompson did sign the Democratic plan, which also imbedded his Work Not Welfare proposal, but sunsetted Aid to Families with Dependent Children by 1999. But he vetoed the provision sunsetting the rest of the State's welfare system. So in a real sense what the Governor did was to veto aid for mothers and children, but to preserve the general relief program for single men who are in most cases the fathers of the children on Aid to Families with Dependent Children.

But nonetheless, I commend the Governor, because he was under a lot of pressure from members of his own party to veto the democratic proposal. The Governor signed the bill. And he has extended

what we believe to be an arm of cooperation to work toward a replacement system.

In doing so, in signing the bill, he did put Wisconsin out there in the forefront on this issue. I think we are the first State to propose to opt out of the Federal welfare system. But taking the first step toward ending welfare as we know it, it did require courage. However, it is the next step, redesigning our social economic safety net that I believe is the most important step.

To do that will require the better instincts in us. We have to work in a bipartisan way and I believe we are prepared to do that in Madison. But clearly since the Federal Government foots about 60 percent of the bill for aid to families with dependent children in Wisconsin, clearly we have to work with Washington and with this committee as well, in order to come to some sort of consensus as to what any kind of replacement program would look like.

So in the coming months I will be fighting to replace our current dependency breeding welfare system with an aggressive strategy to connect people to work, similar to the approach of the New Hope Project, which you may have heard of in Milwaukee, a public and private sector experiment in moving people out of poverty.

Now I believe that such a strategy must include some of the following: (1) a strong government, private sector commitment to job creation and economic development; (2) programs to aggressively try to place people in private sector jobs; (3) short-term transitional community service jobs for those unable to find private sector jobs; and (4) wage supplements, if necessary, to bring a family's income above the poverty line; (5) health and child care subsidies to help enable the working poor to continue to afford to work; and (6) income support for poor people who are physically or mentally incapable of working.

I realize that I have only hinted at some of the basic general outlines of a possible welfare replacement program. But as I said at the onset of my testimony, I did not come here as a welfare policy expert. I came here to express both extreme dissatisfaction and my ardent of hope.

The dissatisfaction with the current welfare system that imprisons poor people in dependency, and hope that the Nation's leaders can see the necessity to construct better programs for the future.

I want to conclude my testimony today, Mr. Chairman, my simply urging you and the members of this committee to help us in placing the current welfare system at the top of our National priority. I believe what I have heard so far this morning was very clear, that we cannot talk about welfare reform, in isolation of talking about health care reform. The two issues are directly related.

All of the disincentives for staying on welfare prevents people from working. We have got to break the cycle of dependency. There are too many of our kids today growing up in families where they have never seen their parent, go to bed early at night to get up and go to work the next day.

A family's life revolves around the parent working. We have got to do something about that. So with that Mr. Chairman, I want to simply thank you for this opportunity. I would be more than happy to take any question that you may have, sir.

[The prepared statement of Representative Riley appears in the appendix.]

Senator BREAUX. Well, thank you very much, Representative Riley. You have said that you did not come to us as a welfare expert. But I will assure you that as a person who has been on welfare and now is helping to write the laws to change the system, you are as much, if not more, of an expert than many of the people that I have had to deal with over the years. We thank you for your very insightful testimony.

Mr. Kussart, am I pronouncing it correctly?

Mr. KUSSART. Close. It's Kussart.

Senator BREAUX. Mr. Kussart, we are delighted to have you with us.

Mr. KUSSART. Thank you.

**STATEMENT OF GENE E. KUSSART, EXECUTIVE ASSISTANT,
WISCONSIN DEPARTMENT OF HEALTH AND SOCIAL SERVICES,
MADISON, WI**

Mr. KUSSART. Mr. Chairman, I am delighted to be here today to talk with the committee about Wisconsin's thinking on reforming the nation's welfare policies. Under Governor Thompson, Wisconsin has received more Federal waivers than any other State to experiment in welfare reform.

We have made welfare reform a high priority in our State and we have made remarkable progress in recent years in reducing the State's AFDC caseload. Actually, it is a track record that no other State can point to.

At the beginning of 1987, the caseload was 98,300. Today it is 78,000 and sinking. The caseload is down over 20 percent and we are saving almost \$12 million per month. Seven years ago we had the nation's 10th largest AFDC caseload. Today it is the 19th largest. Seven years ago Wisconsin had the eighth highest percent of households on welfare. Today we rank thirty-first.

Our reduction in AFDC caseload, at a time when the nation's caseload increased 30 percent exceeds the total reduction for the rest of the nation combined. Wisconsin, I believe, was the first State to draw down 100 percent of its available jobs dollars, something we have done every year and as you know something that most States do not do.

I believe that although we are the 18th largest State in terms of population only three States today have more participants in the JOBS program than we do. We are serious in Wisconsin about moving people from dependency into jobs. Wisconsinites are stepping forward to fund these efforts. And as you can see, we are attaining very significant results.

Therefore, we believe we are uniquely positioned to test our Work, Not Welfare initiative, clearly a very no nonsense effort to move able-bodied recipients into work more quickly than they are today.

Before outlining just how our Work, Not Welfare experiment will be implemented, let me briefly describe the philosophical ground upon which our reforms are based. One thread that runs through our experiments is this business of personal responsibility, expecting more from recipients.

In Learnfare we have put in place appropriate disincentives to truancy. What could possibly be more important than keeping kids in school? In two of our demonstrations we have capped additional benefits for additional children. Kids having kids is terrible and we are working on that problem in our Parental and Family Responsibility Initiative.

We are expecting parents to meet their financial obligations to their children. Eighty-five percent of noncustodial parents are dads and dads are not doing enough. Wisconsin has been among the national leaders in paternity establishment. But even in our State no paternity is established in more than 40 percent of the cases. That is crazy. And not a nickel in child support is received in more than 60 percent of the child support cases. That is wrong.

In our State, Governor Thompson has advanced a program called Children First. It is incredibly simple. The Judge gives the dad three choices—get the money up and become current with your child support; work 16 weeks in a community job for no pay; or go to jail.

The results have been remarkable and we are expanding the program now to more counties.

That brings me then to the subject of work. Less than 8 percent of AFDC recipients nationally report income from some work. Our thinking in Wisconsin is that it is time to require work, not just training, not just education, but require able bodied recipients to work for their benefits. That is what the Governor's Work, Not Welfare pilot is all about.

Does working make a difference? You bet it does. Among single mothers not on welfare 85 percent are working across the country. Can work keep single mothers out of poverty? It would appear so. Among single mothers who work full time all year, only 7 percent are on welfare. Work is good, but we have not required work and we should.

Frankly, we are not expecting every recipient to initially identify \$10 per hour positions. All of us start somewhere. And we believe moving recipients toward work, period, ought to be a very high priority. In our Work, Not Welfare experiment we are attempting to introduce real world of work values in the environment in which AFDC recipients are currently operating.

As you know, at any given point in time, 65 percent of AFDC recipients are individuals who will spend a total of 8 or more years on AFDC. Most people think that is too long. What we are attempting to do in this demonstration is to test strategies to reduce that period on welfare.

In his Work, Not Welfare initiative, that the Clinton Administration has now given us waivers to implement, Tommy Thompson's pilot in several counties will give recipients, when they sign up for AFDC, a total of 24 months of cash benefits. Then cash benefits will end and they will be expected to join the rest of the real world of work.

This is not going to be a voluntary program. Everyone will be in it. No one in this room has a guaranteed job and after 24 months we are not going to guarantee jobs either. Our AFDC, Medicaid, and child care programs in Wisconsin are among the most generous

in America. And in this demonstration we will provide recipients with more help than Wisconsin has ever provided before.

But what is new is that we will be expecting more. There will be a safety net for kids, but able bodied recipients will be expected to work. There is no question that our constant hammering away at reforming our welfare system has resonated successfully in every corner of our State and the proof is in the pudding. We have 72 counties in Wisconsin. The caseload is down in all of them.

We feel Wisconsin is on the right track and that others can learn from what we have already accomplished.

Senator BREAUX. Thank you very much, Mr. Kussart. We appreciate your statement.

[The prepared statement of Mr. Kussart appears in the appendix.]

Senator BREAUX. Representative Riley, let me ask you, why has welfare, as we have known, it failed?

Representative RILEY. Well, Mr. Chairman, I think when you look at the numbers. Look at the rate of the single parents, the teen pregnancy rate for example among African Americans it is extremely high. And now you see that 40 percent of Caucasians are now giving birth out of wedlock. So I think we have created a dangerous cycle here.

Look at the rate of poverty that we have. Look at the lack of investment, not just in urban America, but in rural America as well. So I think that when you look at it in that sense and look at all the work disincentives, it is cheaper to continue doing business the way we are. It takes more of us, it will cost us more in the short run, to break the cycle of dependency.

If the current system is working so well I would like to have someone sit back and refute to me the numbers of the disastrous condition of urban and rural America.

Senator BREAUX. What about some who, perhaps may argue, that it is cruel to require a young single mother with two minor children, say young children, to leave those children to go out into the work place? What would you say to that person?

Representative RILEY. Well, I think just as Gene mentioned, too, and we heard earlier, too, I think we open ourselves up a Pandora's box when we try to say that one size is going to fit all. I think there are people in various different circumstances. We must be prepared to deal with that in any kind of replacement program.

At one point, if the children are very young, the cost of child care for an infant is so high that at one point we are almost better off by simply continuing to pay the benefit until the child reaches a certain age and then to enroll that mother in some sort of work requirement program.

So I think that we have to—what you raise is a very valid point. But I think that any replacement, that we have to try and judge each of those circumstances. That is why the case management part of any reform program must be very crucial.

Senator BREAUX. Mr. Kussart, what about the person who has maybe two children who are at a young age after the 2 years? This may not be a large number of people, perhaps very, very few. But suppose you have a person who participates in your program, receives the training and education for the 24-month period, and

then at that point says, look, I want to stay home with my children. I do not want to take what I consider a meaningless job at a low wage. I am just not going to do it. I am going to stay and take care of my children at home. What does the State, under your plan, say in that circumstance?

Mr. KUSSART. In terms of the plan itself, there is a children's safety net that is provided, that the children continue to receive their benefit. The children are eligible on a continuing basis for Medicaid coverage, housing vouchers, food stamps. So we have built in a children's safety net for the kids.

Senator BREAUX. So the only penalty would be the reduction or the elimination of the direct AFDC check to the mother.

Mr. KUSSART. Or the parent, right.

Senator BREAUX. Or the parent.

Mr. KUSSART. What we are trying to do, Senator, is really put in place the expectation in our system that work is good and that it is going to be something that is required of people who are looking to society to help them during a period of crisis or difficulty in their lives. That is what welfare was intended to be.

The system has gone off track. I mean, we are not requiring work now. As you heard earlier this morning, so much of what welfare is is simply writing checks to recipients. We have lost the perspective of looking at how do we get people prepared to take care of themselves.

Not being critical of our income maintenance workers in Wisconsin, but the emphasis is so much on processing cases that there is not the focus on seeing what can be done to get people ready for work. That is what we want to try to do.

Senator BREAUX. How does your State plan adjust for individuals, some of which would be ready to be into the work system within 6 weeks of remedial assistance and training and education as opposed to maybe someone who maybe needs the full 24 months.

Mr. KUSSART. What we will do is, in the pilot counties that are selected for the Work, Not Welfare experiment, as soon as somebody comes in and applies for AFDC they will sit down with one of the income maintenance workers and they will take a look at what their background is, what kind of experience they have in the workplace and what kind of educational experience do they have.

Then over that first 30-day period a plan will be developed both by the recipient and the worker, in effect a contract will be signed, that for 2 years of time the State will provide certain services, education, job experience, what have you. In exchange, the recipient will take advantage of the services that are being made available to them.

Senator BREAUX. Can some of them have a shorter period than 24 months?

Mr. KUSSART. You sure could.

Senator BREAUX. In other words, each one is evaluated and you may say, look, this person just needs a little bit of help and in 6 weeks, 2 months, whatever period, they would be part of the work program?

Mr. KUSSART. Whatever is appropriate for the individual.

Senator BREAUX. Mr. Riley, do you want to comment on that?

Representative RILEY. Yes, thank you, Mr. Chairman. I think it is important again to maintain that we cannot say one size is going to fit all. I think there are different circumstances. There are certain people who are on welfare because they have just recently lost a job and they may be perfectly employable. And by simply committing the resources to provide child care and whatnot and to link them to the private sector, I think we can put a lot of people to work that way.

I did not want to get into this too much. But I just wanted to say, Mr. Chairman, I was a bit more hopeful that today we would hear more from the Governor's representative, working on welfare is fine and it is okay to a certain extent. But the Governor signed a bill to committing the State to come to the Federal Government and to say, give us permission to opt out of Aid to Families with Dependent Children, knowing good well the Federal Government is going to say, wait a minute, what are you going to put in its place. And we do not have a lot of time.

I wish we could hear more, and for the sake of the committee members and yourself, Mr. Chairman, more about what the processes would be that we will lay out in Wisconsin to work toward that goal. Our Work, Not Welfare is great. But we signed a bill to end welfare by 1999 and we are ready to get busy.

There are a lot of poor people looking to us and saying, what are you guys going to do.

Senator BREAUX. All right. Give me some discussion, if you may, on a county that is a poor county—and, Representative Riley, it may be some of your District, I am not sure of the makeup. But it seems that your District is one that has a lot of high unemployment and low income.

What happens when you have a client, if you will, who is in the welfare program and gets the training and then after their termination date comes back and says, look, there are not any jobs in this area? Do we have a community, public jobs program? And then tell me a little bit about how you get that person into the work place. Is it done through the State or do you use private organizations that are out there to help place these people? Give me some discussion on that.

Representative RILEY. Well, one of the things that concerns me, and this gets into your question, Mr. Chairman, is the waiver that was approved by the Clinton Administration for the Work, Not Welfare pilot program.

In the waiver they state that if you have a situation where people participate in your 2-year program and you provide the resources and at the end of that 2 years if there are not jobs available in the private sector, that if you have a large number of people—they do not define what a large number of people would be—if you have a large number of people who would otherwise lose their benefits at the end of those 2 years, that you cannot do that. You cannot discontinue their benefits.

So I think it opens up some trouble for us, but I think we could find a way to deal with that issue. But I think that begs another far-reaching question here—the whole issue of job creation.

I am concerned, Mr. Chairman, that we become prisoners of our rhetoric, when we use catchy phrases like guaranteed jobs and that

sort of thing, because in the final analysis there are 37,000 families on Aid to Families with Dependent Children in Milwaukee County.

Now, It would be exaggerated to say that we have to provide jobs for all 37,000—let us say even for half of those people. If we shut down the program, move those folks into some sort of program, some of those people are able bodied and could find private sector employment.

But some of those folks are going to have some extraordinary circumstances, are going to have to be dealt with in the meantime as we prepare them for private sector employment. I think that community service employment, we must face the music on this thing, is part of that. I believe, too, Mr. Chairman, we have programs in Milwaukee right now that I think are working.

Milwaukee Community Service Corps, which is a private corporation which works with welfare recipients and other folks. They go on to compete for construction jobs and that sort of thing. We have the New Hope Project. The YWCA has a rather aggressive program, a career oriented program working with welfare recipients. We have the Goodwill Project as well in Milwaukee County.

So there are ways we can do just the government, but as well as through already existing community-based services. But this job creation component is a crucial element of any effort to reform welfare. We have got to simply face the music on that.

Senator BREAUX. Mr. Kussart, would you comment on that?

Mr. KUSSART. Yes. Two comments, actually. First on the issue of what happens when there are no jobs when somebody completes their 24 months of benefits. We have various provisions built into this proposal to account for people who might not be able to fend for themselves once the 24 months does expire.

One is if the economy in an area has gone really bad, provisions can be made so that people will not be put off of welfare. We also have provisions for people who for one reason or another are simply not going to be able to be self-sustaining. I mean, they may have some physical or mental handicap that makes it not realistic to expect they will be able to support themselves. We have exceptions built in for that.

I want to get to the point though of the jobs. As part of the Work, Not Welfare proposal, for the counties that are going to be a part of this pilot, there will be an active local coordinating committee that involves the local business community. Because if you are going to be looking at putting people into the work force, you obviously have to have the support of local business because they are the ones who create the jobs, they are the ones who sustain the jobs.

So it is important to have a commitment by the local business community to cooperate, to try to help with the training of people and the placement of people when it is appropriate to hire them into the private sector. I think you have to look at a real coordinated effort with the community to try to move people off of welfare. It does not just happen by itself.

Senator BREAUX. Do you need to provide incentives to employers to employ former welfare recipients or are employees in your State willing to participate in a program after these people have been trained and improved in their education abilities?

Mr. KUSSART. Well, I think we are willing to look at that as a possibility. However, we have been fortunate in our State that our unemployment rate is substantially less than the national unemployment rate. It is about 4.7 percent now.

Senator BREAU. Yes.

Mr. KUSSART. We have jobs in Wisconsin in most places in the State. Right now I think we will be able to test this experiment. Because one of the things we do not want to do with this experiment is try it in a place where there are no jobs, because then that hampers your ability to figure out whether or not people can get themselves to a position of self-sustaining status.

Senator BREAU. That is a chicken or an egg situation. Maybe the people who are on welfare live in areas where they do not have jobs.

Mr. KUSSART. Right. I mean, what we want to do is test this in an area where there are jobs so you cannot say, well, gee, there were not any jobs and that is why this did not work.

Senator BREAU. But is that not the easy test?

Mr. KUSSART. No. Because what we are trying to do is test whether or not when people are given all the support they need—the job training, the education, the child support, the health care, the transportation, the food stamps—when you are provided everything that you would conceivably need to help get yourself to the point where you can be self-sustaining, does that work then to move people off of welfare.

If you try that in a place where there are no jobs, that is another element that is going to hamper your research.

Senator BREAU. It also creates a heck of a big problem. If we can train the person and there is no job in the community, well then we have a real problem. We have a problem for everybody—people who are not on welfare, as well as those who are.

Tell me about the public service job part of the program. Do you have one or not?

Mr. KUSSART. There is not one as of right now.

Senator BREAU. All right.

Mr. KUSSART. What I was referring to though is when Representative Riley talked about what is going to be the successor to AFDC in Wisconsin. The Governor has already indicated that he is not ruling out categorically any type of public sector of subsidized jobs.

Senator BREAU. All right.

Mr. KUSSART. So we are looking at that in terms of a future program.

Senator BREAU. Representative Riley?

Representative RILEY. Thank you, Mr. Chairman. I want to make that clear. There are some very clear disagreements between the Governor and many Democrats on this issue, but there are some rather strong, common ground. I believe that in the last session, although the debate was heated, that we did lay the foundation to work towards something.

But on the question of the easy test, as you put it, Mr. Chairman, I think is very valid. That is one of my concerns. Because I think it can also be argued that if you try the program in the part of the State where it is the most difficult to put it, that you are going to skew the results.

But likewise, if you put it only in the easiest places that it is going to also skew the outcome. So I think that if anything by looking at—we talked about the employment rate. The unemployment rate in Wisconsin is very good, even in the city of Milwaukee on the average is very good.

But the unemployment rate in terms of parts of my District is 25 percent, 24 percent. So I think that we have to be willing to face the music and say to taxpayers and to those who find themselves imprisoned by this indifferent system that we are going to once and for all make a concerted effort to come to their rescue.

We could use this sort of program in certain parts of Wisconsin. Let us say, for example, Pierce County, has an Aid to Families with Dependent Children caseload of about 125 people. I bet you can develop a council in that county to identify the needs of those people and link those folks to private sector jobs.

But it is a different story in Milwaukee County. I think taxpayers need to know that after 10 years that something realistic is going to be on the plate for Milwaukee as well. That is why we felt that the amendment to the Work, Not Welfare bill is important, the one that calls for repeal of Aid to Families with Dependent Children and the other programs, because we really believe in order for us to get the Federal approval to do this, that we are going to have to lay out concrete how we plan on dealing with the unique situation that we face in Milwaukee County. To me, that is very forward looking.

Senator BREAUX. Well, I want to thank both of you for telling us about the Wisconsin experiment in a very excellent fashion. Please give our regards to the Governor and we wish you very well in the legislature, Mr. Riley, as well. You really are an expert. Thank you very much.

I would like to excuse this panel and welcome up our final panel this morning consisting of Mr. Will Marshall, who is president of the Progressive Policy Institute; Dr. Judy Gueron, who is president of the Manpower Demonstration Research Corp. in New York; and Mr. Robert Greenstein, who is executive director for the Center on Budget and Policy Priorities here in Washington.

Gentlemen, and Dr. Gueron, we are delighted to see all of you again. We are pleased to receive your testimony.

Mr. Marshall?

STATEMENT OF WILL MARSHALL, PRESIDENT, PROGRESSIVE POLICY INSTITUTE, WASHINGTON, DC

Mr. MARSHALL. Thank you, Mr. Chairman. It is a pleasure to be here this morning. I want to very quickly talk about some of the architecture that is emerging from the administration's working group on welfare reform.

But before I do that, let me just say that the Progressive Policy Institute strongly supports the President's determination to end welfare as we know it. We believe that his call for time limits is essential if you want to really transform the system fundamentally, if you want to change the organizing principal of welfare policy from the right to income maintenance to the responsibility to work.

Time limits, as many witnesses have said, are only the beginning. Progressive social policy also has to expand the opportunity

for work. That means that welfare reform will cost more, not less in the short term. In our view, the President's political challenge is to strike a bargain between the left and the right. You have to get liberals to agree to time limits, something that will bring about a fundamental change in the character of the system and conservatives to agree to the kinds of spending we need to support people's efforts to work.

PPI has developed a welfare reform blueprint along those lines and the main elements are very similar to those emerging from the administration's plan and, indeed, many other plans. I think there is a broad consensus about what those fundamental pillars of welfare reform are. We have to make work pay, as many people have said. The expanded earned income tax credit is critical to that. Ensure universal access to health care. Strengthen child support enforcement. Expand welfare to work efforts, not just by a public agency is a point I would like to elaborate on in a minute, and offer community services for those who at the end of the limit simply cannot find or keep private sector jobs.

And finally, it is essential that we look at this question of prevention. That is, we have to really think hard about how to stem the tide of illegitimate births that is helping to fuel the growth in long-term dependency.

The administration as has been reported in the press has laid out a foundation for welfare reform along these lines. But its work thus far also raises some questions. I would like to just highlight a few, not in the spirit of criticism but really to bring about some clarity and to isolate some questions I think are critical for Congress and the administration as we go forward.

First, we believe that welfare reform should put work first. There seems to be a stress in what we have read and heard about the administration's plans on education and training and other transitional services. Recipients do not appear to be required to seek work until the final 45 to 90 days before the 2-year limit expires.

Yet, there is compelling evidence that an emphasis on work, rather than on education and training, may produce better results. I would like to endorse David Ellwood's statement that for most welfare recipients, excepting mothers with newborns and teenagers still in school, there really is no reason to wait 2 years before getting serious about work.

The second concern is that I think that welfare reform needs to expand choices for poor citizens and create a more pluralistic social policy. Now the centerpiece of the emerging architecture seems to be an expansion, enlargement on the existing JOBS program created in the 1988 Family Support Act.

I am a little skeptical that simply expanding an existing bureaucracy is a promising way to begin reinventing fundamentally our welfare system. Also JOBS is organized mainly around the task of providing welfare recipients with education and training, not work. And even if we can create the high performance JOBS programs focused like California's Gain Program, especially the Riverside site on job placement, the question remains, why entrust this job primarily to the public sector.

We believe we should also allow welfare recipients to take early advantage of other actors—nonprofits like Chicago's public match

and even for-profit enterprises like America Works. By allowing private outfits to bid for the right to prepare people to work and to place them in private sector jobs, we can enlist a wider array of actors, private and public, at little financial risk since these groups will be paid only on the basis of results.

So far, however, the working group seems to envision these non-governmental groups entering the picture at the end of the 2-year period, not at the beginning.

Third, obviously there have to be very few exemptions if we are going to give real force to the limits. The working group does call for a narrowing of exemptions in the existing JOBS program. That is to the good. However, it also broadly defines what constitutes participation in jobs, to include everything from substance abuse treatment, parenting life skills classes or domestic violence counseling.

These are worthy endeavors, but they are apparently too broad a definition of what constitutes participation in our view would permit people to engage in a lot of other activities besides work when at least some work may be possible.

Fourth, we are skeptical about the idea of perpetuating Workfare Programs. The work that Judy Gueron at MDRC has done on the CWEP Program, Community Work Experience, shows, that unpaid work experience fails to significantly raise incomes or lower public welfare costs much less lift poor families out of poverty.

Workfare is rightly regarded by participants as welfare by another name and has the same stigma attached. We believe the people who have reached the limit should work for wages and not for welfare.

Fifth, we think it is time for some hard and realistic numbers, some cost estimates that moving to a work-based system will entail—child care, medical insurance, more job placement, education and training, and fall back community service jobs.

By failing to be explicit about these costs, I am afraid the administration has fed fears that a time limited system will only leave needy Americans worse off than they are now. I do not think that is the case. But we need to make it clear again that the essential bargain is more supports, more opportunity, more spending in return for true system change, not simply marginal adjustments in the status quo.

Lastly, Mr. Chairman, we believe it would be a mistake to defer action on welfare reform this year. Further delay would raise questions about the administration's commitment to radical reform and about Washington's ability to fix a system that is clearly broken and worst of all it would perpetuate a system of bureaucratic compassion that teaches dependence rather than reinforcing and rewarding work, family and individual responsibility.

Mr. Chairman, a major of House Republicans have embraced the main tenants of the President's approach and this and other factors, I think, create a rare opportunity for a broad bipartisan approach that can get us fundamental welfare reform this year. This is an opportunity I think we should not miss.

Thank you.

Senator BREAUX. Thank you very much, Will, for your presentation.

[The prepared statement of Mr. Marshall appears in the appendix.]

Senator BREAUX. Let me get Mr. Greenstein and then, Judy, let you summarize it all.

Mr. Greenstein?

STATEMENT OF ROBERT GREENSTEIN, EXECUTIVE DIRECTOR, CENTER ON BUDGET AND POLICY PRIORITIES, WASHINGTON, DC

Mr. GREENSTEIN. Thank you very much, Mr. Chairman. As this hearing indicates, I think there is a strong consensus that the welfare system is deeply flawed and that major change is needed. It is needed in a number of areas. I would like to focus on six points today. They certainly do not cover all the areas where change is needed.

First, if welfare reform is to be effective over the long term, policy makers will need to distinguish between proposals that have a basis in research findings and those rooted in strong beliefs, but not backed by evidence at this point.

If a reform effort is built too heavily around proposals for which we do not have evidence, we run the risk of carrying out reforms that turn out not to be effective and that could have unintended effects, might even perversely increase poverty.

This suggests that some aspects of welfare reform should be pursued through demonstration projects and testing prior to national implementation and other aspects need to be phased in so there is time to make mid-course corrections as the lessons are learned.

Second, the expansion of the earned income credit enacted last summer is a critical building block for welfare reform. Universal health care is as well.

Third, promoting work and making public assistance into a system that moves more people into work should be a principal goal of welfare reform. Promoting work will need to include both part-time work and full-time work.

Fourth, strengthening of the child support system is integral to welfare reform.

Fifth, care needs to be taken in designing welfare reform so it does not have the effect of weakening poor inner city and rural communities by reducing the resources and purchasing power falling into local economies in these areas, and thereby causing a loss of jobs.

And finally, it needs to be designed in a fashion that not only looks good on paper, but can actually be implemented and effectively across the country. I am going to comment briefly on each of these six points.

On the first, we know that welfare policy is an area fraught with dangers and risks of producing unintended consequences that differ from what policy makers had in mind. The best safeguard against this is to be guided by research findings on the strengths and weaknesses of various approaches, to test untried ideas and to be able to adapt the forms as they are being phased in when we learn that they are going wrong.

In the current debate some suggestions are being advanced that fly in the face of research findings, cutting in the opposite direc-

tion. Take an example. There is a suggestion that teenage mothers and their children ought to be simply ineligible for any assistance at all. We have little evidence on what the effect of such a policy would be beyond the obvious one that it would increase the poverty of that group.

But we do know from research findings, some of them from the Manpower Demonstration Research Corporation, that certain interventions aimed at teen mothers on public assistance, using carrots and sticks approaches, have had positive effects.

The LEAP Program in Ohio increases benefits to teen mothers who stay in school, while cutting them to those who drop out, and it provides case management and support services. The result has been increased school attendance.

If those teen mothers were simply ineligible for public assistance, programs like LEAP would have to be abandoned. There would be no benefits to increase or reduce. There would be no hook for providing case management or support services, and important opportunities for positive intervention in the lives of those young women during their formative years would be lost.

Of course, it may be argued that with no benefits there would be fewer teen mothers. The research findings, however, do not really support that notion. If welfare played a large role in spurring out-of-wedlock births, we should expect to see States with high welfare payments having much higher out-of-wedlock birth rates than States with very low payments. They do not.

Alabama and Mississippi with some of the lowest payments have some of the highest teen birth rates for both blacks and whites. Vermont, with some of the highest payments in the nation, has the nation's lowest teen birth rates for both blacks and whites.

So here is an area where there is a risk that if a Federal policy simply terminated assistance, there might not be very large effects on birth rates, there could be intensification of poverty, and in particular, there could be a lessening of chances to help those families attain self-sufficiency through interventions like the LEAP Program in Ohio.

Turning to the second point, one area where the research is clear is that the erosion of wages for lower paying jobs is one of the significant contributing factors to poverty in recent years. Poverty rates among families with children where the family had worked are more than a fifth higher now than they were in 1980.

When low wage work becomes less remunerative, work in the above-ground economy becomes less attractive sometimes than work in the underground economy or reliance on public assistance. I think there is a national consensus that hard work needs to be adequately rewarded.

The expansion of the earned income credit enacted last summer can play an important role in that and is essential to make welfare reform work. I am concerned that at least one welfare reform proposal, H.R. 3500, could cause repeal of the earned income credit increase, thereby reducing the value of work. I think that would be unwise.

Universal health coverage is a second building block. Researchers agree that providing universal coverage in and of itself would cause a significant reduction in the welfare roles, although they differ on

the magnitude of that effect. Without universal coverage, welfare reform is likely to be both less effective and more expensive. There would be more recipients to train. If there were a 2-year time limit followed by a community service job slot, there would be more recipients to be placed in those slots, which costs a fair amount to administer.

There would be more families that need transitional Medicaid coverage and there probably would be more cycling back from work to welfare after the transitional Medicaid coverage ended.

Child care assistance, of course, is also essential if more AFDC recipients are to participate in programs to ready them for employment and then to go to work.

The third point, the central goal of welfare reform should be to promote work. This includes, as I noted, both part-time and full-time jobs. It is often said that most mothers now work and those on AFDC should too. Most married mothers, interestingly, work part-time and not full-time. About one-third of married mothers work full-time throughout the year. That married mothers who have a spouse with whom to share child rearing responsibilities usually do not work full-time is significant since single mothers can have greater difficulty managing full-time work than married mothers.

Some single mothers have young children enrolled in Head Start, which does not provide full-time care. Or they may have school-aged children who need close supervision during school hours. This can be particularly true in dangerous neighborhoods. Research findings show that many single mothers in those neighborhoods feel a need to be home when school lets out so that they can supervise their children and keep them out of danger, off the streets, and away from gangs.

This raises a question—how should welfare reform treat a single mother who works half-time or more but less than full-time? A few answers seem clear. First, we need to distinguish between such mothers and a much larger number of AFDC recipients who do not work at all while on AFDC. Those working at least half-time and also raising their children without a second parent to help should be encouraged. Those not working need more incentive to go to work.

Secondly, we should not require that part-time working mothers give up private sector part-time jobs to take a publicly-supported community service or workfare slot instead. That would be costly to taxpayers while setting back the parent's efforts to move to self-sufficiency.

That probably means that if we move to a time-limited system different rules are needed for those working part-time from those working not at all.

Before leaving the work area, let me make two further comments. I quickly read before the hearing Mr. Marshall's testimony, which I found very interesting, and I agree with most of it. But I do want to make a couple of points where I might differ some in the work area.

He mentioned that there is compelling evidence that work, rather than education and training, is where we need to go. In his testi-

mony I think the main evidence he cites is the Riverside experiment in Riverside, California.

Judy Gueron can really pronounce on this since they have evaluated Riverside. But my understanding is that while Riverside stresses work more than some other interventions do, it still has a very major education and training component. I think about half the people in Riverside are in education. So it is not all one or the other. There are many people who will still need significant education and training before they are moved to the work piece.

We need to move clearly towards a stronger child support system where young men who have greater belief that if they father a child out of wedlock they will have to support for 18 years.

One very interesting approach, there holds promise, it is called child support assurance. Under this approach a mother who has helped secure a child support award against a noncustodial parent is ensured of at least a modest level of monthly child support payments. If the father's income is so low he cannot pay this amount the State pays the difference.

The amounts the mother receives for child support are counted dollar-for-dollar against AFDC and reduce her benefits. But the child support payments are reduced little, if at all, if she goes to work.

The system is designed to achieve two goals—large increases in the establishment of child support awards and more powerful incentives for single parents to work. A variant of it has been tested in New York State in seven counties. In that demonstration the number of child support awards rose about a fourth. The proportion of those working climbed 17 percent. Average earnings increased 27 percent.

There are, to be sure, major unanswered questions about this approach. It could represent a major policy breakthrough. It also could turn out to have those unintended affects I mentioned earlier. What I would suggest is that welfare reform include a demonstration project of this on a sufficient scale to test the idea and answer the questions about it.

Welfare reform in local economies. Sometimes well intended policies go awry because their potential affects on the economy or the economy's affects on the policies could not be predicted or were not thought through.

One, I think, really important question is how welfare reform is going to work in areas of high unemployment rates. Some areas experience that problem chronically, others episodically, during economic downturns. Some welfare reform proposals envision cutting off both benefits and work slots, both of them, after a given period of time.

Under those proposals, a parent who was willing to work and comply with any work requirement, and who may have worked off benefits for several years, could, at a point in time, get neither. If her skills are low, she could encounter difficulty finding a job in a normal economy; in a weak economy, with high unemployment, her chances could be slim.

Denying both the work slot and cash assistance in such circumstances could withdraw purchasing power from local economies with high numbers of impoverished people. In inner city and poor

rural areas, removal of resources from already fragile economies could cause further reductions in employment, exacerbating some of the problems welfare reform aims to address.

I think this brings up a related point—great care is needed in how welfare reform is financed. We all know it has to be paid for. Suppose large sums are spent for training programs during the first 2 years and on work slots for those who pass the 2-year mark, suppose those work programs and work slots like many efforts in the past yield significant but modest gains, and suppose that the large sums needed for these efforts are secured by reducing assistance to low and moderate income families through multi-million dollar reductions in other means tested assistance, other programs beyond AFDC.

One result of such a scenario could be withdraw of substantial purchasing power and capital from intercity and poor rural economies and the transfer of resources to service providers and bureaucracies, and in schemes to employers who could get windfalls for hiring employees they largely would have hired anyway.

That kind of an outcome would be quite unfortunate and could make the overall affect of welfare reform negative. Of course, it is often difficult to predict in advance what the economic effects are. It is another reason why the testing of various approaches can be particularly valuable.

That brings me to my final point. We need to be realistic about what can be implemented and how fast it can be done. Changing the welfare system is very difficult. If done haphazardly, it could never achieve its objectives. It is very important that it be implemented in a quality manner so that it achieves the goals that policy makers set for it.

That means the reforms cannot be so complex that they cannot be administered at the State and local level, and that we should not force States to move so fast that they implement the reforms in an ineffectual manner. The reforms that come out of this debate may be with us for decades. It is one of the most important social policy tests before us. We should get it right.

Thank you.

-Senator BREAUX. Well, thank you, Mr. Greenstein.

[The prepared statement of Mr. Greenstein appears in the appendix.]

Senator BREAUX. Dr. Gueron, Judy, we are glad to have you with us.

STATEMENT OF JUDITH M. GUERON, PH.D., PRESIDENT, MAN-POWER DEMONSTRATION RESEARCH CORPORATION, NEW YORK, NY

Dr. GUERON. Thank you, Senator. I appreciate the opportunity to appear before the committee and to share with you the lessons that we have learned about the implementation and the effectiveness of the JOBS Program created by the Family Support Act. I will summarize my testimony and appreciate if the full testimony can be included in the record.

The Family Support Act contained a vision of responsibility and reform. Parents should support their children and welfare should

become a reciprocal obligation, a transitional program providing a route toward rather than an alternative to work.

Today we are again discussing welfare reform. One might reasonably ask why. Was that legislation flawed? Are there important new issues requiring new solutions or was the legislation never fully implemented? The answer is important because different diagnoses will suggest different prescriptions.

My response is two-fold. There is new concern about the growing number of people who work full time but earn below poverty wages and about the growth in the AFDC roles. However, much of the clamor comes from the fact that JOBS has not fundamentally changed the message and character of AFDC.

It has resulted in the provision of more education and training and does seem to increase work and reduce welfare. But in many communities the system has not implemented a participation mandate focused on work.

If this diagnosis is correct, the lesson is one not likely to be popular in Washington. For JOBS to change welfare will require added resources so that States and localities can create the activities that will make the obligation real, clearer Federal guidance on the program's vision and strengthened local commitment to enforce a participation obligation and operate high performing programs.

Congress will need to increase funding and clarify program goals, but just as urgent and difficult will be changing administrative practice in the field. Changing welfare as we know it has to happen on the ground. At their most successful, JOBS Programs have demonstrated notable effectiveness, but there is a very big gap between the average and the exceptional program.

To date in many communities the resources have not been adequate for administrators even to attempt to transform AFDC. At the very time that we are learning and have the building blocks in place to learn more about JOBS' potential to change behavior, we see programs unable to realize that promise.

Yet making JOBS work is critical to any attempt to move further. Thus, it is hard to imagine a serious discussion of time limiting welfare with or without work at the end unless JOBS does better at reducing the roles. The risk will be too high. Too many people will hit the cliff—that is, the time limit—and either require subsidized work that is likely to cost the public more than welfare itself or face a dramatic loss in income with unknown effects on families and children.

The task of JOBS implementation cannot be avoided. JOBS is the upstream program that must succeed better before time limits can realistically be afforded downstream. Thus, it is essential that we understand why JOBS has not transformed AFDC and act to bring the system up to the performance of the more effective programs.

In my remaining time I will cover three issues—what would a high performance JOBS Program look like; what is the maximum we can expect from JOBS; and what can we do to get there.

High performance JOBS Programs are likely to share certain features: a strong commitment to and adequate resources for working with all mandatory registrants; reasonable staff caseloads and reliable automated systems so that workers can monitor and report on

participation; a strong linkage between JOBS staff and welfare eligibility workers so that a new message can be communicated to welfare recipients; and JOBS staff who promote the value of work and the capabilities of welfare recipients, who are willing to enforce participation mandates, and who know how to work with private sector employers.

Focusing on these types of issues would shift programs more toward improving internal management and away from the necessary but largely completed work of building institutional linkages that has characterized JOBS implementation efforts to date.

It takes time to change large institutions, but research shows that it is feasible. The Riverside, California program is one possible version of how to make JOBS real. This program communicates a message of high expectations. When you walk into a GAIN or JOBS office you are there for one purpose—to get a job.

At orientation job developers announce job openings. Throughout program staff convey an upbeat message about the value of work and about people's potential to succeed. If you are in education—and as Mr. Greenstein noted, more than half the people in Riverside are in education—you are not marking time as you can be in some locations. You know that if you do not participate actively and complete the program or at least advance in it, staff who are closely monitoring your progress will insist that you look for a job.

Finally, if offered a job by a job developer you have to take it or have your grant reduced. In this community, welfare has changed for all people in JOBS and this is only one possible vision of such a program.

We know something about the potential upper bounds effects of such programs in the current environment from our evaluation of California's GAIN Program; double digit increases in the share of AFDC recipients moving into jobs, probably at most impacts of 10 to 15 percentage points; a 50 percent increase in average earnings; and an under 10 percentage point reduction in the share of people on welfare.

We do not know how much an expanded earned income tax credit, universal health insurance, post-placement services, or a threatened time limit would increase JOBS' potential to reduce the number of people who would hit the 2-year cliff. But it is safe to say that these changes would increase the number of people taking jobs and, just as importantly, the number keeping them.

For JOBS to maximize its potential for change, I would recommend that HHS or Congress where appropriate take the following steps. First, articulate a strong vision of the JOBS Program. This will not be easy because it will require choices as to the philosophy and values of the program, but it will help guide the system with regard to program objectives.

Such a vision might include refocusing the system on the goal of getting people jobs and the concept of a reciprocal obligation.

Second, provide additional resources with a substantially higher Federal match for States that increase program activity above current rates and employ other measures to encourage States to draw down these resources and expand JOBS Program staff and services.

Third, strengthen the reciprocal obligation by requiring States to work with a much higher share of the caseload, but at the same time redefine and simplify the calculation.

Fourth, provide increased technical assistance and training to State and local program staff on practices associated with success. There is a hunger for such assistance.

Finally, encourage administrators to use job developers, continue efforts to identify effective JOBS approaches, and require or recommend that States implement the school attendance requirement for teen parents on welfare, employing variants on the approach used in Ohio's LEAP Program.

My remarks so far have focused on JOBS. But another approach that we have talked about today is setting a time limit after which welfare might end or employable welfare recipients would have to work in the private sector or community service positions.

This is a new concept of unknown cost, feasibility, and consequences. If subsidized work is substituted for welfare, what will it cost? If all benefits end, what will prevent large numbers of women and children from becoming destitute or homeless?

Key questions about work at the end of a certain period include: can enough real rather than make work jobs be created? how many welfare recipients are not technically disabled but at least temporarily cannot work? should people in community service jobs be paid wages or should they work in exchange for benefits? finally, can and will the welfare bureaucracy manage and enforce the new obligations?

There is a lesson from the past 10 years of welfare reform efforts that is relevant to a consideration of such far-reaching change. In the 1980's reforms benefited and a consensus around legislation became possible when new ideas were rigorously tested at the State level before being expanded across the nation.

The numerous programmatic and fiscal uncertainties surrounding time-limiting welfare and the inevitable up front cost of current proposals at a time when the public assumes that reform is synonymous with saving money suggests that this would also be a wise policy for the 1990's. Evaluations such as that planned in Vermont which we heard about earlier from Governor Dean should provide some of the key answers.

In conclusion, if this body legislates time limits after which people would have to work to receive support, hard-pressed welfare staff will face two challenges—creating large numbers of meaningful community service jobs after the time limit; and getting as many people as possible off the roles before they hit the cliff.

Given the acute financial and personnel pressures in the welfare system and the spotlight likely to shine on the newer post-time limit activities, there is a clear risk that staff and resources will focus on the former and be diverted from the latter—that is, focus on keeping people busy after the time limit, rather than getting them off welfare before it.

Yet if JOBS does not become a high performance system and instead reverts to the more anemic version of WIN that it was meant to replace, any effort at time limiting welfare will be buried alive under the cost and feasibility of massive job creation.

Our past history is one of under funded efforts and limited real change. The challenge is to avoid repeating that.

[The prepared statement of Dr. Gueron appears in the appendix.]

Senator BREAUX. Well, thank you, Dr. Gueron, and thank all of our panelists for being with us. Dr. Gueron, I guess you came from New York.

Dr. GUERON. Yes, I did.

Senator BREAUX. You had the most difficult journey.

Dr. GUERON. The trains run.

Senator BREAUX. Well, we thank you for making it.

Will, in regard to what you mentioned about the administration's proposal, which we do not have yet. It seems that you feel—I do not want to characterize your remarks—but you feel that perhaps it will emphasize, more than you would like to see, education and training and not enough on the actual job search. Would you elaborate on that?

Mr. MARSHALL. Sure. Let me say that this is based on language that is vague and ambiguous on news reports and this may not be a fair criticism, but I think it is important to raise it now while we are still in the formulating stage.

Our view should not be understood to say that education and training is not important. It is. No one is posing a false choice between work and education and training. The question is, where should the relative emphasis of welfare reform lie.

Picking up on what Judy Gueron said, I think the most strenuous efforts should happen in the 2 years before one hits the cliff, not afterwards. We should try to get welfare recipients prepared and into some kind of work immediately. The question is whether that should be held up while we go through a laborious process of first eligibility screens; secondly, personal assessments; thirdly, training classes, education classes, the other kinds of counseling and services that your caseworker may refer you to.

We are potentially setting up a system in which it takes a long time for people to feel the real pressure to be moving into the work place. I do not mean just the people on the receiving end; I mean all the people that are working with them.

So I raise the question because as Judy has said, the JOBS Program is not, unfortunately, despite the great exceptions like Riverside, oriented around strict job placement. And even at Riverside where a lot of people are enrolled in training as she mentioned, the expectation is that this is in the context of a program that overwhelmingly puts work before every other goal.

So I think it is important as we go ahead to understand that, yes, we are going to have to expand the existing public infrastructure in order to do what we want to do. But we have to understand that the current system is not oriented overwhelmingly toward work, that the high performance job programs are in the minority.

I think it is important that at the outset we try to engage other actors—private, the nonprofit sector, the community association, community institutions and even the very rare instances like America Works, a private, actually for-profit business that has built an impressive track record in placing welfare recipients in jobs.

We need to get them engaged early. The pressure to find work should begin early in most cases, with the few exceptions that I noted. This does not preclude the usual kinds of assessments to determine what kind of supplementary education and training may be needed to help someone keep their job, get a better job, or enhance their career skills.

Let me say one other word on that. We do have a lot of studies of job training programs that have been successful. There are significant amounts of evidence that show programs that emphasize job training have not been particularly effective in finding people jobs that lift them out of poverty, which is the ultimate test as far as I am concerned.

Senator BREAUX. What about the program that says, all right, if we have the person for 6 weeks and push him into a job, he may get a job flipping hamburgers, entry level, minimum wage, but if we keep him for 2 years and give him more training and education that person may be able to be pushed in—not pushed in—but married up with a higher paying more productive type of job. Therefore, training should be maximized because it then maximizes the employment opportunity?

Mr. MARSHALL. Well, I think that proposition rests on what I consider to be a couple of fallacies. One is that education and training programs work. We simply do not have the evidence. I would defer to Judy who knows a lot more about this than I do.

Second, I think there is a misconception that people need formal job skills in order to get high-paying jobs.

Most of us learn our jobs on the jobs and often what we hear from employers is not that somebody lacked a formal training certificate in this and that occupational area, but that they lacked the kind of everyday job skills: Socialization to the work place, being reliable, showing up on time, being able to work out problems with transportation and child care that typically defeat people's efforts to hold onto a job when they are under pressure.

So I think we have to have a realistic view of what it is that employers are looking for. What they are looking for are reliable workers. Once people are into their jobs, I think then the education and training can be a lot more effective in helping them build their skills.

Senator BREAUX. Mr. Greenstein, Mr. Marshall says less training, more emphasis on getting a job. What is wrong with that?

Mr. GREENSTEIN. I think it depends on the people in the caseload we are talking about. All AFDC recipients are not the same. There are a number of different groups. I think some of those comments go a bit beyond the evidence.

There are training programs that have disappointing track records. There are others that are more effective. If we take the Job Training Partnership Act that the Department of Labor, and again MDRC is, I think, one of the co-principal evaluators of it, my understanding is that the results for youth are disappointing, but that the results for adults, including AFDC recipients, are positive.

The Riverside Program has an emphasis on work, which I think is appropriate. But it also provides education and training, and does it in the context of the ultimate goal being work. It puts the two together.

If we take the question of assessments, clearly no one wants long, laborious assessments and drawn out bureaucratic procedures, but the concept of an assessment where it works well is to separate out those people who do not need education and training, should not need to be put in a work slot, and basically need intensive job search right up front. Then, there are people who may have such low literacy levels and such poor skills that some level of job readiness—it may be training, it may be education; sometimes it is even training on how to do job searches—may be appropriate.

What I think I understand Judy to be saying about the GAIN Program is that it makes these distinctions. But whichever group you fall into, including those getting education and training, there is a context there that stresses the ultimate goal of moving into work and tries to make the connection between the education and training you are getting and the work you will ultimately move into.

But I think we need to be careful not to oversimplify the area and just say do not do education or do much less education or training. Basically, we need to take all of these programs and run them better.

My guess is that if we had a number of programs that move people immediately into expensive to administer public service work slots, there would be a lot of those that were not well administered, that were costly, and did not have big results in moving people into private sector employment either.

That is not likely to be a silver bullet either. So, yes, I do think we need to place more emphasis on work. But the education and training components for some groups of the caseload can be quite significant. And again, the results are mixed.

Maybe Judy can talk about the Baltimore Options Program. But my understanding is that is one that provided more long-term education and training and is one of the few interventions that has had long-term gains in employment and earnings rather than gains that last a year or two and then erode over time.

One last quick point on this. If using private sector for-profit organizations like America Works is effective, I would be all for it. I do not think we really know yet how effective that is. America Work claims it is more effective. It is out to get more contracts.

It has not really been evaluated. Some people think it creams. Some people point out the fact that America works keeps people on their payroll for the first several months after they are placed and collects the targeted jobs tax credit during that period, also gets a fee from the Employer, and also gets a fee from the Welfare Department, getting three different funding streams.

We really have not had an evaluation to tell us in the kind of way that GAIN and Riverside and Baltimore Options have been evaluated what the net effect of those programs are. If they are effective, we should use them more. If they are not effective, we should not.

Senator BREAUX. Do you favor time limits on welfare of varying periods, depending on the individual?

Mr. GREENSTEIN. I very much am supportive of what Judy has said about that. I think the question of time limits depends wheth-

er they can work well, depends on the other elements that are in place.

I think it may be possible to have a time limited system if, as Judy mentioned, the 2 years or whatever the time-limited it works a lot better than it works now. We would need to get more people off of the roles before the time limit.

I think that trying to have public sector type jobs for 2 or 3 million recipients at once would put a strain on the system that it could not administer. I do not think it would work. It is not that we would not want it to work. I do not think it would work.

I think that we may be able to get to a system that has time limits on a broad scale. But to get there I think we have to start more slowly. We have to figure out how to make things like Riverside, or other models, more widespread around the country. We have to get more people off the roles before we get to that time limit. And we have to carefully evaluate it, so that if we find that it is having perverse effects we can correct them.

I think a system where fewer people get benefits, benefits are more transitional and many more people work is the right goal. But I think we have to carefully plot our path to get there so we do not have a repeat of other social experimentation where we have a laudable goal, but we end up instead of getting there having high expense, much higher than expected, which could be the case if we have 3 million public service jobs we have to pay for and possibly side effects that are undesirable.

I do not think the political debate is now so much a question of whether we will have time limits. I think that is where the debate is moving. But how do we do them, how do we get there, how quickly do we get there, how carefully do we test the pieces of getting us there, and most important of all, I think, how do we do them in a way so that more people can move off welfare before they hit the time limit and the number of people who need these public service slots is of a magnitude that the system can handle rather than sink under.

Senator BREAUX. Dr. Gueron, what can you tell us from your survey about all of the experiments that are ongoing?

Dr. GUERON. Well, I just want to comment for a minute on the education and training versus immediate job placement issue.

Senator BREAUX. All right.

Dr. GUERON. We know a lot more about job search and job placement programs than we do about education and training because that is what States were doing during the 1980's—they were operating job search and work experience programs. And we know the pluses—that they get people jobs; that they save taxpayers money ultimately; and that they move people off welfare.

We also know the drawbacks—that they have not been effective in getting long termers into employment and that ultimately over time they do not get people into better jobs. There is some intriguing evidence from new work that Daniel Friedlander at MDRC is doing his study—that Bob referred—of a Baltimore program that included some education and training showed that it actually had longer term effects and was able to get some people better jobs.

So, in my view, education and training or job search are not really alternatives. They both have a role. What I was pointing out in

my comments about Riverside is that too often program operators forget their goal in putting welfare recipients into education and training. They forget where they are heading, which is to get off of welfare and into a job.

What is important is to keep focusing on that objective and to make sure that, if people are in education and training, they are serious about what they are doing, they are making progress, and if not they have to go to work.

The other comment I would make is that the GAIN evaluation is not over and that one can expect that the counties that emphasized education and training will take longer to show results than the ones that did not. We look forward in the coming year to having additional follow-up to see how the different counties rank in terms of their results.

In the evaluations that we have been doing in different States, we have looked at the California JOBS Program. We have also looked at the Florida JOBS Program. The early results from Florida show that that JOBS Program is also leading to some increases in employment and reductions in welfare receipt. The employment impacts are concentrated mostly in the women with school-aged children, which raises interesting questions because you will recall that when the Family Support Act was debated the requirement was extended to women with pre-school children. We still do not know very much about whether these kinds of programs will be as effective with that group.

The other evaluation that has gotten a lot of attention is our study of Ohio's LEAP Program. LEAP tries to intervene earlier and deal with preventing long-term dependency and welfare receipt by keeping teenage parents in school.

The results are very promising, even though we still do not know whether the schooling effects will translate into changes in welfare receipt, but the fact that this incentive structure—bonuses to keep kids in school, sanctions if they do not attend—has led to a 10 percentage point increase in the rate at which kids stay in school and attend and a 13 percentage point increase in the rate of which dropouts return to school I think is very encouraging.

So we see some State activity that is moving in the right direction.

Senator BREAU. We see a lot of State activity as far as experiments and trying different things. Is it going to be possible, in your opinion, for the Congress to write a uniform plan that is going to fit all 50 States? Some States will have one program that they think works very well for their geographic area and another State may have a different type of approach, different time limits, different education and training programs. Some may use privatization to find jobs in the work place, others may not do that.

From a Federal perspective, and we are going to have to try and legislate this, how are we going to be able to handle that? Are we going to have 50 different proposals from 50 different States?

Dr. GUERON. I think it is vital that legislation leave some room for State variation. To make a program function well you have to own it. You have to care about it. A Governor has to want to motivate staff in the system and the Welfare Commissioner to do their best to meet certain objectives.

In my work in this field it is very clear that in different parts of the country there are different views of the causes of poverty, of the functions of government, of the role of women, and of program goals. All of this plays out in welfare policy and the priority placed on reducing child poverty verses reducing dependency.

It is important that within some Federal structure there be opportunities for that kind of variation. The Family Support Act is an example of legislation that while it did have a unified vision of parental responsibility and a reciprocal obligation and strengthen child support enforcement, in the actual implementation of the JOBS Program there was enough opportunity for variation so that Riverside could own its program but Alameda could also own quite a different variation of that program.

Senator BREAUX. Let me ask all three of you, do you have any thoughts about whether Congress should do health care first and then follow it with welfare reform at some later date, perhaps in the next Congress. Or, is this something that overlaps to the point that you would recommend that Congress try and tackle both simultaneously? Any thoughts on that?

Mr. GREENSTEIN. Mr. Chairman, let me try and tackle that. Both are very important and both need to be done. I think it would be preferable to move health care expeditiously and get that pretty far down the road first.

Primarily because, and I mentioned in my statement, welfare reform will have to be very different if there is not universal health care coverage. It fundamentally changes what welfare reform is.

You will have more people on the caseload. The costs of jobs in the first 2 years will be higher. The number of slots needed after a time limit will be greater. That then affects financing decisions. You have to think about health care transitional coverage. There are likely to be some larger number of people who transition—we know that one reason that people—

Let me restate. We used to think that a very large number of people stayed on welfare continuously for 8, 10, 12 years. We now know that a significant portion of that group may be on welfare for some point in the year in most years, but cycles on and off a lot. They get a job. It falls apart. They go back on welfare for 6 months. They leave for 6 months.

There are many reasons for that, but one of them is the health care issue. So one has to think about certain elements of welfare reform differently in the absence of universal coverage than in the presence of universal coverage.

Therefore, it seems to me that it would be desirable to at least get health care reform far enough down the road that one has confidence that it is going to be enacted and not fall apart, given the tremendous competing pressures and disagreements and the difficulties of restructuring one-seventh of the U.S. economy and that it is going to include universal coverage.

But I am not saying that one should delay welfare reform or one should not do it. I am just saying, that health care is such a critical block on which welfare reform rests. Whether you have that or not so affects costs and how to design certain pieces of a system, especially if it has a time limit in it. But that is the critical piece to do.

You would be able to judge quite better than I whether this committee and the Ways and Means Committee and other committees—I guess that is one of the issues, is which committee has responsibility for what in health care—that the committees and the House and Senate floors can get far enough down the road quickly enough to be able to move at a good pace on both of them.

Senator BREAUX. Dr. Gueron, your thoughts on that?

Dr. GUERON. Senator, I would bow to your judgment on the political side of this. But I would comment, as I mentioned in my remarks, to me the critical thing in making a discussion of welfare reform with time limits reasonable is our succeeding more in the JOBS Program and moving people off of public assistance before they hit the time limit. That is the lynch pin of potential success here.

In that sense we know that there are limits to what have been achieved. There have been a lot of positive comments above Riverside here, but let us remember that 50 percent of people are still on welfare in Riverside after 2 years.

In that sense, we need to be doing better. The hope is that measures like the expanded earned income tax credit and health insurance not tied to welfare—measures that make working more attractive—will also make the JOBS Program more successful. And in that sense, the two subjects are linked.

Senator BREAUX. Will?

Mr. MARSHALL. Well, I agree with everything they have just said. Obviously universal health care is an essential pillar, as I said earlier, for welfare reform because the prospect of losing your health benefits is a significant deterrent to work.

However, I think that most of the major legislative proposals for health care, including your own, Senator, do offer subsidies to bring low income people into coverage, to bring into insurance. To my mind, that is what is essential. We have to get that piece in place as we move ahead with welfare reform.

I should think that both proposals should advance this year. They are both important. We need to work on both of them. But that does not resolve your problem of how to get them through perhaps the same committee, however.

Mr. GREENSTEIN. Could I add one quick point on that? Again, you will have better knowledge than I. I suspect there are some in the Congress who for whatever reason would not be disappointed if in the end health care does not happen. I know you are certainly not one of them. But I know there may be some.

The thing I think, and I am sure you would agree, that needs to be avoided at all costs is not to have welfare reform become part of a strategy to retard health care and unravel the chance of getting it. I think that is probably more important than anything else.

Welfare reform, I guess, has been called the Middle East of Domestic Politics. But its difficulty pales compared to what we are facing in health care reform. As one who works not just on these issues but on budget issues and looks at State and Federal budget projections, off into the future, if we do not get health care costs under control in the long run we are not going to have the resources to do welfare reform or any number of other things right.

So that is a little bit of a fear that I have. Hopefully this committee and other committees will make sure that that fear becomes groundless.

Senator BREAUX. Well, let me thank all three of you particularly for being here on this difficult day and for your comments. As I would point out, this is the beginning of the process; it is not the end of the process. All three of you will make real contributions to finding a solution to welfare reform hopefully in this Congress. So we thank you for being with us very much.

With that, this will conclude the subcommittee's hearing today and the subcommittee will stand adjourned until further call of the Chair.

[Whereupon, at 12:45 p.m., the hearing was adjourned.]

WELFARE REFORM

FRIDAY, FEBRUARY 25, 1994

U.S. SENATE,
SUBCOMMITTEE ON SOCIAL SECURITY
AND FAMILY POLICY,
COMMITTEE ON FINANCE,
Washington, DC.

The hearing was convened, pursuant to notice, at 9:34 a.m., in room SD-215, Dirksen Senate Office Building, Hon. John B. Breaux (chairman of the subcommittee) presiding.

Also present: Senators Packwood, Danforth, and Durenberger.
[The press release announcing the hearing follows.]

[Press Release No. H-10]

FINANCE SUBCOMMITTEE SEEKS LOCAL AND STATE INPUT ON WELFARE REFORM

WASHINGTON, DC—Senator John Breaux (D-La.), Chairman of the Senate Finance Committee's Subcommittee on Social Security and Family Policy, will hold the subcommittee's second hearing this year on welfare reform. The hearing will explore welfare-related issues from the perspective of state and local officials.

The hearing will begin at 9:30 a.m. on Friday, February 25, 1994 in room SD-215 of the Dirksen Senate Office Building.

"It is very important that we learn what state and local officials think Congress should do to reform our nation's welfare system," Senator Breaux said.

"Clearly, state and local governments are on the front line of funding and administering our nation's welfare programs, and can provide important insights into which programs best serve low-income Americans and which programs do not work well and should be changed.

"Passage of significant welfare reform legislation remains a top priority of President Clinton and will require bi-partisan cooperation and support from this Congress. As this debate unfolds, I believe state and local welfare officials will provide essential experience and direction.

"In short, this subcommittee will be seeking valuable input on how state and local governments have been implementing the Family Support Act of 1988, and how Congress can improve our nation's welfare system to better serve the citizens who pay for welfare and those who receive welfare," Senator Breaux concluded.

OPENING STATEMENT OF HON. JOHN B. BREAUX, A U.S. SENATOR FROM LOUISIANA, CHAIRMAN OF THE SUBCOMMITTEE

Senator BREAUX. The subcommittee will please be in order. President Clinton has promised to end welfare as we know it and has placed welfare reform at the top of his agenda. I have said before, and will say it once again, that Congress can and should address welfare reform now, this year, and with the same urgency as we address the health care reform issue.

I was very glad then to hear that the Director of Office Management and Budget, Leon Panetta, told the Finance Committee on Wednesday that we can expect to have the administration's welfare

reform proposal in early April. This subcommittee has already had one hearing, on January 18th of this year, and plan to hold additional hearings to explore what must be done to change our welfare system.

At that first hearing we reviewed the impact of the Family Support Act of 1988, the changes the States are making in welfare programs through the waiver process, and also touched somewhat on the range of policy options open to the Federal Government.

Today we will concentrate more on the policy options that are available to us. We will hear from State, local and program administrators about their suggestions as to what Congress should do to reform our Nation's welfare system.

Clearly, State and local governments are on the front lines in the implementation of the Family Support Act and will have to do the same with any future changes that Congress makes. They will also have to deal with the consequences if Congress fails to act.

In July of 1989 the State's share of AFDC expenditures was about \$650 million a month. Just 3 years later, by December of 1992, the monthly cost figure had risen to nearly \$840 million per month. State and local officials know, as well as anyone, which programs best serve the citizens of their areas and which programs do not work well and should be changed.

Ultimately, true welfare reform must be a partnership among the States, localities and the Federal Government. I truly believe that welfare reform will fail if State and local officials are not actively included in the process of developing new national programs.

Our witnesses today come from diverse political and geographic points of view. Preliminary reviews of their testimony shows that there is more agreement than there is disagreement over how we should change the existing welfare system.

And most importantly, there appears to be universal agreement that dramatic changes need to be made if the system is going to properly serve welfare recipients and if the taxpayers are going to get their money's worth in the future.

We will hear from Delaware Governor, Thomas Carper, about the findings of the National Governors' Association's welfare reform working group and their suggestions for changes. We will hear from two witnesses from the National Conference of State Legislators, New York State Senator James Lack, Vice President of the NCSL; and Tennessee State Representative, Bill Purcell, who is the Majority Leader of the Tennessee House of Representatives.

The Mayors of two diverse cities will outline the approaches that their organizations would prefer as we seek to change welfare as we know it. Mayor Emanuel Cleaver of Kansas City, Missouri is here to represent the U.S. Conference of Mayors; and Mayor Stephen Goldsmith of Indianapolis, Indiana will speak on behalf of the National League of Cities.

Our last witness is Ms. Audrey Rowe, who is Commissioner of Income Maintenance in the State of Connecticut, who will outline the American Public Welfare Association's reform proposal.

I look forward to hearing from our witnesses and am pleased that our distinguished ranking member of the Republican side of the Finance Committee is with us for any comments he might want to make at this time.

Senator Packwood.

Senator PACKWOOD. Mr. Chairman, I do not want to keep the Governor waiting. I have no opening statement.

Senator BREUX. We welcome Tom Carper. I had the great pleasure of serving with Governor Carper on the House side for a number of years and welcome him back to the Congress and welcome him over to this side of the Capitol. We are pleased to hear your statement, Tom, on behalf of the American Governors' Conference.

STATEMENT OF HON. THOMAS R. CARPER, GOVERNOR OF THE STATE OF DELAWARE, DOVER, DE, ON BEHALF OF THE NATIONAL GOVERNORS' ASSOCIATION

Governor CARPER. Thank you very much, Mr. Chairman. Senator Packwood. It is a pleasure to be with both of you. I have been calling John Breux Mr. Chairman for over 11 years. I am getting pretty good at it.

When I first joined the House of Representatives in 1983 among the committees I served on was the Committee on Merchant Marine and Fisheries and the chairman of the Subcommittee on Fisheries, Wildlife, Conservation and the Environment was John Breux. He served us ably. It was a pleasure to be his colleague then and it is a pleasure to be before your subcommittee today.

I am encouraged by your opening statement, Mr. Chairman, and think and agree that there is a great deal of area for common ground and for us to work together in the spirit of team.

Let me just say I appreciate the opportunity to appear before you today on behalf of all of our Nation's Governors to discuss the States' perspective on welfare reform. And I want to thank both of you for your being here, but especially for your holding hearings on what I believe is a critical issue facing our Nation.

I would also like to thank the chairman of the full Committee, Senator Moynihan, who I understand is a member of this subcommittee, for joining our Nation's Governors several weeks ago and for his long time support to resolving some of the problems in our current welfare system.

I applaud the leadership of our President and former Governor in pledging to "end welfare as we know it." I, along with the rest of our Nation's Governors, look forward to working with each of you.

In my testimony today I will provide an overview of how the National Governors' Association organized its welfare reform activities. I would like to discuss the efforts that States are undertaking towards reform of our own systems; and then I would like to review, if I may, the major policy issues that are supported by most, if not all, of our Governors.

First, if I may, let me outline for you the National Governors' Association's structure for dealing with welfare issues. One year ago President Clinton asked our Governors, along with representatives of State and local governments, to form a task force on welfare reform. Later in the year the chairman of the National Governors' Association also appointed a leadership team of Governors to work on welfare reform issues.

The team, which I co-chair with Michigan Governor, John Engler includes 10 Governors from throughout our country. They include

Governors Cuomo, Bayh, Allen, Miller of Georgia, Schafer of North Dakota, Weld, Campbell, Dean, Walters, and your former colleague, Pete Wilson of California.

I might add, I have been the Democratic co-chairman of this leadership team on welfare reform for all of about 1 month, succeeding in this role Jim Florio of New Jersey.

Last summer this bipartisan group of Governors developed a policy statement for the nation's Governors, which reflects, we believe, a consensus on several major principles in welfare reform. I have attached a copy of this policy to my written statement and I will comment on it during the course of my testimony.

I would add that throughout this past year the Clinton Administration has been consulting closely with the Governors on this issue and we are most grateful for that cooperation.

Next, I would briefly review, if you will let me, what some of the States are doing to improve our welfare programs. During December and January the National Governors' Association undertook a survey of State welfare reform activities and I would like to highlight some of those.

The complete results of the survey are attached to my testimony. It looks pretty good side-by-side. I hold it here in my hands. I think it might be of value to you to see just what we are doing in a variety of areas across the country.

Forty-four States responded to the survey and the results indicated that the bulk of proposed or enacted State welfare reforms were concentrated in six different areas. A preliminary data revealed that more than 20 States have imposed or are implementing changes in areas which would do one of the following.

One of the areas is in that of making work pay. We would encourage and reward work by reducing penalties in the systems on earnings and savings. And again, over 20 States are working in that particular area of making work pay.

Second, with respect to child support enforcement, over 20 of our States have new initiatives that they have begun to enforce the responsibility of both parents to support their children financially.

A third area is with respect to family preservation. We need to support intact families by eliminating rules that you and I know sometimes penalize the creation of two-parent families.

Fourth, we would like to promote the delivery of more cost effective services. Some of our are trying to simplify and improve the delivery of those benefits by using electronic benefit cards and there are some interesting experiments that are going on there.

The fifth area is to create jobs. And maybe not so much to create jobs for welfare recipients but to improve their employment opportunities.

And sixth, and last, trying to remove some of the disincentives or barriers to becoming self-sufficient in over 20 States by improving, among other things, access to child care, access to health care for families who leave welfare and go to work.

Those are the six that are primary areas of endeavor focused on. Although there are others, those are the principle six. States have taken the lead in shaping incentives for welfare recipients to go to work and to remain at work.

Thirty-six States have proposed or are implementing changes to allow AFDC families who go to work to keep and save more of the income that they earn. Most are increasing the amount of earnings a family can have without their grant being reduced. Some are extending the period of time that the earnings disregard as available, increasing the limit on allowable assets and raising or in some cases eliminating the equity or value of a vehicle that a family can actually own. As you probably recall, I think the limit is \$1500 on the value of a car that a family on welfare can own.

In the area of child support enforcement, 29 States have reported in the survey, the NGA survey. They were taking steps beyond those required by the Family Support Act to increase child support collections from non-custodial parents and to establish the paternity of children in families receiving welfare.

These steps include families on AFDC to keep more of the child support collected on their behalf without reductions in their AFDC benefits.

Other measures would revoke or suspend professional or occupational licenses of non-custodial parents who are in arrears in their child support obligations. Some States are also increasing employment and training opportunities for non-custodial parents to help them find jobs and better enable them to support their children.

In my home State of Delaware we have taken a number of steps to improve our system. We need to do more. Delaware's program on child support enforcement has been recognized over the years as a leader in paternity establishment collections and automation.

Our program has a 73 percent paternity determination rate as compared to the national average of 48 percent. We hope to continue to make strides in our program so that children are ensured this critical financial support that they need and deserve and to share with some of our sister States what we are doing and how we are succeeding.

Of the efforts of States to simplify and improve the delivery of benefits, 27 States, over half, 27 States responded to the survey that they are exploring the use of electronic benefit cards. Some States are already operating pilot projects. I think among them are South Carolina.

States also responded to the survey about the steps they have taken on the issue of time limited benefits. These proposals very greatly range from a strict time limit on benefits to individually tailored social contracts, to a program which will provide a 30-month time limit on benefits followed by a paid public service or a community service work in exchange for benefits.

A number of States have taken the lead in supporting families in providing to keep them from enrolling in welfare in the first place, by providing them with, for example, a single cash assistance payment and with ongoing noncash support services such as child care and health care.

At this point I would like to review several of the policy changes that Governors would like to see made in the area of welfare reform. The Governors believe that the welfare system should be a temporary program for cash assistance with an emphasis on creating opportunities and providing services to enable recipients to become self-sufficient.

Governors believe that welfare should be viewed as a social contract of mutual obligation between the recipient and our government. In addition to rewarding meaningful work, Governors feel that the welfare program should seek to support, not to undermine, stable family relationships, should seek to ensure child support collection and should seek to provide assistance to obtain the educational and the job skills that are needed for long-term self-sufficiency.

Governors emphasize the importance of work and feel that welfare reform policy should encourage private, unsubsidized work in the business or nonprofit sector as a priority.

In order to support families in their goals of reaching self-sufficiency, Governors believe that additional supports are needed, such as child care, health care, transportation and subsidized housing.

Further, Governors believe that there is a need for a strong, Federal role in improving child support enforcement. Governors support improved Federal reflection tools. For example, State Governments need access to IRS data. IRS collection tools should be available to States. A national registry of new hires should be maintained. A national computer base of locator information should be established and maintained. And Federal resources should support these efforts so that States can be effective in child support enforcement.

My State is a small one. We only have three counties and fewer than three-quarters of a million people. It is not difficult to find a non-custodial parent who has a child support obligation in my State. But one does not have to go far in Delaware to reach either Maryland or Pennsylvania or New Jersey. And once a person has moved beyond our borders, it is difficult to ensure that they maintain their child support obligation and we need your help in that regard. That is a need that many of the States also have.

Governors support the establishment of incentives for States for the successful completion of performance outcomes. Governors believe that performance outcome measures should be developed in consultation with the States, counties and localities and it should be based on actual levels of achieved performance and should be tailored to individual State conditions.

Our Governors would also like to see improvements in interstate collections. They said roughly one-third of child support enforcement cases require interstate collection. Federal legislation should be enacted to adopt interstate child support enforcement procedures to ensure that child support orders are enforced uniformly throughout the nation.

We have done, I think, in this Congress good work in the past. We have a good foundation on which to build, but we need to do more.

Governors also believe that States ought to be encouraged and permitted to continue to pursue State based welfare programs aggressively and to implement demonstration programs under the Clinton Administration.

I might add that under that Clinton Administration the waiver process at Health and Human Services as we believe has improved significantly. In fact, I would like to applaud this one, the Clinton Administration, for approving almost every welfare reform waiver

applied for by the States in their first year. We are grateful for that.

Moreover, the Clinton Administration has worked closely with Governors to assure that our waivers will be reviewed quickly and given every positive consideration. We would like to make sure though that you hear some specific comments about waiver process. I want to address my comments to Section 11.15(A) under the Social Security Act.

Section 11.15(A) was set up to test alternatives to current social policy. This is an important component of the Social Security Act. However, it has some significant limitations and I would like to mention a few of those.

First of all, waivers are only granted for research and development purposes. Second, it requires rigorous evaluation. Third, waivers are nonrenewable and thus they do not allow for the continuation of demonstration, even when a demonstration has been shown to be successful. And finally, because these are demonstrations there are limits on the number of replications that can be tested. For example, what works well in Delaware may not always be able to be tested in another State to see if it works.

There are limits on the number of replications. In short, there is no mechanism, aside from the statutory renewals that allow States to continue with those successful efforts. We hope that you will address this issue during the course of your deliberations.

Governors encourage you and the committee to look at the possibility of legislation that would allow the replication or the extension of successful demonstrations. This can be accomplished, we think, in two ways. One way is to establish renewable waiver authority for successful demonstrations. The second is to permit the States to continue their programs through a planned amendment process.

In either case, States would be able to achieve our mutual interest in meeting the public policy goals of reforming the welfare system.

At the recent National Governors' Association meeting, the Governors discussed the current State efforts to reform welfare. Senator Moynihan joined us at that session. Governors share many of the same concerns about welfare reform and many of the same hopes for improvement in our current program.

Many of the same interests in seeing a better program be designed and finally implemented as we look at legislative proposals. We are going to propose to evaluate these proposals against certain criteria.

Let me just mention as I approach the close of my testimony what some of those criteria, we believe, should be. There are three of them. One, that any new program not result in massive cost shifts and unfunded mandates on the State. I welcome your comments, Mr. Chairman, in that regard. Second, States should not be asked to underwrite major new initiatives without adequate lead time and without supplemental resources. And finally, States should not be asked to or mandated to participate in a new program that does not take into account reform efforts that are now underway and which are beginning to show positive results.

We also hope that a new program will allow us to continue to test, to experiment, to create solutions that will work in our States in all parts of the country and will give Governors the tools to create administrative structures that work, changes that respond and are able to help recipients move to self-sufficiency.

As efforts are being considered, as reform is being considered, and as plans are made to phase in new programs, the importance of State flexibility and State ability to continue to make progress cannot be stressed too much. I suspect if you lined up the 50 Governors and asked them what is most important as we go forth on welfare reform, they would say in a polite way, please stay out of our way as we try new endeavors in our own States, new initiatives, and see if they work.

Our nation's Governors and I look forward to working with each of you and with your committee as we move forward to reform the welfare system.

In conclusion, let me just add that I want to thank the President once more for his leadership on this critical issue. I think his leadership is one of the reasons that we are here today to talk about welfare reform.

Senator Moynihan deserves our thanks and appreciation for his fine work as well. For as long as I can remember, he has been involved in this issue. He has taken time to visit with our Governors at our recent NGA meeting and his thoughtful comments were greatly appreciated. His work in assuring the passage of the 1988 Family Support Act is something I believe each of you also supported. And his leadership today deserves applause from all of us.

I also congratulate you, Mr. Breaux, Mr. Chairman, as the chairman of this subcommittee, and each of the members of this subcommittee who are joining us today for your good work on this area. The nation's Governors look forward to working with you and the effort to reform our welfare system. We thank you for the chance to be here today.

[The prepared statement of Governor Carper appears in the appendix.]

Senator BREAUX. Well, thank you very much, Governor. Tom, we welcome you back to the Congress to hear your thoughts on behalf of the National Governors' Association. We are pleased that our distinguished Republican members, Senator Danforth and Senator Durenberger have also joined with us for the purpose of asking questions and we are delighted to have them here.

Let me get you to discuss a little bit the subject of time limits on welfare recipients. The Washington Post this morning reported that a White House task force on welfare has decided to recommend gradually phasing in its planned 2-year limit on welfare benefits, starting only with the newest and youngest recipients.

Under this proposal if welfare reform were to go into effect for instance next year, the limit on benefits would initially apply only to new recipients, possibly those 25 years of age or younger and then moving that age cut off point higher on a gradual scale. It has a lot of ramifications and there are a lot of reasons for that strategy.

But I would like to ask you, if you could, Governor, to clarify the position of the National Governors' Association on the concept of time limits on welfare recipients.

Governor CARPER. As I mentioned in my testimony, in a number of the States we are pursuing different courses with respect to time limits. We believe as one of our fundamental principles that there should be limits on the amount of time that one can continue to receive welfare payments. There should be some discreet limits.

To the extent that the Federal Government wants to set, we will say, more generous time limits. I would ask that you give us in the States some flexibility. So that if we want to change the expectations and the expectation of moving from welfare to a payroll that we still have the ability to move more quickly.

Senator BREAU. The question obviously becomes, if tomorrow everyone, 14 million Americans who are on welfare assistance, the time limit dropped right then, those people then have to be moved into the work place. I think what the administration is proposing is that we try and do that gradually by setting that time limit to affect only those who are 25 years of age or younger, so that the work place, either through public jobs or through private sector jobs, perhaps that are subsidized, would be able to absorb those millions of people who would be put off of the welfare roles into the private sector or community jobs.

The question is if we do not phase it in and we just have a time limit that applies to every welfare recipient, can the State of Delaware, for instance, absorb that many people into the work place in order to give them a livable income?

Governor CARPER. Senator, in a time of rising economy, we have a better opportunity to do that. If you had asked me that question 2 years ago, I would have said it would have been absolutely impossible. Today it would be difficult if there were not a phase-in period. But it is a less difficult undertaking given the fact that jobs are expanding once again and our economy is improving. I suspect the same is true in other States as well.

I think the fundamental point that we need to make here is that there needs to be a change in expectations, that those of us in our State and other States who are on welfare roles or who may someday come to be there must understand from the outset that the expectation is that they have a responsibility to receive the training that is made available to them, to take advantages of the other services, be they child care or health care, transportation assistance. We have a tax system that encourages independence and not dependence.

But eventually the expectation is that they are to move off. I think if we can change that mind set, regardless of whether we are phasing in that policy or walking off the cliff all at once, the important thing is to change that expectation.

Senator BREAU. But you do not have, I take it, a problem with the concept of phasing it in like the suggestion we read about in the paper this morning?

Governor CARPER. At first blush, I do not.

Senator BREAU. All right. One other question. One of the biggest problems, I know Bruce Reid, who is in the administration and one of their key point persons on this question of welfare reform,

has said that perhaps the biggest form of welfare fraud is the failure of delinquent parents to pay child support in horrifying numbers.

I know Delaware has been a real leader in trying to get to these absentee parents, particularly absentee fathers. I mean, you also have a responsibility in this situation, that is a real difficult problem. They do not get any financial assistance so you cannot threaten to take it away from them in order to get them to live up to their responsibilities.

Can you address what Delaware is doing to try and find delinquent fathers, absentee fathers, to try and bring them into this solution as well?

Governor CARPER. I think part of the key to our success—and let me give a credit to a woman whose name is Barbara Paulin. She runs our Division of Child Support Enforcement and does a terrific job and has for years. I think the key to our success is doing a better job of determining paternity up front, to make it clear to do a good job, working with each new mother on the benefits that may accrue to her and her child if they assist us into establishing paternity.

Senator BREAUX. What do you do? Do you withhold food stamp assistance or anything else?

Governor CARPER. No. Actually, it is not a punitive approach that we take. It is actually a more proactive, positive approach. The care that is offered to an expectant mother in a clinic during part—the physical examination and the help that is extended on that front is combined with counseling. It explains to her what benefits will accrue to her and her child if she will cooperate in identifying the father.

We have found that taking that kind of proactive approach leads to in three out of four cases the identification of that father.

Senator BREAUX. So it is about 75 percent identification in Delaware?

Governor CARPER. That is correct.

Senator BREAUX. And what is the national average?

Governor CARPER. A little less than 50 percent, about 48 percent.

Senator BREAUX. You all have done a tremendous job.

Senator Danforth?

Senator DANFORTH. Thank you, Mr. Chairman.

Governor, thank you very much.

Governor CARPER. Senator.

Senator DANFORTH. Governor, for about as long as I have served in the Senate, I have worried about the problem of welfare, more generally the problem of poor people and families who have been in poverty for generations, and particularly the problems of our inner cities and especially, most particularly, the problem of black Americans who are disproportionately among the poor, among the unemployed who disproportionately go to schools that are not very good, that are from families that are dysfunctional, that have very few activities, other than just to pour onto the street at the end of the school day.

Regularly I have met with my staff and asked what can we do about this? What approach can we take that has some chance to work something out?

It has been the most elusive question I have ever seen. I wish that I could say in my own mind there was some central approach or some big bill that we could pass that reformed welfare, so we have taken care of this.

Governor CARPER. I call it a silver bullet and I keep looking for that silver bullet.

Senator DANFORTH. Yes.

Governor CARPER. And I do not believe there is one.

Senator DANFORTH. I do not either. I am leaving government, leaving politics, not in a huff. I like what I do. But one of the things I want to do is to go micro. I want to go back home. I want to go back to my hometown, which is St. Louis, and be active and hopefully stir up things and get into trouble and work on some of the same things that I have worked on here, but in a more micro level, a community level.

So I say all of this as a preamble to a question or a comment that I think is what you have been talking about. It seems to me that we do not have the answer. We do have the problem. Not having the answer does not mean that we ignore the problem, but it means that we do not pretend that we can solve it in just one fell swoop.

I think that what we have to do is to try a variety of different things and see what works and what does not work and do our best to keep track in some methodical way of what the results are, whether the various approaches are effective or not effective, and use the ones that are effective and not the ones that are not effective.

For that reason I believe that experimentation is important and I believe that flexibility is important. I believe that States and local governments and people in private life and people in communities and people in churches and all kinds of people who are interested in dealing with this problem should be encouraged to try a variety of different things.

I will just give you one little example. In the crime bill that was passed by the Senate, the Senate has a provision that is called the Community Schools Youth Services and Supervision Grant Program. The idea is to keep schools open 24 hours a day, 365 days a year. Why? Because a lot of the problem of poverty is a kid issue and these kids often times are in communities that have no resources for them, no place for them to go. And one of the facilities that does exist is the school building.

Why not create some place where they can be supervised, some place where they can have structure, some place where they can have activities, play sports, be tutored, mentored, whatever, to give them a chance to move out of this desperate situation where they have been locked. That is just one idea. But clearly it is just a little bit of a piece of it.

Now Senator Kassebaum has the idea that what we should do is that the Federal Government should take over Medicaid and leave to the States the welfare issue. The reason is not that, oh, well, we do not care about welfare; the reason is maybe it would be better to decentralize and maybe it would be better to experiment, and maybe it would be better to give a variety of people in different States opportunities to try a variety of approaches rather

than to superimpose the answer that has been developed by those of us who were blessed with the special wisdom that comes somehow magically from the water supply in Washington.

Do you know anything about the Kassebaum approach? Do you generally feel that that kind of thing is a good idea? And do you generally share the views that I have just expressed?

Governor CARPER. I share the views that you have expressed. Let me go back and just comment on several of those. You talked about returning to St. Louis to work at a micro level. In a little State like Delaware with three countries almost everything that we do is on a micro level. I would say even in the other 49 States, including your State and the States which are larger, and our respective States, even in California, we are more of a micro level than one can be in working at the Federal level here in Washington.

I encourage you to let 1,000 flowers bloom with respect to welfare reform. And that with respect to what Senator Kassebaum is saying, I wholeheartedly concur with her.

I have been frustrated in our inability to find that silver bullet that we alluded to earlier. One should not be surprised though that a person who is on welfare who takes a job and immediately begins to pay taxes—State income taxes, Federal income taxes, Social Security taxes—finds that as a disincentive to go to work.

One should not be surprised that a person who is on welfare who takes a job immediately, walks off a cliff and sees their benefits reduced and in some cases eliminated almost at the front end. One should not be surprised that if they buy a decent car that will enable them to get to work, even on credit, that they may find themselves ineligible to receive further assistance.

One should not be surprised that a person stays on welfare when they lose after 1 year their health care and working in a minimum wage job. One should not be surprised that a person is encouraged to remain on welfare when they find that there is just no money available to help them with child care and they do not know how to ensure the care of their children during the day.

I think the Federal Government can help the States the most, as we experiment, by really working in four areas. One of those you have done a terrific job with respect to enhancing the earned income tax credit, the effect of which is really to take a minimum wage job, a \$4.25 per hour job, and making it effectively a \$6 per hour job.

Unfortunately, one has to have worked throughout the year, file their tax return in the next year in order to receive the benefit from that earned income tax credit. I have suggested to Senator Moynihan and to the President and to others that it would be mighty helpful if we could find a way for that beneficiary, for that person who is working the \$4.25 per hour job, to begin to receive the benefits of the changes that you have made from the time that they go to work.

Second, my little State with about 300,000 people in the work force, we have over 1,000 kids who are on a waiting list to get child care. And basically, their parents are people who would like to go to work. Who we would like to see go to work, but we do not have the financial wherewithal and the Federal Government has not

funded fully the child care support for parents like those. And we need your help there.

Third, the good work that you are doing on health care, I would urge you to try to see it through to completion. I know it is a tough issue. But to the extent that we can help as a nation to ensure that a person who goes to work does not lose their health care for themselves and their child, even after 12 months, is going to be mighty helpful in terms of encouraging people to become self-sufficient.

And last, child support. I mentioned this earlier. It is really easy from somebody in my little State to slip across the borders to go to work and for us not to be able to get to them to make sure that they are supporting their children or contributing to the support of their children.

You can help us in some of the ways that I have outlined here today and I would encourage you to do.

Senator DANFORTH. Thank you.

Governor CARPER. Thank you, sir.

Senator BREAUX. Senator Durenberger?

Senator DURENBERGER. Thank you, Mr. Chairman.

Tom, it is great to see you.

Governor CARPER. Thank you, Senator.

Senator DURENBERGER. I thank Jack Danforth for the way in which he expressed his concern and I can't help but think about both this committee's retiring members of which I also count myself fortunate as being one, and those who will stay on. I have been here 16 years and we have been struggling with these same issues for all 16 of those years.

I suppose my particular frustration is connected to my belief that we ought to do health care reform and welfare reform at the same time. When I see what we are doing on welfare reform, it is such a small piece of the larger problem. Whereas, in health care reform, we are trying to look at it much more globally. I get a little frustrated that we cannot see an opportunity to really deal with what is welfare, what is income security, who are the recipients and how best should we deal with their income security.

So when I see the sort of piece meal approach to reforming the welfare system that is before us right now, it is frustrating. I think you and I have talked in the past about the need to deal with the coverage issues on health care and the universal coverage issue in some larger context.

Part of real reform is to straighten out the relationship between Federal and State Government. Part of it is to get rid of the Medicaid approach and try to convert ourselves to a system in which we subsidize access for all people, low income persons in particular, on the basis of their income, to all of the basic medical care and health care that they need through a mechanism like an accountable health plan as opposed to what they can get in a community setting—public health services, community-based social services, etc.

This has been a frustration for me since 1982 in particular. The Governors of the States no longer seem to deal with this, so why do we not just take on this whole thing and resolve it for once and for all.

In Minnesota from 1967 to 1970 when my law partner was Governor and I was the Chief of Staff, we spent most of our time ad-

justing to the categorical approach in solving our problems with Federal money. We tried to say, to the Federal Government, hey wait a minute, let us develop some kind of a partnership.

Jack mentioned community schools. We had a conference in Minnesota in 1969 on community schools, called "A Conference on the Lighted School House"—the same theory, 24-hours a day, keep them open. The problem was that the bureaucracy in education and other things like that made it difficult for it to contrive.

So, most of our communities and many of our States have really invented the solutions which have come out of Washington and been converted into categorical approaches which we have backed in the form of money and mandates and so forth.

I do not ever doubt the capacity of our communities to deal with the problems we face. The difficulty has always been resources. How do you match up resources in a community with the need? I have learned in the City of Minneapolis that we are still resource rich, but we cannot match the resources with the needs because over the last 20 years we have so categorized everybody.

One person has six different needs, six different programs, and six different bureaucracies to get at. And in one way or another, whether it is welfare or Medicaid or whatever you call it, all of these sort of categorical approaches to dealing with the problems that Jack talked about, seem to be a major impediment to getting on with the problems that he talked about.

So, Nancy has asked me to look at her proposal for a welfare-related swap. I recounted the experience we had in 1982 with President Reagan's proposal, which Dick Snelling and I, and a couple of other people designed. We said to the Governors and the local government, we will take on Medicaid if you take on AFDC and food stamps.

In addition to that, we put all of the categorical and health and social services into one pot. Then we put all of the Federal excise taxes in another pot. And we said for the next 4 years you Governors, working with local government, if you agree to the first swap we will do Medicaid at the Federal level, you take back AFDC and food stamps.

And you can draw down, you can take back to your States and communities responsibilities for all of these categorical programs because you know darn well you can do those programs in your communities a lot better than we can do them out of Washington, DC.

Then, after 4 years you get to take back all those taxes too, because you need the money to pay for them. So, Nancy now has a variant on that, which is WIC, food stamps, and AFDC in part, for Medicaid in part. What she does not have, is the other part of it—these community based programs, which have been categorized here in Washington, DC, and which we ought to get back the communities as quickly as we can.

So, maybe you would just give me your general observations about what we call it the intergovernmental community and what we call SWAPS. Give me your instincts having been here as a Representative and now as a Governor about the appropriateness or the timing of trying to engage in some kind of a major reform effort.

Governor CARPER. In the year that I have been Governor, I have not been party to any discussions that I can recall among our States' Governors or our Nation's Governors that would involve the kinds of swaps that you are suggesting or that are included in the Kassebaum legislation. But I am not well prepared to speak on behalf of our Nation's Governors.

As a member of the House of Representatives I supported an initiative of Congressman Jim Cooper with respect to health care and its approach to use markets and basic laws of supply and demand to try to help address our needs for health care, the ones that I think were appropriate.

Part of his approach on health care reform as you may know—and I think Senator Breaux—

Senator DURENBERGER. Jim got it from John.

Governor CARPER. Or borrowed from whoever. You have a good plan and it is one that I would encourage you to pursue. I did not realize who the fathers are over here.

Senator DURENBERGER. We are just more modest.

Senator BREAUX. Absentee fathers.

Governor CARPER. Part of what I think Congressman Cooper was believing on Medicaid is that the Federal Government as I recall it should address the acute care needs through Medicaid but the States would develop over a period of time an approach on long-term care with respect to Medicaid.

I am just not sure what the right approach is. It is the kind of thing, we are talking about changes of that magnitude. It is the sort of thing that we need to have a chance to sit down to talk amongst ourselves as Governors which I do not believe we have done. And then to have a dialogue with you in order to really be able to make some sense out of it.

I would say, going back to an earlier point that you made, Senator, you talked about your frustrations with our inability to deal with this issue, I would just say, I am encouraged after having been Governor for about 12 months that if the States are given the flexibility that were asked for, the States have been given through waivers and this administration has been generous with respect to waivers, I believe we can deal successfully at least within part and in a significant way with the problems we face.

You talked about the importance for health reform. I think health care reform—welfare reform without health care reform is an empty promise. One of the biggest impediments in my State and I think in any State for a person to go to work and continue to work at a low-paying job, maybe a job without a great deal of personal satisfaction is the fact that you may lose health care for yourself and your kids after a year.

And for a person with small kids or not so small kids, and for yourself, that is a major concern. That is an incredible disincentive for people to remain at work. That is why it is so critical for us to deal with the issue. We are trying to deal with it on a micro level in my own State, as are most of the other States. I would encourage you to continue to give us the flexibility that you have shown there as well.

But it is important that you go forward. I strongly encourage you and Senator Breaux and others to pursue that.

Senator DURENBERGER. Thank you.

Mr. Chairman, just one last follow-up, a comment. Yesterday Bob Dole raised the issue of that health care does not respect State boundaries. I agree with him totally. In Delaware, I think that 70 percent of the health care dollars that go to providers in Delaware come from people that do not live in Delaware. You have that percentage maybe because you are small, you have terrific health care facilities and people from surrounding areas are coming to Delaware.

But the same thing is generally true in many of our States. Health care delivery does not respect State boundaries. This sort of State-by-State approach to regulating the health care system is not going to work for people who live in one State, work in another, get their health care in a third, and go to the Mayo Clinic or to Johns Hopkins for example.

To a degree, the frustration from Minnesota is that welfare is the same thing. The notion that Nancy says that we can give welfare back to the States and let them decide how best to do it, defies the fact that while people may have a residence address in a State, they may live, work, earn their income from a variety of sources that do not respect State boundaries.

One of the things that States seem to do well is make sure that adequate services are available to people. One of the things that States do less well is to make sure that those services are financed for the individual people involved. People come from all over America, particularly from the south, to Minnesota, to get access to a very generous welfare system. The decision we have made in Minnesota, is not to serve the country's poor and needy, but to take care of the needy in our own State.

So, if you do not have some kind of a national approach to this problem, if you leave it totally State-by-State, my concern is that we really have not dealt with it as appropriately as we could as a nation.

I just do not consider welfare a State problem or a local problem. I think it is a national problem. These are people of the United States. I think that while I am very frustrated with the way the national welfare system has been working, I also have a hesitancy about saying we are going to let every State decide how to meet the needs of American citizens. I am troubled about that.

Governor CARPER. I think just as with respect to health care, it is appropriate to have a Federal frame work to give States the flexibility to operate within that frame work. I think the same is true with respect to welfare reform.

Mr. Chairman, I again want to say to you and to Senator Durenberger, thank you for the chance to present on behalf of the nation's Governors our views on welfare reform. We do not pretend to have all the answers in any one State. And collectively in the 50 States with you, I think we do have some good answers and with the spirit and team work and cooperation that we will make a big step this year towards changing the expectations and making it possible for people to be self-sufficient, which they want for the most part and we want them to have.

Senator BREAUX. Governor Carper, we thank you very much. We appreciate your statement on behalf of the National Governors' As-

sociation and certainly pledge to work with them, as opposed to dictating to them what the law should be. So we thank you for your presentation.

Governor CARPER. Thank you, Mr. Chairman.

Senator BREAUX. We want to welcome up a panel of two State Representatives speaking on behalf of the National Conference of State Legislatures. We welcome State Senator James Lack, a Republican from East Northport, NY, who is chairman of the New York State Senate Committee on Judiciary and vice president of the National Conference of State Legislatures; also State Representative Bill Purcell, a Democrat of Nashville, TN, who is the majority leader of the Tennessee General Assembly and is also chairman of the General Assembly Select Committee on Children and Youth.

Gentlemen, we welcome you both and are very pleased to receive your testimony on behalf of the National Conference of State Legislatures. As we indicated, the Congress is very concerned about maintaining a good working relationship with our State and local officials, particularly on this issue, and look forward to your statement.

Senator Lack, welcome.

STATEMENT OF HON. JAMES J. LACK, NEW YORK STATE SENATOR, AND CHAIRMAN, NEW YORK STATE SENATE COMMITTEE ON JUDICIARY, AND MAJORITY STEERING COMMITTEE, ALBANY, NY, ON BEHALF OF THE NATIONAL CONFERENCE OF STATE LEGISLATURES, ACCOMPANIED BY SHERI E. STEISEL, DIRECTOR, HUMAN SERVICES COMMITTEE, NATIONAL CONFERENCE OF STATE LEGISLATURES

Senator LACK. Thank you, Senator Breaux, Senator Durenberger. It is a pleasure to be here in my capacity as vice president of the National Conference of State Legislatures. Representative Purcell and I are joined on my left, your right, by Sheri Steisel, who is director of the Human Services Committee of the National Conference.

Let me join Governor Carper in also paying very deep homage to Senator Moynihan, the chairman of the Finance Committee, for his longstanding role involved in welfare reform. I should probably say as an aside it is nice to be in Washington out of a State where you can say welfare reform, because in the State I come from, if you mention welfare reform as a member of the State Legislature, you are not only politically incorrect, but you are liable to run into a lot more trouble than that.

I think Senator Moynihan underscored that by just last year in a preamble called "Prisoners of Charity," a Public Policy Institute report in New York in which Senator Moynihan wrote the preamble in which he very accurately portrayed on a historical basis, interweaving New York's situation, the history of social services and welfare and the changes that have taken place from that which was originally intended back at the time of the Great Depression.

So we are, indeed, both on behalf of NCSL and I might add on behalf of the Senate Majority in New York very indebted to Senator Moynihan.

Governor Carper touched on a lot of points for which NCSL and NGA are in agreement. In fact, for only the second time in its history, NCSL together with the National Governors' Association, the American Public Welfare Association, and the National Association of the Counties, and the United States Conference of Mayors joined together to form a working group on welfare reform, underscoring the difficulty—and I think Senator Durenberger was talking about it just a few minutes ago—the difficulty of trying to on an individual basis see how we can indeed reform welfare in this country.

I will not in my remarks go over the points that Governor Carper made and, of course, our formal testimony is filed and for the record before the committee.

What I would like to do is underscore and stress two additional points. Of course, one point that does bear repeating, and that is that a welfare reform policy could give States a maximum flexibility and be funded without shifting costs to the State. I do not think you will find any organizations, State Legislatures, Governors or local Representatives that, of course, when appear before the United States Senate and say that.

Let me also say, in terms of my background in New York which has been Chairman of the Senate Labor Committee until very recently, for the past 9 years until the beginning of this year, as I have sat through various panels dealing with welfare reform, the point of where we go at the end, as Senator Breaux you mentioned time limitations, is, of course, to me the most important aspect.

We have had in New York on the series of hearings I ran in the State Legislature some 100 to 150 job training programs. I think if you threw in job retraining problems that number would more than double. They are beset with duplication. I am not proud of our State's record. By the same token, I am also not proud of the Federal Government's record as well.

As we look at welfare reform and what comes at the end of it, if there cannot be an avoidance of the duplication in job training programs and job retraining programs setting an arbitrary time limit obviously will be of little affect.

Programs must be much better coordinated, much better targeted. The inability to stop turf fighting both between State Governments and Federal Governors and on an interesting basis between State Governments must also be eliminated.

One other place which we feel there is a great problem would be any attempt by the Federal Government to find savings by eliminating SSI benefits to elderly, needy and disabled legal immigrants. The largest group of illegal immigrants in the State of New York are elderly Russian Jews.

My daughter is a senior at Columbia University majoring in Russian studies and has spent a good deal of time trying to work with that elderly population in the Borough of Brooklyn. Indeed, both she and I have been to what was then the Soviet Union, now Russia, several times trying to target and work with that population.

Eliminating Federal aid to it will not eliminate the need. Of course, it will shift the burden from the Federal Government to the State Government, vastly increasing our costs. But the taxpayers, that is our taxpayers, will certainly bear that burden.

We do not believe at the State level that welfare reform legislation is the appropriate place for the immigration debate. I would say that other than that, again, I would underscore the maximum flexibility to be funded without shifting costs to the State and anticipating a question of Senator Breaux, NCSL has not at this point developed a full policy on time limitations for welfare recipients.

That is under scrutiny. We are apprised of The Washington Post article as well this morning. I would say to echo Governor Carper, at first blush we would find that favorable as well. The huge increased costs to try to fund job training and retraining programs without limiting it to a certain segment of the population, we have not found to be financially desirable.

I thank you for the opportunity for my limited remarks. As I said, my remarks are on file with you and we would be available to answer any questions you might have.

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

Senator BREAUX. Thank you very much, Senator Lack.

We welcome now State Representative Bill Purcell, who is majority leader down in Nashville. We are glad to have you with us.

**STATEMENT OF HON. BILL PURCELL, MAJORITY LEADER,
TENNESSEE HOUSE OF REPRESENTATIVES, NASHVILLE, TN,
ON BEHALF OF THE NATIONAL CONFERENCE OF STATE
LEGISLATURES**

Representative PURCELL. Thank you, Mr. Chairman. I am honored to be in such distinguished company in every part of the room today. As the Chairman indicated in my initial introduction, I serve as the chairman of our Select Joint Committee on Children and Youth in Tennessee, as well as the Chairman of the Human Services Committee of the National Conference of State Legislatures and member of our welfare reform task force.

It seems to me that we are together here at an extraordinary time of consensus about the welfare system in America. The public hates it. Recipients hate it. Politicians hate it. Business hates it. And, frankly, if I have left anyone out in that list, it was strictly unintentional.

This is one of the few programs that even the bureaucrats hate, I think. They are not all prepared to change it, but certainly none that I have found are prepared to defend it in its present form at the State level, and I think at the national level as well.

There was at least one time, I think, when we had such a consensus about all of that and that was nearly 60 years ago when we decided we should aid children in America who were dependent on us for assistance. It was a time when we understood the rather simple admonition in Ecclesiastes, the simple statement that: "Better is a poor and a wise child than an old and foolish king."

What happened to our understanding of the admonition over these 60 years may never be clear to any of us, and it may not be necessary for us to fully understand all of that. But it is clear that the system got older and more foolish and increasingly lost sight of the children that we had committed to assist.

State Governments, we believe, and State Legislatures, are in a particularly good position to speak to the needs of these children

and families. We see them daily. Some of them only briefly at times of crisis, others for a lifetime. We see them in our Human Services offices and we see them in the wide variety of institutions that we have created in part, quite frankly, to handle our failures.

We all see it somewhat differently. I acknowledge that today. Not for partisan or strictly regional reasons, but because the cause and effect of poverty is different within and without our system. Mr. Chairman, that was especially apparent to me not 6 weeks ago, last December, when my mother and my daughter and I made a trip from Nashville by car to Ferriday, LA where she was raised, and then on to Tallulah, LA where my grandfather retired not all that many years ago. And it was clear then, as it is now, that the realities of both the causes and then the problems vary not simply from county to county but parish to parish, and as I think this committee knows well, State to State.

In Tennessee we are nearly 5 million now. When I entered the legislature in 1986 183,000 of my fellow citizens were receiving AFDC. Last month that number had gone to 281,955—one out of seven Tennessee children now receive AFDC benefits.

In Tennessee we know what is not universally believed, I suppose at this point, the parents of those children, and I believe the parents of the children in all of the States of the country, prefer on the whole to work. Our JOBS program in our State, as in most States, has been a tremendous success. JOBSWORK, as it is called, has shown that these individuals, these parents, these recipients would prefer to work.

In Tennessee the program is strictly voluntary and yet almost 10,300 recipients per month benefit from the program. We have met the Federal requirements for participation in the JOBS program on a voluntary basis, again without difficulty, from the inception of the program. And the program works. Fifty percent of the families who have been followed from the JOBSWORK program have remained off of AFDC; 50 percent of those families have remained employed; 34 percent of them have been removed from the food stamp rolls in Tennessee.

But less than 20 percent of those eligible in Tennessee can be served. Funding is never easy. Every witness, I am sure, will say that. In Tennessee, unlike New York, however, we have not had the funding even to meet the match that the Federal Government would allow us. The funds simply are not there. Though we know could we do that, more would be served, and more would be working, and more would be off, not only of the AFDC program, but obviously food stamp and all of the related programs that concern us today.

Second, and particularly for the National Conference of State Legislatures, a focus for us and a need that must be attended to is child care. The need here is great, not simply as a welfare program. Again, not 10 years ago, when we first assessed the need we found that only one child in five had a child care placement available to him or to her. That was not a welfare figure, that is simply a figure for all of the children of Tennessee.

In 10 years, despite our best efforts and the help of the Federal Government in many ways, that number has not changed significantly—16,000 children now receive subsidized child care each

month and we will expand that with the help of the Federal Government as well. But it is not nearly enough and, obviously, it is a threshold issue for us, the Senate, and for this country as we think about the need for people who want to work and the need for all people who can work to work.

Let me make several other points quickly if I might. As was indicated, I think, by the Governor, and I am sure the witnesses in past hearings, welfare reform in our opinion cannot be achieved without health care reform. We have in Tennessee withdrawn from the Medicaid program and begun an experiment called TennCare, led by our Governor, Ned McWherter, which does break the link between health care and welfare, a link which I need not explain to anyone in this room, has so long driven decisions that ought never have been required—stark kinds of decisions that mothers have to make about whether they work or whether their children will be able to go to see a doctor.

Second, we affirm the importance of what this Congress has done and what the Senate has led on in the establishment of the earned income tax credit and its expansion to its present levels. However, I admit to you now it is a program that many legislators do not understand and if many legislators do not understand it, then I think it is unlikely and, in fact, we know objectively that most recipients and potential beneficiaries do not understand even now what they might do or should do to have the benefit of the earned income tax credit.

We need more outreach. We as States can do a better job. The Federal Government, we hope, can help us do that.

Fourth, States require—and about this, again, I think Senator Lack was clear and others who testified here today were clear—as well—we require maximum flexibility at the State level to implement employment and training strategies that are tailored to the particular circumstances of each and every one of our States.

Options, we think, exercised through State plans and State plan amendments are preferable to waiver authority, providing us the opportunity to choose different approaches based on where we are as opposed to putting each State through a waiver process that leads at the present in a more flexible environment to a variety of destinations—in the past and perhaps the future not as easily obtained as it is at the moment.

The option approach we think is the best approach both for States and for this country. We also think as you perhaps would expect that waivers, whenever required, should not be acted upon by the Federal Government until State Legislatures and State elected officials have at least been consulted about the direction in which that particular State is headed.

About all of this, let me say, we are very hopeful. I think both at the National Conference of State Legislatures and within Tennessee, and I believe the various States of this country. And we agree very much and very strongly with the Chairman of this committee that this is the year that we need, we must move forward on this issue.

I admit, however, that we have fears, as many who will testify do. When done right, this process it seems to me, will allow our

citizens to achieve the dignity of work, families will be supported, and children will be sustained.

Done wrong, on the other hand, those same families will be forced from one broken system within our States to what in many instances, if not in all, are also seriously flawed if not broken systems, and in most cases, much more expensive systems—the systems of foster care, the systems of other kinds of health care, and for that matter long term systems which now explode in so many States dealing with issues of violence and crime.

In conclusion, let me say simply that in years past State Legislators watched while the Federal Government announced that an important parade might soon occur and we were pleased because, Mr. Chairman, we all like parades. We watched while the Federal Government announced that the parade is now occurring and that rules and regulations will follow and often they did, although not quickly in many instances.

But we were pleased about the fact that that was occurring, although anxious because in many instances we could not at the State level see the floats and only barely hear the music.

We watched while the Federal Government reported in the past the conclusion of the parade and we were initially pleased, until we discovered that we were going to be asked to provide at least 20 if not 50 percent of the cost of the post-production and cleanup for what had occurred.

I believe this is a very, very different time and a very different approach. I think this Chairman's comments and the work that you have done as Chairman and the work of this committee very clearly indicates to us that this is a different undertaking. We hope and believe, and strongly believe, that this committee's commitment is to create a true partnership with State Governments from the inception through the implementation of welfare reform in this country.

And we believe with that further encouragement we have that same signal from the Executive Branch as well. Which makes us believe this is the year in which we will return, I think, to that scripture, and that the poor and wise children of Tennessee and New York, Senator Lack's home, and Louisiana and America, and their families really will receive the assistance that we have so long promised them, instead of the dependence that we have so long encouraged.

I could not be more genuine in my appreciation of the Chairman and of this committee, of the time that you have committed to this, and of your commitment to move forward in a very unique and important way. That is both on behalf of the National Conference of State Legislatures and the State of Tennessee.

[The prepared statement of Representative Purcell appears in the appendix.]

Senator BREAUX. Well, thank you very much, Representative Purcell, for your statement and your thoughts and your suggestions, which I think are very, very important. I did not want to ignore, but I did not know the name of Ms. Steisel.

Ms. STEISEL. Steisel.

Senator BREAUX. And you are on with Senator Lack's office?

Ms. STEISEL. I am the Committee Director for Human Services for the National Conference of State Legislatures.

Senator BREAUX. Oh, okay. Good. We are pleased to have you here as well.

Ms. STEISEL. Thank you.

Senator BREAUX. Let me ask Representative Purcell a little bit about what you have done in Tennessee because I was interested in the fact that you have apparently met the requirements of the JOBS program to have, in 1995, 20 percent of the eligible recipients enrolled in the program.

I am interested that you have done it voluntarily. Some States penalize people who do not come into the program if they meet the eligibility requirements.

It is interesting that you have been able to accomplish that. Is that the way Tennessee would like to go to increase that type of a program as a way to reform the system?

Representative PURCELL. At this point, all of the information that we have and the follow-up work that we have done indicates that we have thousands more recipients who are prepared today to enter the JOBS program if there is just space available. That means, frankly, the resources available.

We are, even with the expansion of resources concerned as any State would be about the difficulty in expanding particularly the educational resources as quickly as we need to. We have a large community college system, as do most of the States in this country, but it is difficult, as I think everyone in this room understands, to make that system expand overnight to increase enrollments.

But the prerequisite, very frankly, is having the resources available to allow those people who want to participate to participate. There may at some point come a day when we find the necessity of sanctions.

Senator BREAUX. Let us talk a little bit about the proposals to put a 2-year or whatever figure is used limit on welfare benefits. I take it that the National Conference of State Legislatures has not made a specific recommendation on that. But could you share with the committee your thoughts about the suggestion in the press this morning, that the administration was considering a proposal that would gradually phase in this concept of a 2-year time limit on welfare benefits by starting with younger recipients, 25 years and younger, gradually raising that figure up.

One of the purposes, I would imagine, is to try and limit the task of trying to immediately find jobs for that many people if everybody had that limit all come to the deadline at the same time. Do you have any thoughts about this initial proposal?

Representative PURCELL. Well, Mr. Chairman, as Senator Lack indicated—and let me say for the committee's benefit that Senator Lack unfortunately had to return to New York, and otherwise would have been here throughout to answer the committee's questions today. As Senator Lack made clear, and as the Chairman recognizes, the organization at this point has not reached a final conclusion.

Indeed, I suppose as most figures, the national level has not reached a final consensus about the best way to proceed on the issue of time limits. Speaking personally, but on the other hand

perhaps for a number of legislatures, no one I think objects to targets, to clear statements, to directives to indicate what was always the intention, at least in recent years, that welfare and this support tend to respond more to crisis and needs than to the long term dependency, certainly as it has evolved in recent years.

On the other hand, I think that our problem as the Chair indicated is the concern about creation of a time limit that is certain for the benefit of recipients, but at the same time then drops those individuals into a general assistance pool that is exclusively State in nature, drops them from programs and into the hands of a wide variety of other systems that I indicated in my testimony are ill suited to handle them, and in every instance nearly more expensive than the system that they are in, which is I know not something I am pleased to acknowledge.

But the foster care system, for example, into which many of these children may very well be forced is in our case two and three times more expensive than the system that these individuals—

Senator BREAUX. Well, if you could, just speak to what is happening in Tennessee, knowing that the NCSL has not taken a position. But with your JOBS program in Tennessee that is presumably doing very well, how does a time limit affect that program? I mean, we have all been around this track a number of times and have visited these centers.

I hear from some of the people who run the JOBS programs in various States, well, 2 years is fine for some but for others it is going to take longer than that. Some people are ready to go into the job market after 6 weeks, some after 2 years they still are not ready to move into the job market.

The argument is, all right, Congress, what do you do? Is it a flat 2 years? Do you have flexibility in that? It seems the administration is taking a more flexible approach. Do you have any thoughts about that?

Representative PURCELL. I think that the flexibility that the Chairman just described is in most instances better for States. It is absolutely true that again county to county and family to family you find a series of different circumstances.

The sending of a signal to bureaucracies and individuals on the ground that they have some targets to meet, that they have a framework within which to act, that it is not enough simply to open the file and move on to the next emergency, I think sends a terribly important message into every portion of a welfare bureaucracy that in some cases is immobilized both by the size and the resource issues that they face.

But I also think that as the Chairman indicated that the flexibility that is now apparently being considered, the approach that recognizes that we are not likely to be ready next month or the month after that with enough child care or enough work or frankly enough educational possibilities to provide for all of those individuals who are going to begin having to work under the clock is appropriate, and I think would be welcomed at least in my Capital.

Senator BREAUX. One final thought I would like you to comment on, that is the whole question of the type of jobs that these people will be moved into. Some will make the argument that, well, we will continue welfare but make people work for it. They will con-

tinue to get a welfare check, but you require work, community work or what have you in order to get that check.

Others say no, I would rather take the welfare check and help subsidize perhaps the private sector to hire these people so that the recipients are now working in the private sector and we are helping the private employer hire these people through subsidizing the wages directly. And we have the targeted jobs tax credit, and there has been a mixed bag of whether it is working or not working.

Do you have any thoughts about where you would come from on this or where maybe the State Legislatures would come from with this concept?

Representative PURCELL. I think the organization would, although we have not taken a formal position at this point, tend to be supportive of providing the mixture of opportunities to possibilities. In the child care area in Tennessee, for example, where we have had the opportunity both to subsidize and then also flat provide through brokerage, individual child care spaces, the mixture seems to work best county by county.

I think the same thing is likely to apply here. As the Chairman suggested, there are a number of approaches which are being attempted and I do not think at this point that either our experience at the national level or at the local level tells us that one is absolutely going to be a final solution for us, but allowing a mixture of those approaches, allowing States, I think, to balance that approach over at least the next few years as we transition into this, if that indeed is what the national government determines we ought to do, I think would be a traditional position of the National Conferences of State Legislatures and likely one that would be most appreciated.

Senator BREUX. Senator Durenberger?

Senator DURENBERGER. First, thank you for being here. I assume you were here when I asked my question of Governor Carper.

Representative PURCELL. I was.

Senator DURENBERGER. I earlier called what I was feeling frustration. It is no longer frustration. I came to public service the first time in 1967 sort of by accident when my law partner got elected Governor, then I came to this job by accident also in 1978.

One of my observations as I reflect on it, and in the meantime, one of the things I sought out when I got here and Republicans got to be a majority, is that Ed Muskie made famous a subcommittee over in Governmental Affairs called Intergovernmental Relations. It was a terrific place and I went there. For the 6 years that we were in the majority we wrestled with the different relationship in our Federal system.

In 1986 we went into the minority and the other folks took over, and I do not think there is any relationship between that and this. It is just that the interest in intergovernmental relations by 1986 had pretty well disappeared. One of the reasons is that Russell is not here anymore—He used to lecture on the parishes and the sheriffs.

Senator BREUX. Are you suggesting he should be back?

Senator DURENBERGER. No, not for his good. No, not at all, John.

But this was a place where at one time because of people like Russell, we did spend a lot of time talking about the sheriffs and parishes and local stuff. We do not do that anymore.

In fact, they do not even have the old subcommittee, whatever it is. It sort of blended into the District of Columbia or something like that. When I go back home I sort of get the impression that folks think that everything starts in Washington, DC. Yet, when we have these hearings I find out that all the creative things are still happening back in Tennessee, and even New York, to say nothing of Louisiana and Minnesota.

One of the things that I notice has changed about the process and that I tried to reflect in my questions to Governor Carper is that it is really difficult to be a State Legislator, a Governor a Mayor or a School Board member and so forth today, because you are dealing with such a wide variety of funding sources and mandates, that are outside your jurisdiction.

When something goes wrong, there is always a temptation to blame somebody else. I go to School Board meetings at the local level, which is supposed to be the most localized of all public services and I hear them blaming the folks down in the State Legislature. I then hear them blaming the folks in Washington.

So, one of the things that seems to be missing in the system today that I think you reflected in your comments is the issue of accountability. How are the welfare eligible and the recipients, how are the administrators, how are the cops—everybody in our system who is blaming the system, who do they hold responsible?

That is why I tried to raise the issue of whether there some way to get beyond first tinkering with welfare and really decide that it is really an income security issue. We ought not to povertize people in order to make them eligible for certain services.

When John and I propose to do coverage reform we talk in terms not of putting people in welfare or putting people on Medicaid to make them categorically eligible. Instead there will be a national subsidy under the cost of health insurance and it will relate to your income. As your income goes up, the subsidy goes down. But the subsidy is always there. It is always there.

You do not have to go to an office and apply for it. You do not have to have a dependent child to be eligible for it. It relates to your income. That is just in the medical access area.

We could do the same thing in housing I assume, except we have such a wide variety of housing programs, a lot of them created out here, so that would be pretty hard to deal with. It strikes me that one of the things we need more than anything else is some consensus as to whether these people in need deserve a national response or is this just something we can do state-by-state. Maybe it is something we leave to every community?

I have been taught by my experiences here to believe it is a national responsibility. I mean these are people of the United States of America. Now, how we determine who needs what is probably best done at the local level. So the challenge in John's questions and I think the challenge in your presentation is how do we redesign the system so that we acknowledge that we have a national responsibility here? It is not something we dump on others.

Yet we recognize that the match of need and service and so forth will have to be done at a local level. Is there an easier way? Is there a silver bullet that somebody talked about earlier to help us do that?

Representative PURCELL. I do not believe there is an easy way and I do not believe that the Chairman or any other member of the committee believes there is an easy way, although I know we have all searched for one.

I think as to the first part of the issue, which is helping America understand where the burden is, that frankly this meeting this morning and the meetings that will follow will do a large part, provide a large part, in helping folks understand that it really is a collaborative effort, that it is not something that is just happening here in Washington, or just happening at the State Capital or just happening down at the local welfare office.

I think that can come through the concerted attention that the Chairman called for during this year and at the end of this that there will be an understanding about that collaborative need and the fact that there is not any time to point fingers at one State Capital or another State Capital or for that matter City Hall because in the end as you suggested, Senator, I think it is a responsibility of us as a country.

I do not think that the National Conference of State Legislatures would object as an earlier suggestion was made to obtaining responsibility or authority over any one particular area of responsibility at the State level. But on the other hand, if that grant of responsibility does not recognize that the State of Louisiana and the State of Tennessee and the State of New York have considerably different abilities to deal and cope with these problems, then we will have simply doomed a large number of children to suffer only because resources for whatever reason were not placed within their State at the time of their birth.

That, I think, is the point you are making and it is the point to which I would agree and I believe a point with which the National Conference of State Legislature would agree.

Senator BREAUX. Thank you, Senator Durenberger.

Thank you, Representative Purcell. I would really ask Ms. Steisel and you, and all the members of the State Legislature Conference to take a look at some of these concepts that we are talking about and let us have your feedback. It is very, very important. This is an evolving process.

We do not just want to hear from you today and forget about you and then go write a bill. I mean as these things develop we really would like your participation and your suggestions. I think that what is in the press today is sort of a trial balloon, if you want to call it that, that people will be able to comment about. We welcome your comments and want your input because we certainly cannot do it alone, nor are we going to try and do it alone.

It is a problem for all of us to participate in finding the solutions to it and your testimony has been very helpful in that regard. Thank you, Bill.

The CHAIRMAN. Thank you very much, Mr. Chairman.

Senator BREAUX. At this time we will do a final panel and will invite our two distinguished Mayors, as well as the Commissioner

of the Connecticut Department of Social Services to join together on this panel.

We welcome the Mayor of Kansas City, Missouri, Mayor Emanuel Cleaver II. He is representing the United States Conference of Mayors this morning and serves as chairman of that organization's Committee on Criminal and Social Justice. He will tell us about what is happening in Kansas City. —

Also Mayor Stephen Goldsmith of Indianapolis, Indiana, who will speak for the National League of Cities, who will tell us about welfare reform in Indianapolis. He is a member of the National League of Cities Task Force on the Future of Youth.

Also joining with us is Ms. Audrey Rowe, who is the Commissioner of the Connecticut Department of Social Services. She is here today on behalf of the American Public Welfare Association, which represents the State Human Resource Departments and local public welfare agencies throughout the United States. She is a member of that organization's board of directors and is chairman of its Committee on Education, Training and Employment, and we welcome all of you and are anxious to hear your thoughts on this very important issue.

I would like Mayor Cleaver and Mayor Goldsmith first to tell me, so I will understand, the difference between the United States Conference of Mayors and the National League of Cities.

Mayor CLEAVER. Well, the United States Conference of Mayors is an organization of only Mayors of cities of 30,000 population and larger. The National League of Cities is an organization of elected officials in governments—mayors, city council members, commissioners, alternates, whatever they may be.

Senator BREAUX. I wanted to have that on the record and I thank you for that explanation. We have, Mayor Cleaver, you listed first. If you would like to go, we would be pleased to receive your testimony.

STATEMENT OF HON. EMANUAL CLEAVER II, MAYOR OF THE CITY OF KANSAS CITY, MO, ON BEHALF OF THE U.S. CONFERENCE OF MAYORS

Mayor CLEAVER. I appreciate this opportunity to provide you with the position of the United States Conference of Mayors on this very important issue of welfare reform.

In June of last year at our annual meeting, the U.S. Conference of Mayors, we unanimously adopted a resolution which I proposed, which established our principles for welfare reform.

The policy resolution states that any welfare reform proposal which the nation's mayors will support should include but may not be limited to the following: the availability of jobs which pay a living wage, health care coverage, and child care.

We believe that it would be impractical to put in place any kind of welfare reform package that would push a welfare recipient into a position where he or she ends up on a job of minimum wage and they would end up spending a third of their salary on child care and maybe another third of their salary trying to get some kind of inadequate insurance coverage.

So we believe that such a reform package should include a living wage, health care and child care. We believe also that provisions

which encourage fathers to assume their responsibilities for providing both financial and emotional support to their children should be included.

Welfare benefits that are sufficient to maintain a standard of living compatible with health and well being and which remains available for a period of time determined by the client's need rather than an arbitrary time limit. I think that we have gotten into a situation now where we have these catchy time periods and I think it sounds good, but time limited benefits could actually create a worse situation in this country than the system we have in place.

It is okay to have 2 years and you are out as long as you are out in a better job or in a job or in a situation where you are training for a job or where you can get child care. We also believe that a system should be in place which is based on incentives rather than is punitive in nature.

Now in Kansas City, Missouri we have put together a program called The 21st Century's Communities. And in that program we believe that we can legitimately call it a welfare reform program because we take the welfare payments and submit it to an employer who then gives it to the employee and the weekly or bi-weekly check should not and will not drop below whatever the welfare payment was.

We believe that that provides the worker with a level of dignity that is commensurate with citizenship in the United States. And if we are to transition welfare recipients successfully into work, we need to pay a lot of attention to our employment and training system. But the welfare system needs to be more closely linked to the employment and training system and changes to and expansion of that system should accompany welfare reform activities.

There need to be more incentives in the employment and training systems to serve economically disadvantaged persons, particularly welfare recipients. In addition, there need to be links to and support of local economic development efforts. We also believe that our 21st Century project can legitimately be called an economic development project because we will be able to offer companies relocating in a central city, maybe in an enterprise zone or an empowerment zone an opportunity to have employees trained and put in positions with a subsidy.

I think that would be enticing to a number of employers looking for an opportunity to relocate. We urge you to enact legislation this year which will establish a JOBS program that will enable us to put Americans to work at jobs for which there is a real need.

Senator Boren's Community Works Project Act is such legislation. It would make it possible for cities to create jobs and provide an important employment opportunity for low income, unemployed persons and for our young people. The benefits are mutual and we believe significant.

Not only would we be able to address important community needs, but we would be able to provide a salary and work experience to those who currently have neither. Now instead of being on the outside glaring at America, we need people who are on the inside and a part of the system.

I may be one of the few people in this room who grew up in public housing. For me, this is not an intellectual discussion. I am not

going to talk about something I read or heard in a room of people telling jokes about a welfare recipient. I grew up in public housing. I can before the cameras give you the names, addresses and phone numbers of people with whom I am personally connected.

Because this is something very dear to me, I am concerned about the Senate Republican welfare bill because I think that that legislation would cut benefits to recipients who do not work or prepare for work.

Then I guess the most disturbing part is the part where we talk about the third offense or the second offense. It makes it sound like it is criminal behavior. I mean, we are criminalizing poor people and I am not sure at all that we want to tell people who are already pushed under the heels of our system that they are criminals.

I am also concerned about the component of the bill which requires that a potential welfare recipient or welfare recipient provides the names of possible fathers of a child. Now, clearly, I think that we have to make certain that any man who is a participant in the bringing of a child into this world is held responsible, financially responsible for that child. But I do not want to beat up on women and require that they go through some humiliating act of providing a list of names of men with whom they have slept.

I think that we need to understand that when we are talking about welfare recipients we are talking about human beings. We are talking about people, not props. We should be talking about health care reform and not some kind of draconian bill that would simply push people further down.

Whatever we enact should not destroy a person's somebodiness. When a person is in need of assistance, that should not be the beginning of the subtraction of their somebodiness. I also would like to point out, because of the way my testimony is going, that everyone I think believes, certainly the U.S. Conference of Mayors, in work and we all believe that welfare reform is long overdue.

But the work ought to be that which provides a dignity and dollars, decent dollars. We need to make sure that people who are given jobs are not just given jobs driving Miss Daisy. I mean, the jobs ought to have some significance to them.

Another provision in that proposal would deny welfare benefits to non-citizens. This proposal is one more major unfunded mandate for State and local government. And as you know, one of the things that we have been harping on and will continue to harp on are the unfunded State and Federal mandates.

Our national government sets our immigration policies but leaves it up to the State and local government to pay most of the costs of resettlement. Denying welfare benefits to non-citizens will just shift more of these costs to State and local government, costs which we cannot afford to absorb.

Our position has always been that we welcome immigrants to our community, that they contribute greatly to their economic and cultural vitality, but that the Federal Government needs to pay a greater share of the cost associated with their resettlement. Denying AFDC to non-citizens shifts costs to the local community and we simply cannot support that.

In conclusion, I would say that we have done something in Kansas City or we are in the process of developing something in Kansas City that could, in fact, be a model and certainly the program that we have developed still has warts. It still limps. But I also believe that we must not look at welfare reform in any fashion different than we do what is going on in the medical community.

Every day there are probably hundreds if not thousands of tests of potential cure for cancer. And every day many of those, perhaps all of those tests fail, but we have very few people who would stand up and say we need to quite wasting money by trying to find a cure for cancer. We go back to the laboratory.

I think we have an opportunity now because the nation is there to convert the capital in a great laboratory for health reform. And if we develop a program that does not work, then we go back to the laboratory. We simply do not stop. We have to continue to work on it and that, Mr. Chairman, is the position that I would like to place before you from the United States Conference of Mayors.

Senator BREAUX. Thank you, Mayor Cleaver. We want to explore that project—The 21st Century—a little bit with you.

[The prepared statement of Mayor Cleaver appears in the appendix.]

Senator BREAUX. Mayor Goldsmith, welcome. We are glad to receive your testimony.

STATEMENT OF HON. STEPHEN GOLDSMITH, MAYOR, CITY OF INDIANAPOLIS, IN, ON BEHALF OF THE NATIONAL LEAGUE OF CITIES

Mayor GOLDSMITH. Senator, let me speak briefly about the position of the National League of Cities, although many of the thoughts are my own and do not necessarily represent the view of every other member of the National League of Cities.

The welfare system is, other than crime, probably the most significant predatory influence in cities today. It destroys the market place. It destroys the will to work. It provides incentives for improper conduct and negative values. It seriously erodes any attempt to create wealth in our communities.

The issue can be looked at in a different, market-based way. As we approach the issues of welfare, I think we ought to acknowledge the fundamental question: Do we want the market place to work or do we want the market place to reduce jobs? We need to remove the barriers that welfare places to the development of market-based economies.

In the Midwest and the Southwest, prosecutors collect child support. I was a prosecutor for 12 years. So every AFDC mom in my city was my client. Our child support collections went from \$900,000 a year to \$38 million a year in the time I was prosecutor. But more importantly, it gave me a very important opportunity to get to know a lot of the moms in my community that faces these issues. These folks understand what is in their best interests.

They are intelligent, and they know that to take a job in the current environment will subject their children to harm. A rational mom in the current system will not go to work, and we need to look at these problems.

I recently went to get a pair of pants shortened. The tailor was a fellow who has been there for a long time and I asked, "how is business?" He said, "business is great, but it is awful." I asked, "why is it awful?" He said, "I am working 6 days a week, 12 hours a day." I asked, "why do you not hire somebody?" He said, "I would like to. I have an ad in the window, \$8 an hour; and the only folks who will work for me will be those who I promise to pay in cash because otherwise they would lose money if they worked for me. I cannot afford the rest of those benefits."

In our city, to break even you have to start in the wage sector at \$7.50 an hour and have your mom take care of your children. And that is well above the beginning wage rate in Indianapolis, Indiana. So, in addition to the other problems about welfare, we are destroying the marketplace as well.

Now it seems to me, if you look at these issues, there are four goals. I want to speak briefly about each of the goals. The first is to create jobs, obviously. We all agree on that, to increase the number of recipients who have secure, sustained employment.

We need to remove the barriers. We all recognize that the barriers of child care and medical care are so powerful that a rational mom on AFDC will not go to work. It needs to be transitional.

Second, it needs to be market based. There are a lot of very good models where all the Federal systems can be cashed out and serve as subsidies to private employers to hire folks who are currently on welfare. And if we use a market based program, rather than a categorical program delivery system, we can make great progress, such as the one that is being piloted in Oregon.

Third, I think we should consider micro enterprise efforts—and how to fund—the same way we have in public housing, small self-employment opportunities for people to have the real possibility to develop assets and provide services.

Fourth, and I think most fundamentally, concerns the 2 years and you are out of the program. I think we need to avoid creating massive public works programs, which really are welfare under another name, as a result of what happens at the end of the 2 years. We can come back to that in a second.

If our goal is to reduce the cost, Mr. Chairman and Senator, I would suggest that perhaps we ought to start by saying everybody on AFDC/welfare should be enrolled in a training program, a schooling program, or a welfare to work program.

Instead of saying we are going to tolerate 2 years of welfare and then dump everybody back into the streets, we ought to say a condition of you being on welfare is that you are in a training program. You are in school or you are in a work-to-welfare program or you are not on welfare. Some people ought to be out in a week; some people out to be out in a month; and some people ought to be out in 6 months.

Two years ago I had the opportunity to testify on a child support assurance proposal that the Senate and the House actually were considering. Some of the revisions in child support enforcement have been implemented by the Congress. Many other parts have not.

The interstate collection system is a disaster. The paternity enforcement system is not very good. There is a lot of money out

there to collect. The message needs to be strong to fathers that there is a risk to becoming a father. And the interstate collection of child support can be dramatically increased.

The Interstate Commission presented a report to the Congress. Implementation of most of those remedies would make a dramatic difference in the cost of the system. I was proud of the fact that, in Indianapolis, I think we led the country in the percentage of child support collected through AFDC. These issues, I think, are terribly important and need to be addressed.

Third, we need to pay attention to values. The welfare system needs to provide incentives for moms and dads to live together and/or to get married. They need to provide incentives and indeed requirements for minors to live with their parents. It needs to provide incentives and requirements that young children of moms who are on welfare go to school. And we need to provide incentives to save.

The idea that we penalize those folks who are on welfare who are able to save for their kid's education is actually grotesque.

Fourth, and finally, we have not talked about it much today, but I would recommend some consideration to the delivery system itself. The delivery system is part of the problem. There is no incentive for anybody in the system to get one of their clients or recipients off of welfare. There are very few incentive-based programs, outcome measured programs. Every job training program ought to be a performance-based contract, or the company providing the service does not deserve to exist at all.

We ought to experiment with charter welfare systems to give community groups and neighborhood groups and 501(C)3 church related groups an opportunity to provide services in a decategorized way, where we take the funding streams from the Federal Government and locate them in the neighborhoods.

And I appreciate, Mr. Chairman, your comments about mayors and Governors perhaps having been closer to the problem than Senators and Congressmen. Frankly, I think we are too far away from the problem. It is neighborhood based, community based organizations who are closer and we ought to allow them to furnish these services. I have had a welfare reform proposal pending for about 4 or 5 years, but cities who are not recognized in the system, really cannot operate without the support of States.

Today, the way the system is set up with Federal bureaucrats telling State bureaucrats to tell local bureaucrats to tell county welfare bureaucrats how to give money to folks who need it, by the time the money gets to the end, it is so tangled up and so diluted it makes little difference.

If those programs were decategorized, cashed out, family oriented, and delivered at the bottom, and if there was an incentive to get your clients off of welfare—now the more inefficient you are the higher the percent and the higher the total reimbursements you get from the Federal Government.

So I recommend that we look at the delivery system itself, which I would submit to you is part of the problem. If you put these things in a package, the welfare system in this country is not just awful, it is not just broken, it is the problem. It is creating the very

conducts that we do not want to occur. We need to respect the individualism of our recipients.

You cannot dehumanize and patronize the recipients and then be surprised when they are dependent and on welfare. We cannot subsidize folks who are not working and then be surprised when they do not work. We cannot pay people not to live with a dad and then complain about the fact that we have illegitimacy and single heads of households.

I think we ought to seriously avoid the temptation to pretend we have done anything by creating a 2 years and you are out program and then having everybody be on public employment. It does not strike me as a serious solution.

If we line up the incentives, if we change the delivery system, if we orient around values, and if we require everybody on welfare to be in a work or school or training program at the outset, and we give incentives to the people delivering those programs to get people off of welfare, it will make a dramatically more efficient resolution of the welfare problem.

So I would say finally that the message today is, if you play by the rules you lose. That is the message in urban communities. We are redistributing wealth to folks who are not having an opportunity to participate in our working environment. The market place of cities cannot sustain this. I would encourage you not to look for one magic bullet, but many that fit the varieties of behaviors in our local communities. Thank you very much.

[The prepared statement of Mayor Goldsmith appears in the appendix.]

Senator BREAUX. Thank you very much, Mayor Goldsmith.

We will now hear from Ms. Audrey Rowe, who is speaking on behalf of the American Public Welfare Association, representing the State Human Resource Departments. We are glad to have you with us.

STATEMENT OF AUDREY ROWE, COMMISSIONER OF THE CONNECTICUT DEPARTMENT OF INCOME MAINTENANCE, HARTFORD, CT, ON BEHALF OF THE AMERICAN PUBLIC WELFARE ASSOCIATION

Ms. ROWE. Thank you, Senator. Good morning. I am Audrey Rowe and I am very pleased to be here to speak on behalf of the American Public Welfare Association. It is our members who administer the programs which we are discussing here today and it will be our members who will administer the programs that will be the result of this deliberation. And it is from that perspective that I would like to briefly discuss two issues today in my testimony.

One is the implementation of the Family Support Act, Job Opportunities and Basic Skills Training Program and the second is to share with you APWA's recommendations to reform the welfare system. These recommendations are the culmination of over a year's worth of work by public administrators who came to Washington at least once a month for 2½ days of deliberations to really think through many of the issues that we will discuss today, and to think through how one may approach a 2-year limitation or mandatory work program.

We believe it is interesting that the current policy debate on the need to reform the Nation's welfare system comes about 5 years after passage of the Family Support Act, a bill that unanimously approved by the Senate.

This legislation, we think, reflects much of the discussion that we are hearing today with regard to welfare reform—the concerns with dependency, individual responsibility and work in place of welfare.

It is important that national policy makers understand not only the problems associated with welfare dependency, but the fact that some of our efforts today are actually working and we sometimes do not realize that some of the programs that we created years ago are working and are being successful, though modest in some of those gains. Clearly the enormity of the tasks and the fiscal constraints that we have faced since we passed the Family Support Act.

However, early findings from studies of programs in California and in Florida conducted by the Manpower Demonstration Research Corporation show that the JOBS program is having a positive impact on employment earnings and welfare savings. I think you heard earlier when we talked about Tennessee some of the positive impacts.

Judith Gueron, who is the President of MDRC, who testified recently before this Subcommittee, has said that the results from California and Florida confirm an emerging story about JOBS effectiveness in increasing employment and in reducing welfare dependency.

Nationally, there are approximately 500,000 people participating in the JOBS program each month. In fiscal year 1992 approximately 40 percent of those were in education activities and another 20 percent were in job training or in job readiness activities.

As you know, Mr. Chairman, the JOBS program was designed to target services to those who were long-term recipients or at risk of long-term stays on welfare. In fiscal year 1992 74 percent of those participating in the JOBS program were the hardest to serve. Nearly 43 percent have been receiving AFDC for 36 out of the previous 60 months; and over 18 percent were under the age of 24 and either did not have a high school diploma or previously not held a job.

In fact, of those served in the JOBS program in the year 1992, 42 percent had not completed the 12th Grade and 18 percent had failed to even complete the 9th Grade. State commitment to the JOBS program is reflected in the steady increase in State funds allocated for the education, employment and training programs. In fiscal year 1991 State financial commitments drew down \$40 million of the \$1 billion available in that Federal fiscal year.

By 1992 the States spent \$660 million of the \$1 billion available; and in fiscal year 1993 it is estimated that States will spend approximately \$700 million of the \$1 billion available, clearly indicating the States' continued increase and interest in participating in the JOBS program.

It is also clear that given that this program is working, even though our gains in the short term have been modest, that we need to spend more time looking and supporting the JOBS program. If we want the JOBS program to touch and benefit even more fami-

lies, however, we are going to have to make a commitment for more Federal funds.

We need to increase the current capped entitlement and Federal financial participation for the program. We need those resources now, not when we get a reform program passed and legislation implemented and wait 1 or 2 or 3 years down the road. We can make a difference in our welfare programs today if we can have increased support in the JOBS program.

As Congress considers welfare reform legislation, the APWA State and local human resources administrators stand ready to offer our knowledge and our expertise. The recommendations that we present this morning represent a bipartisan consensus of opinion among a broadly diverse group representing the variety of States' views on welfare reform.

The APWA recommendations may be the first bipartisan recommendations for welfare reform, although we hope they will not be the last. I might add that our recommendations are consistent with the policy recommendations you heard earlier this morning from Governor Carper and the National Governors' Association.

Our proposal builds in the Family Support Act and is based on the premise that welfare should reflect mutual responsibility on the part of the parent and the welfare agency. Therefore, we recommend that when applying for AFDC the parent should sign or must sign an agreement of mutual responsibility.

In signing this agreement, both parties enter into a contract. The welfare agency agrees to provide financial assistance and the individual agrees to participate in an assessment of their education and literacy needs, work experience, strengths, interests and personal circumstances, and the development of an employability plan outlining goals for employment, the responsibilities of the parent and the agency in meeting these goals and the specific steps which should be undertaken.

We believe that the program should have some basic elements, which again build on the current JOBS opportunity and basic skills program. We propose a three-part phase. The first would be a JOBS preparation phase. The second would be up to a limit of 2 years in a JOBS career focused education and training program. And the third would be a JOBS mandatory work phase in which AFDC parents would be required to work in unsubsidized private and public work.

We believe that individuals who enter the JOBS career focused education and training programs are those that the States believe will be employable after up to 2 years of education and training or those, while they might be considered for JOBS preparation, volunteer to participate in education and training.

States would operate the programs as they do today, offering a full range of services and activities to promote job readiness. We do propose a mandatory work requirement. After up to 2 years of work in education and training, participants would be required to work. Our highest priority is that these individuals work in unsubsidized employment in the private or public sector.

I want to underscore that sufficient Federal and State resources must be provided to ensure that those participating in jobs can

meet the requirements for satisfactory participation and can benefit from the employment and training during those 2 years.

If resources are available and AFDC parents fail to participate in the development of their employability plan or to comply with the plan as required, we are proposing a penalty, reducing the families combined AFDC and food stamp benefits by 25 percent. We think we need to be fair, but we think there also must be consequences for individuals who fail to participate when the resources are available to that individual.

Our report also addresses several policy priority areas that are summarized in my written testimony. I would like to emphasize that our proposal is clearly work focused. The goal of true welfare reform cannot be achieved, however, if we do not make work pay, including enactment of health care reform that ensures universal health coverage, access to quality child care options and making sure that everyone who is available takes full advantage of the earned income tax credit enacted by the Congress.

Our proposal also emphasizes the need for employment that results in family self-sufficiency, as a successful endpoint for both client and agency efforts. We underscore the preference for jobs in the private sector.

We recognize that the lack of private sector jobs available today for many Americans will be a barrier and a stumbling block. We, therefore, call for creation of a new, adequately funded job creation strategy to support employment of low income individuals in the private sector.

We propose targeting 75 percent of the new jobs created under this initiative to JOBS graduates and 25 percent to unemployed economically disadvantaged youth and adults.

We believe that under an adequately funded welfare reform program expansion of the on-the-job training, work supplementation and the use of the targeted JOBS tax credit can all serve as useful tools in the placement of JOBS graduates in the private sector.

Clearly, they will undoubtedly be much debate about the need to implement public sector jobs such as community work experience as a primary source for AFDC recipients facing mandatory work obligations.

Human service administrators understand the challenges proposed by operating a community work experience programs since we have been responsible for administering such programs.

Our experience tells us that we must have realistic expectations about the ability of States to operate such a large scale program as the cost can be high and labor intensive, developing work sites and supervision, monitoring and followup with employers.

We know that the MDRC research conducted in the 1980's indicated that CWEP is feasible to operate and that participants and supervisors found the work meaningful. The programs we have operated in the past and those studied by MDRC, however, were small in scale with little evidence to support the idea that CWEP on its own leads to consistent employment or reduction in welfare costs or caseload.

The challenges proposed by CWEP are significant and we would encourage you to move very slowly as you decide and think through how we would create and expand a CWEP program and move it to

scale. States do not currently have the administrative capacity or experience to operate large scale work programs of this nature. That is why we urge the Congress to consider private sector job creation strategies.

I thank you, Mr. Chairman, for the opportunity to testify and I thank you for your leadership and interest, and most importantly your understanding of the complexity of the issues which are before us today.

[The prepared statement of Ms. Rowe appears in the appendix.]

Senator BREAUX. Well, thank you all very much, all three members of the panel, for your excellent thoughts and suggestions and telling us about what you are doing in your cities in the case of the two mayors and what you are recommending in the case of the public administrators, Ms. Rowe.

Let me just toss out a concept and maybe ask you all to comment on it if you would. What about a welfare proposal? I do not mean to oversimplify it because what I am saying involves a lot of things, although it is not that difficult to summarize it. What about a welfare reform proposal that would move towards, number 1, 100 percent participation in the JOBS program; second, a 2-year time limit on the recipients that would be phased in; third, that we would subsidize work in the private sector first or community jobs; and, of course, fourth, couple that with health care reform?

If we did something like that, is that too much? Is that not enough? What is still lacking? Just give me your thoughts on that. Mayor Goldsmith?

Mayor GOLDSMITH. I think it is a very impressive list, Senator, and it would be an extraordinary start. I do not know whether it was overt, but I was pleased to hear you omit public works employment as the host 2 years out. I think community work possibility is a little bit better, and I think that is a powerful way to move, especially if there is reform in the delivery system as well, incentives to those who deliver the benefits to manage their clients off, and performs in the child support collection side.

If you add those to your list, I think you have a very very impressive start for welfare reform.

Senator BREAUX. Mayor Cleaver?

Mayor CLEAVER. Perhaps it was an oversight, but you did not mention child care. In my real life as a United Methodist minister I operate a child care center and we have reduced the weekly costs. But any time you get a good day care program, you are talking, in the Midwest, of over \$100 a week.

And if we are expecting people to pay that kind of money on minimum wage or just above minimum wage, I think we are going to continue to cause them to want to connect up with welfare.

Senator BREAUX. Yes. That would be part of the JOBS program. I mean, you cannot require them to participate unless we do something with child care and day care centers or Head Start. I appreciate that.

Ms. Rowe?

Ms. ROWE. Senator, clearly that is very much in line with the thinking that we have had as public welfare administrators and I would also add it is in line with a waiver that we have submitted for the State of Connecticut to HHS.

We include expansion and enforcement of child support, but we also say no exemptions. Our belief is that every individual should be required to participate in some activity when they enter into the program.

Now that activity could be learning how to be a better parent. But there is an expectation that you will participate in some activity from day one that you come into the program until you move into an unsubsidized job.

Senator BREAUX. And you are recommending a penalty provision if someone does not?

Ms. ROWE. If they do not and the resources are there. Yes, sir.

Senator BREAUX. Let me get some discussion from all three perhaps on the question of the type of jobs that we are talking about after that person, either because of a time limit or some other reason, is off of welfare. The two alternatives are, one, create a bunch of public sector jobs and move these people into those public sector jobs in the counties, and the cities, and the States. There is a great deal of work that needs to be done, obviously, in health care and drug rehabilitation and law enforcement and things that would be constructive jobs, would be working for the government at a State, local or national level.

The other suggestion is that it would be better—and I think, Mayor Cleaver, you are starting to do some of this in your 21st Century community program—that we would use the welfare grant or a portion of it to subsidize a private employer to encourage them to hire former welfare recipients in the private sector.

The emphasis should be to put the person in the private sector, help the private employer with an incentive to hire that person after they have been through the JOBS program. Is this an either/or choice? If it is, which one is the best? Or can there be a combination of those that would make the program work better than it is now?

Senator BREAUX. Mayor Goldsmith, go ahead.

Mayor GOLDSMITH. Mr. Chairman, I do not profess that I am confident that I have the answer to this which is the ultimate question, the most baffling question; What happens after the end of any time limit?

I would like to provide a moment of analysis. The object here is to create productive citizens with self-esteem who contribute to the total wealth of our country or city. To the extent that we resolve that through these mandatory training and participation programs, and they enter the private market place, we have done it.

To the extent that we fail and we create public jobs or even community jobs at the other end, and we still have, whether it is your government or our government, subsidized those jobs, we have not created wealth. We have redistributed wealth. We have not created productive complements to our communities.

I am very cautious about any plan that makes government the employer of last resort, that goes back to another CETA program, that builds an additional overhead and bureaucracy. It feels to me like it is welfare under a different name, except at the local level. I think I am much, much more enthusiastic about cashing out as many benefits as you have and giving them to the private employer as a supplement.

This does not represent the theme of the National League of Cities or anyone other than me. But I am intrigued by why the tax credits work in Puerto Rico. I know this is a subject you do not want to bring up again. I mean, just generally. But they work because we are leveling the playing field and providing people an entrance, a market based approach into the economy.

I would like the opportunity to take my citizens who are disadvantaged and poorly trained and merge them into the market place by using your benefits to really buy down that loss of productivity as they move up. It is a much more powerful way for the economy to move forward than enormous community or public works programs.

Senator BREAUX. Mayor Cleaver?

Mayor CLEAVER. I agree with my midwestern colleague that one of the worse things that we could do would be to generate inflated expectation on the part of welfare recipients that they would get a meaningful job in the public sector, only to find out that we have created another CETA program that will eventually be unfunded or defunded and that they will be again looking for welfare benefits.

I think that we have to try everything possible—tax credits, JOBS tax credits, and, of course, a program like our 21st Century.

But even there we have to be careful about a danger and it is the backlash from the mainstream employees who might feel, and it may be more than a feeling, it may be a fact, that we are moving toward the lower paid form of welfare recipients on our work force and thereby excluding many of them from jobs.

I mean, for example, in one of the versions of the deals that I think you are at least looking at, there would be a 32-hour a week requirement and 8 hours for training. I think we need to make certain that we do not end up creating some higher levels of joblessness among non-welfare recipients.

This is not an easy subject. You know, I do not know the difference between a male and a female turkey, but turkeys do. And I think they could explain it to us. I think that as we struggle with this issue of welfare reform, it may be important for us to think about establishing some kind of a national board of welfare concerns where we would have people who are actually in the system and knowledgeable about the system who could tell us the difference between punishment and reform.

Senator BREAUX. Thank you.

Ms. ROWE. I think you do need to have some way to stimulate both interest and support of the private sector to hire, particularly in these days and times. In Connecticut we did implement a wage subsidy program for private employers, a 50 percent wage subsidy that we would pay for our general assistance welfare clients.

Senator BREAUX. Let me ask you on that point, that 50 percent supplement, did it come from the welfare recipients' benefits or what?

Ms. ROWE. Well, yes. We reallocated the dollars from our welfare program to the employment services and then used it as a wage subsidy through employment services to the employer. And we will subsidize up to 50 percent up to \$8 an hour job. So it could be a \$16 an hour job and we will pay the 50 percent.

Senator BREAUX. You all decided to do that as opposed to the community public jobs?

Ms. ROWE. That is correct. We decided all of the data that we have looked at clearly indicates what you want to do is keep people attached to the work force. And one way that we could do that was through the wage subsidy because many of our growth employers are small and medium-sized employers and they could not hire these individuals otherwise, yet they did need them as they grew.

Senator BREAUX. The people you speak for, Ms. Rowe, do this every day and work in these programs and run the programs. Is there an advantage? What are the advantages and disadvantages of one type of work program, i.e. supplementing the private sector employer versus creating community public jobs? Would you comment on that?

Ms. ROWE. Part of it is our system's capacity, administrative capacity, to try and develop and monitor public sector jobs. We would have that primary responsibility as the State agencies; and we just do not have the capacity, the administrative capacity, and the dollars to do that.

When you are working through a subsidy program, it is much easier. We have found it is much easier. You can streamline your processes. The kind of monitoring that we are engaged in is very limited, but we do make sure that the subsidy is going for that individual.

The other thing I should say, Senator, is that we also require the employer to make a commitment to that individual once that subsidy is ended so that he or she does get a benefit on the front end, but they are making a long term commitment to that individual.

Senator BREAUX. Thank you.

Mayor Cleaver, under your city's 21st Century Community Program your statement says that "welfare grants can be used as wage supplements for up to 48 months, that qualified employers will use the cash grant to supplement the wage and provide an adequate workable wage would not only help welfare recipients get off welfare, but out of poverty."

Now what is the status of that program? How is it working? Tell me a little bit more about it.

Mayor CLEAVER. We now have the approval of our State Social Services Department to subsidize the welfare recipients with a grant. The program now is in the process of developing a list of participants, employers, who are willing to participate in the program. We think that, as I said earlier, that it can be an economic development tool.

We will take an average welfare payment we think which will be around \$200 to \$250 and we will make that a monthly payment.

Senator BREAUX. Instead of giving it to the recipient, you give it to the employer?

Mayor CLEAVER. Right. You give it to the employer and then the employer uses that to subsidize the salary, the training and the on-going salary.

Senator BREAUX. What has been the reaction of the folks back home?

Mayor CLEAVER. Very favorable. I think there is an insatiable appetite for reform in Kansas City and probably the whole country.

I think that we will—we are calling this welfare reform. Although it clearly is a JOBS program and an economic development program, we also believe that it is welfare reform.

Now we expect to run into all kinds of problems before we work out the final solution. I guess that is a bad term, until we work out a good way of administering the program. But so far the reaction on the part of the business community is very favorable. In fact, the business leadership in the community is already involved.

Senator BREAUX. Let me ask you this. This is sort of a side question, but I guess it is important politically. What is the rationale of other employees? Do they feel that they are being not hired or displaced because the government is going to be subsidizing employers who hire welfare recipients, and maybe affecting their job?

Mayor CLEAVER. That is the caution that I talked about earlier. I think that such a program, even though I support it, could have a backlash. I think we have to make sure that no employer begins to reduce his or her employment force and then replacing workers with former welfare recipients. I think that will have to be built into the contract with each employer.

Senator BREAUX. Mayor Goldsmith, would you comment on that?

Mayor GOLDSMITH. Well, we have one of these programs essentially through America Works, which is a performance based job training and then subsidy.

Senator BREAUX. America Works just started in your city?

Mayor GOLDSMITH. Yes, sir.

I agree. I think that we just need to be careful. There is a risk, obviously, that you subsidize over where the market place is and you create these distortions. But if you have an employer who is growing and you are careful about the wage supplements, I think these things can be negotiated in a politically acceptable fashion which really helps everybody in a growing market.

Senator BREAUX. Tell us a little bit for the record, because I am familiar with it but I want the record to show, a little bit about what America Works, the organization, will be doing in your City of Indianapolis and why did you all decide to contract with them.

Mayor GOLDSMITH. Well, I want to create a little competition on the job training side, even though a lot of the money flows through from you to the State to the city. The delivery system is a little bit monopolistic and I thought competition would be good.

Second, I want to be performance driven. We pay America Works if folks keep their jobs. Folks are on welfare. They are trained. They are employed. They keep their jobs for 6 months. Then America Works gets paid.

Senator BREAUX. Otherwise they do not?

Mayor GOLDSMITH. Otherwise they do not. The amount they get paid is the less than the amount of AFDC allotment that would have occurred in that relevant period of time.

So basically what they do, and what I think is particularly helpful is, our expectations of the work skills of the folks who have been long term AFDC recipients is a little higher than what it should be.

So they help manage the employee into the work force, not just train them to help them get to the work site, manage the problems

they have and provide the sustained employment. So, we bridge that service with performance outcome based incentive payments.

Senator BREAUX. I noted a difference, at least my ears heard a slight difference in opinions on the absentee fathers and how we get them into the process of participating and the solution to this problem.

Mayor Cleaver raised some objections about any requirement that would require mothers to identify the fathers and the concerns you have with that type of an approach.

Ms. Rowe, I think you may have a sort of a different opinion on that. Can you comment on how you think that should work?

Ms. ROWE. Yes. I think as Mayor Cleaver was referring to the Republican proposal that you would have to identify any individual that you had had a relationship with in order for you to be eligible and they would cut off at a certain number. I think we would also find that objectionable.

But we do believe very strongly that not only must we have hospital based paternity established and increase State efforts to do that, but we also must find additional job programs and job opportunities for those noncustodial parents who are not working to be able to get into a job so that they can meet their child support obligation.

We have asked for a number of reforms in the child support system to make it easier, particularly with interstate kinds of activities and responsibilities, so that we can collect the amount of dollars that are out there that are necessary. But we think children have two parents and we think both parents have an obligation.

Senator BREAUX. I feel very strongly about that but I do not have an answer. For every child out there, there is a father somewhere and in too many cases, far too many, they are escaping any responsibility. We cannot find them. We do not know who they are. They live in another State.

I have talked to so many of these welfare mothers who are trying to take care of a child and the husband or the father is in another State. They do not have the wherewithal to contact the District Attorney and to try to prosecute him in another State thousands of miles away.

It seems like we do not really have a handle on that at all. Maybe we need some kind of more Federal coordination on this. I think it is a real problem. I just do not have an answer at all.

Mayor CLEAVER. Senator, I agree with you. It is a problem and it is one that I think we have to seriously discuss and solve. Only about one-third of the African-American children born out of wedlock are ever able to legally establish paternity. If the mothers are punished, there would be some unintentional pain on many African-Americans. But even beyond skin color and race, I just think that is dehumanizing.

Senator BREAUX. Well, this problem of illegitimacy I was looking for some of the statistics. Chairman Moynihan has spoken very eloquently and has warned the country decades ago about this upcoming problem.

The dissolution of the family is a major contributor to the problems we are trying to talk about here. We are trying to talk about the problem after somebody is already on welfare assistance. But

before they got there this break up of the family would have contributed to them being there in the first place. I am not sure we can pass a law that says everybody shall have families. It obviously does not work.

The numbers are really frightening. Charles Murray, who I know Ms. Rowe knows, is a conservative social scientist. He says that "illegitimacy is the single most important social problem of our time, more important than crime, drugs, poverty, illiteracy, welfare or homelessness because it drives everything else." He is saying that is what is driving these other problems and it is an incredible problem.

Ninety-two percent of AFDC families had or are without a father in the home. That is something that is across racial boundaries and everything. It is not black, white or what have you. It is all of our problem.

I thank you very much. I think this has been very, very helpful. As I said to the previous panel, as we work towards a solution, I do not want you all to come in 1 day and never come back. You do not have to come back physically, but we want you to come back mentally with your ideas and with your thoughts and with communication to us by phone calls and by your staffs up here and your associations, because this problem cannot just be solved here.

We have tried to do that too many times with bad results. So it has to be a joint effort with the Governors, and the mayors, and the county officials, as well as members of Congress. So we welcome your participation. We need your participation and your thoughts and your ideas.

We got some great suggestions today. Ms. Rowe, the work that administrators have done, I think, is particularly notable and I think right on target. We thank you for that help.

Thank you for coming from your respective cities. Keep up the good work.

With that, the subcommittee will now stand adjourned to further call of the Chairman.

[Whereupon, at 12:01 p.m., the hearing was adjourned.]

APPENDIX

ADDITIONAL MATERIAL SUBMITTED

PREPARED STATEMENT OF MARY JO BANE

Mr. Chairman, Members of the Committee, thank you for the opportunity to appear before your Committee this morning. As one of the co-chairs of the President's Working Group on Welfare Reform, Family Support and Independence, I am very pleased that you have provided us this opportunity to help lay the foundation for the Administration's forthcoming welfare reform proposals.

Before proceeding further with my testimony, I want to assure you that welfare reform continues to be a top priority of the President and myself. We are working as hard as we can to put a proposal together for the President's consideration. We are hopeful that this proposal will provide the framework for Congressional discussions on welfare reform and that legislation will move forward this year.

INTRODUCTION

Last June, the President appointed a Working Group on Welfare Reform to develop a plan for reforming welfare which was built around the basic values of work and responsibility. For the past seven months, I, along with David Ellwood, Bruce Reed and the rest of the Working Group, have been visiting programs, talking to welfare recipients, and meeting with many concerned people around the country to understand what is wrong with our present system and to develop strategies for change.

This morning, Dr. Ellwood and I would like to present some of our observations and conclusions and to articulate our vision of the system we would like to work with you to create. My testimony will provide an overview of some of the successes and failures of our current programs. Dr. Ellwood will be discussing some of the broader trends in poverty, demographics and the economy that influence our approach to reforming these programs. He will conclude by presenting a broad overview of the vision we are developing for a reformed welfare system.

As you know, through the Family Support Act of 1988, Congress made major changes to the welfare system and the child support enforcement program. Responding to public concern that welfare had become a way of life for too many families, Congress incorporated the principles of work and responsibility into the welfare system through the Family Support Act by: 1) creating the JOBS program; 2) mandating that more welfare recipients participate in employment, education, and training activities; and 3) making changes to increase the effectiveness of the child support system. Senator Moynihan and the Senate Finance Committee both displayed bold leadership in designing that legislation and getting it passed.

The Family Support Act is the cornerstone for our welfare reform proposals. It sets in place expectations that families—not the government—are first and foremost responsible for the well-being and support of their children; that even if they do not live with their children, parents are obligated to support them. It recognizes the need for investment in the education, training and employment of welfare recipients, as well as in child care and medical assistance which help them transition from welfare to work. Most importantly, it introduces the expectation that welfare reciprocity is a transitional period of preparation for self-sufficiency.

An obvious question is why we are talking about welfare reform again so soon if the Family Support Act forcefully attacked the problems of long-term welfare dependency. The short answer is that the Family Support Act represented only a down payment on welfare reform, and the down payment has proven insufficient. There were many impediments to change; not all were anticipated, and not all could be controlled. The increased complexity of the child support caseload and staggering

growth in the AFDC caseload over the last few years (i.e., 33 percent growth between July 1989 and July 1993) stretched staff resources for both agencies. State budget shortfalls limited the staff available to manage the increased demand and the State dollars available for drawing down JOBS and other Federal matching funds. We did not adequately anticipate the downturn in the economy and the difficulties States would have funding their programs. Perhaps we also had unrealistic expectations about the speed and effectiveness with which changes could be fully operationalized. We may have also underestimated the effort needed to overcome the impact of ongoing demographic trends. Finally I think that we underestimated the inertia built into the existing systems—and the difficulties inherent in changing their culture and mission.

The Family Support Act made some essential changes, and State and local agencies have made substantial progress in implementing those changes. However, much remains to be done if we are to realize the promise of that legislation.

THE NEED FOR CHANGE

Members of the Working Group on Welfare Reform, Family Support and Independence have devoted a great deal of time and effort over the past seven months trying to learn firsthand about how the existing welfare and child support systems work, how they affect both clients and workers, where the problems are, and where some of the potential solutions are. We visited welfare and child support offices, talked to clients and staffs, and observed the application process. We also conducted five public hearings throughout the country; we listened to eloquent and often impassioned testimony from individuals and organizations about the strengths and flaws in the current system, as well as their ideas on how to fix it. Everywhere we went, we heard agreement about the need for significant change.

The most compelling testimony came from clients who were frustrated by barriers that were placed in their way when they attempted to assume responsibility for supporting their families. Their stories make a very strong argument for the need to make changes in the organizational culture of the system.

At our Washington hearing, individuals with welfare experience—Patty Lesefski from Silver Spring, Md., and Sheila Wier and Monique Nickens from Virginia—testified about the current system's inability to respond to their desires to become independent and self-sufficient. They expressed determination to do more than collect a welfare check so that they could end the emotional and financial devastation of being needy and provide a stable environment for their children. But they also spoke about how their determination was thwarted by an unyielding and unresponsive welfare system which punished them for trying to become independent. They cited their inability to obtain support services like child care and training which were theoretically available but difficult to access. They also spoke about how hard the system came down on them when they took the initiative to get a job and how difficult it was to become financially secure without child support or medical coverage.

In observing eligibility interviews in welfare offices across the country, I think all of us have been struck that the entire focus of the questioning is on the applicant's paperwork, and nearly none of it on their needs. A worker wants to see the latest electric bill, but has no time to talk about participation in the JOBS program. The system remains far too content to pay the electric bill and too little interested in empowering the applicant to pay it herself.

The impressions we have of welfare offices is of crowded conditions, overwhelmed workers, interminable waits, and astounding questions on the most minute details of their lives. There is no time to talk about anything except income, assets, and family structure. Applicants must fill out applications of at least a dozen pages and maybe several applications if they are seeking child support, food stamps or other forms of assistance. They may need to provide twenty or more pieces of documentation and every conceivable proof of income and assets. Most likely, they will need to return for additional interviews since they rarely bring all the documentation they need on their first visit, and they have to come back repeatedly with the missing documentation.

The office, the interview and the entire process become a blur of paper, questions, and regulatory rigmarole. During these encounters the most important question may never be asked: "What can we do together to help you begin the process of becoming independent?"

Those trying to receive child support services face strikingly similar situations. At the public hearings we held in Cranford, New Jersey, and here in Washington we heard from a number of mothers who had been repeatedly frustrated in their efforts to secure child support from the children's absent parents. They faced a host of

problems, including jurisdictional problems related to their husbands moving out-of-state, inadequate support orders, unresponsive bureaucracies, lost and misdirected paperwork, lack of case follow-up, inadequate investigative staffs, and legal bills. These problems resulted in their being deprived of tens of thousands of dollars of support and sometimes forced onto the welfare rolls.

I think our biggest disappointment with the implementation of the Family Support Act has been that we have not seen a widespread change in the organizational culture of the welfare system. We are far from the point where welfare is viewed as a "transitional period of preparation." There still is too little emphasis on self-sufficiency. While the Family Support Act spoke to greater integration of AFDC, JOBS and child support services, we have not seen much increase in such integration—except in some limited local situations where there has been particularly strong local leadership.

And, as the recent study by Irene Lurie and Jan Hagen from the Rockefeller Institute at the State University of New York points out, not much has changed in welfare offices. Front-line workers who were surveyed generally believed that their agencies' organizational environment did not fully support the goals of the JOBS program. In general, the culture of the welfare offices has not been transformed as we had envisioned.

A DIFFERENT SCENARIO

I do not want to imply that no progress is being made. All States have implemented their JOBS programs on schedule and are meeting requirements vis-a-vis participation rates and targeting. Nearly 600,000 individuals are participating in JOBS activities every month. Also, we have found notable examples of welfare programs that have refocused their efforts and changed their organizational culture. I'd like to highlight a couple.

Riverside

The first is in Riverside, California—one of the six counties being evaluated by the Manpower Demonstration Research Corporation (MDRC) as part of its study of the GAIN program. (GAIN is the name of the JOBS program in California.) I had the pleasure of visiting the JOBS program in Riverside this summer. This program provides a marvelous example of what it means to institute a change in agency culture. Everywhere I turned in the Riverside office, I saw the same clear, simple, and unequivocal message. The purpose of everyone there is to get AFDC clients employed. I heard the same message from Larry Townsend, the county director, as from line workers and recipients. It is conveyed during orientations, job clubs, and at all opportunities; it is also presented in slogans on posters, bumper stickers and lapel buttons. Work is valuable, and it is the means to a real future.

Staff understand what is expected of them. They are enthusiastic about their work and able to transfer that enthusiasm to their clients. They are given the tools to accomplish their jobs, and they are empowered to meet their clients' needs. They have manageable caseloads and the flexibility to provide services on a case-by-case basis. They are responsible not just for getting clients employed, but also for resolving problems that might keep them from staying employed. The emphasis on employment is reinforced through very specific placement goals, an aggressive job development and placement process, performance-based contracts, and ongoing, hands-on case management. Individuals needing education and training services can get them, but services are provided only in the context of a specific work objective.

Using this approach, the Riverside program has been able to achieve the largest impact among any of the six counties in the GAIN evaluation and the most significant impact we have ever seen in any large-scale study of welfare-to-work programs. After two years, the Manpower Demonstration Research Corporation (MDRC) found average increases in earnings by the experimental group of \$2,099, or 55 percent (over the control group average), and reductions in welfare payments of \$1,397, or 14 percent (again compared to the control group average).

While the results in Riverside county need longer-term evaluation, Mr. Chairman, I think it is clear that changing the organizational culture makes a very big difference. It is important that the managers of welfare agencies convey the message about the value of work and responsibility clearly to staff and clients. It is also important that they not send a lot of conflicting messages at the same time; they cannot bury the work and responsibility message under a mound of AFDC eligibility rules and processes and paperwork. Also, they must convey the message to sufficient numbers of recipients. If the vast majority of adult recipients are exempt, or deferred or excused (as happens in minimal JOBS programs), it is impossible to change the organizational culture of the system.

Riverside demonstrates a strong commitment to securing the participation of all mandatory registrants, and, where necessary, it employs formal penalties to enforce participation. These aspects of the program also contribute to changing the organizational culture.

Teen Parents

Other examples of programs which have incorporated a change in organizational culture are some demonstration projects focused on teen parents. Recent research findings from these projects have demonstrated that it is possible to have large-scale mandatory programs for teen parents that produce results. First, the Teen Parent Demonstration Program, which operated in Camden and Newark, New Jersey, and Chicago, Illinois, showed that teen mothers on AFDC who were part of a mandatory training and supportive services program achieved and sustained significantly higher rates of school attendance and employment. Furthermore, a commitment to universal mandatory participation can greatly affect the organizational culture; participation requirements substantially changed the expectations and motivation of staff as well as clients. Ohio's Learning, Earning and Parenting (LEAP) demonstration program (after three years of implementation) is also showing encouraging interim results in terms of significantly increasing school retention and getting teens to return to school or adult education.

Service to teen parents is another area where the promise of the Family Support Act has not been met. The Act requires States to place teen parents who have not finished high school in educational activities even if they have a young child (and would otherwise be exempt from JOBS requirements). Unfortunately, as the General Accounting Office has reported, implementation of this provision has been very uneven across the States. Participation has been by no means universal; for some, there has been little or no service intervention.

We believe that the Family Support Act is absolutely right in its emphasis on serving teen parents. We must work together with the States to see how to implement requirements for teen parents more effectively. In this context, we are concerned not just with their progress in becoming self-sufficient, but other types of outcomes such as delaying further childbearing, better child outcomes and better parenting.

OTHER PROMISING MODELS

Other programs such as the one in Kenosha, Wisconsin, and Pennsylvania's Single Point of Contact have worked to change their organizational culture through changes such as higher JOBS participation goals, with greater emphasis on early and extensive service interventions; "one-stop shopping" or co-location of service agencies; coordinated intake, case planning and management; more collaboration and better communication across agencies; simplified service delivery; better and clearer goals and priorities; better staff utilization; and improved use of existing resources in the community.

Many of these practices have also been adopted by the various parishes operating the Louisiana JOBS program, which is known as Project Independence. Examples there include community-based planning, collaboration between the welfare agencies and local school boards (in Shreveport), coordination with JTPA (in Iberia and Alexandria), linkages with Head Start (in New Iberia/Lafayette), and non-traditional placements (in New Orleans).

Replicating programs and practices such as these, I believe, is one key to building effective JOBS programs across the country.

THE IMPACT OF JOBS

Recent findings we received from the evaluations of California's Greater Avenues for Independence (GAIN) program and Florida's Project Independence reaffirm that education, training, and employment programs implemented in a variety of circumstances can substantially reduce dependency. Because of its longer follow-up period, I will focus on GAIN, but I want to point out that impacts for Project Independence are similar to what GAIN's were at the same point, and that California and Florida account for over one-fifth of the nation's AFDC recipients.

As I am sure the Subcommittee members are aware, Mr. Chairman, GAIN is a statewide initiative that predated the implementation of JOBS, but now serves as California's JOBS program. The GAIN evaluation was designed and begun prior to the implementation of JOBS, but continued as the GAIN program was converted to JOBS. It thus gives us an early indication of the impact we might expect from the JOBS program.

According to MDRC's preliminary findings, five of the six counties studied showed moderate-to-large gains in earnings and/or welfare savings. Across all six counties, earnings for registered single parents increased 21 percent over the control group (with higher, 24 percent increases in the second year). Welfare payments were reduced six percent (seven percent in the second year).

There are some equally encouraging data regarding GAIN's effects on employment and case closures. Twenty-nine percent of single parents were working at the end of the follow-up period—a statistically significant, 25 percent increase over the employment rate for the control group. Three counties showed a significant decline (ranging from 3.1 to 11.5 percent) in the proportion of registrants who were receiving AFDC at the end of two years. Further, it is plausible that larger effects will emerge as the registrants who have only recently started education and training components become job-ready.

GETTING SUPPORT FROM NONCUSTODIAL PARENTS

During the past 5 years, the Family Support Act has also led to substantial improvement and innovation in the child support program. In FY 1993, we collected an estimated \$8.8 billion in support—about double the amount we were collecting just before passage of the Family Support Act. Also, we established an estimated 550,000 paternities—about 80 percent more than in FY 1988. However, the change has not been sufficient to address the growth in out-of-wedlock births and societal indifference to non-support. The Act provided enhancements to overall program effectiveness, but it did not address some of the fundamental weaknesses of the existing system: the problems in interstate enforcement, the fragmentation of the system, and the need to create a seamless system where payment of child support is enforced on behalf of all custodial parents, including those trying to make it outside the welfare system.

In addition to addressing these fundamental problems with the system, we must address other specific shortcomings. Two examples are review and adjustment of orders and immediate wage withholding.

The Act requires periodic review and adjustment of support orders, but the process involved is a lengthy one, often consuming six months or more. As part of our welfare reform efforts, we are looking at options for streamlining this process to insure that equitable support amounts are routine and ongoing. Similarly, we are also looking at ways to improve the effectiveness of the immediate wage withholding provisions.

In summary, Mr. Chairman, the Working Group has been very encouraged both by the wide degree of consensus we have found over the need to reshape the system and by the models of reform we have seen. Across the country and across the political spectrum, people agree that our goal is a system that supports work and responsibility. The challenge we see is that successful programs such as Riverside and Kenosha require nothing short of reshaping the mission and culture of the welfare system.

We look forward to working with you and the Committee to meet the enormous and historic challenge of fulfilling the promise of the Family Support Act. Changing a system that is currently too focussed on writing checks and processing paper to one that truly expects people to become independent and self-sufficient may be daunting, but doing so will truly result in an end to welfare as we know it.

PREPARED STATEMENT OF SENATOR JOHN BREAUX

President Clinton has promised to "end welfare as we know it." The Administration has placed welfare reform near the top of its agenda. I believe Congress can and should address welfare reform now—this year—and with the same urgency as health care.

I believe our nation needs welfare reform as badly as it needs health care reform. The United States' health care system is too expensive, it does not provide all citizens with adequate access to health care and it desperately needs to be reformed. Just the same, our welfare system does not serve well the people who are on it, nor does it serve well the people who are paying for it. Clearly, our welfare System also desperately needs to be reformed—to end, for many Americans, a perpetual cycle of poverty and dependency.

"Ending welfare as we know it" does not mean simply ending welfare support systems and saving tax dollars. The goals are not just to reduce welfare rolls and welfare spending. The essential challenge is to alleviate both poverty and welfare dependency; not just for welfare recipients, but also for the "working poor."

Five years ago Congress passed the Family Support Act of 1988—largely due to the efforts of two people. One was the man who led the National Governors' Association in its welfare reform efforts—Bill Clinton. The other is now the Chairman of this Senate Finance Committee—Senator Daniel Patrick Moynihan.

The Family Support Act was the beginning of a major shift in our national welfare policy. For the first time, we demanded that parents take responsibility for the financial support of their children and for themselves. We also took the first steps to strengthen requirements that non-custodial parents contribute to the financial support of their children; to see that welfare parents are trained for and expected to work; and that welfare should not be a permanent or even extended circumstance, but a transition to employment.

It is time for Congress to review the impact of the Family Support Act of 1988, the changes that states are making, and the range of policy options open to the federal government. Poverty and long-term dependence on welfare remain critical issues. In 1992, the number of people living in poverty rose for the third year in a row to 37 million Americans, an increase of 5.4 million from 1989. The number of out-of-wedlock births has increased to epidemic proportions.

In my state of Louisiana, almost one-third (31.2 percent) of all children live in poverty. In Orleans Parish nearly half of all children (about 46 percent) live in poverty. Well over half of the African-American children in Louisiana (56 percent) live in poverty. Welfare policies are of particular importance to Louisiana because the lives of so many of our citizens are partially shaped by welfare and the culture it creates.

Today's hearing will help us to begin developing a public record on welfare issues and will lay the groundwork for Congressional consideration of specific proposals for improving the welfare system.

We will hear from Vermont Governor Howard Dean about the innovative approaches he is implementing to combat poverty and change the welfare system.

We will hear from Administration witnesses concerning current information on poverty and the welfare population, the operation of the Family Support Act, and their perceptions of the national problems that led to the establishment of the White House Working Group on Welfare Reform, and the status of the Working Group's efforts.

The program directors of Missouri and Wisconsin will outline new approaches their states are taking to change welfare as we know it.

And, the one person who probably has the most experience in evaluating JOBS programs and determining which approaches do and do not work will testify about her findings.

Finally, we will hear recommendations from diverse perspectives about the social policy directions our society should consider in dealing with the issues of welfare, poverty and dependence.

The testimony of our witnesses will help provide a framework for producing real welfare reform. I look forward to working with the Administration and receiving its recommendations on how best to improve our nation's welfare system.

SENATOR BREAUX SAYS CONGRESS SHOULD ACT ON WELFARE REFORM THIS YEAR

WASHINGTON (Jan. 18)—Senator John BreauX (D-La.) today said Congress should address welfare reform this year, and with the same urgency that it addresses the nation's health care crisis.

"President Clinton has promised to 'end welfare as we know it' and the Administration has placed welfare reform near the top of its agenda," Senator BreauX said. "I believe our nation needs welfare reform as badly as it needs health care reform."

Senator BreauX, who chairs the Senate Subcommittee on Social Security and Family Policy, made his remarks at the opening of the subcommittee hearing on welfare reform.

"The United States' health care system is too expensive, it does not provide all citizens with adequate access to health care and it desperately needs to be reformed. Just the same, our welfare system does not serve well the people who are on it, nor does it serve well the people who are paying for it."

But Senator BreauX stressed that the reform goals are not just to reduce welfare rolls and welfare spending.

"The essential challenge is to alleviate both poverty and welfare dependency; not just for welfare recipients, but also for the 'working poor,'" Senator BreauX said. "It is time for Congress to review the impact of the Family Support Act of 1988, the changes that states are making, and the range of policy options open to the federal government."

He said that Congress passed the Family Support Act of 1988—largely due to the efforts of Bill Clinton, who then led the National Governors' Association and of the current Senate Finance Committee Chairman Daniel Patrick Moynihan.

"The Family Support Act was the beginning of a major shift in our national welfare policy," Senator Breaux said. "For the first time, we demanded that parents take responsibility for the financial support of their children and for themselves. We also took the first steps to strengthen requirements that non-custodial parents contribute to the financial support of their children; to see that welfare parents are trained for and expected to work; and that welfare should not be a permanent or even extended circumstance, but a transition to employment."

Citing why poverty and long-term dependence on welfare remain critical issues, Senator Breaux noted that in 1992, the number of people living in poverty rose for the third year in a row to 37 million Americans, and the number of out-of-wedlock births has increased to epidemic proportions.

Senator Breaux said that in Louisiana, almost one-third (31.2 percent) of all children live in poverty and in Orleans Parish alone nearly half of all children (about 46 percent) live in poverty.

"Welfare policies are of particular importance to Louisiana because the lives of so many of our citizens are partially shaped by welfare and the culture it creates," Senator Breaux said. "The testimony of these witnesses will help provide a framework for producing real welfare reform. I look forward to working with the Administration and receiving its recommendation on how to improve our nation's welfare system."

Witnesses testifying at the Senator's hearing included the Vermont Governor Howard Dean concerning his state's welfare system changes; Clinton Administration witnesses concerning current welfare information, operation of the Family Support Act, and the White House Working Group on Welfare Reform; program directors for Missouri and Wisconsin on their new approaches; a key evaluator of the JOBS programs; and policy experts with diverse opinions on dealing with welfare, poverty and dependence.

PREPARED STATEMENT OF GOVERNOR THOMAS R. CARPER

Good morning, Mr. Chairman and members of the Subcommittee. I appreciate the opportunity to appear before you today on behalf of the nation's Governors to discuss state perspectives on welfare reform.

My testimony is designed to provide an overview of the National Governors' Association welfare reform activities, discuss efforts states are undertaking to reform their systems, review the major policy issues addressed in NGA's principles, and outline a number of criteria we believe are needed to evaluate legislative proposals for reform.

I want to begin by outlining the NGA structure for dealing with welfare issues: NGA Chairman Governor Carroll A. Campbell Jr., has appointed a gubernatorial leadership team to work on welfare reform. I co-chair the team with Governor John Engler, who regrets he cannot be here today. Our membership includes Governors Allen, Bayh, Cuomo, Miller, Schafer, and Weld, with Governors Campbell, Dean, Walters and Wilson serving as ex-officio members. A strong bipartisan group of Governors is involved in this issue. Last summer we developed policy reflecting consensus on major principles for welfare reform. Our policy, which is attached to my written statement, was adopted at the NGA Annual Meeting last August. I will review its elements later in my testimony.

Let me now discuss some of the welfare reform efforts being undertaken by states. During December and January, NGA conducted a survey of states' welfare reform activities. I would like to submit the Preliminary Findings for the record. They summarize the activities currently underway in states. Forty-four states responded and the results indicated that the bulk of proposed or enacted state welfare reforms were concentrated in six areas. These data reveal that more than 20 states have proposed or are implementing changes in the following areas:

- encourage and reward work by reducing penalties in the system on earnings and savings;
- enforce the responsibility of both parents to support their children financially;
- support intact families by eliminating rules that penalize two-parent families;
- simplify and improve the delivery of benefits, especially through use of "smart cards" to provide benefits electronically;
- create jobs for welfare recipients; and
- improve access to child care and health care for families leaving welfare for work.

First, let me describe what states are doing to encourage and reward work. States have taken the lead in shaping incentives for welfare recipients to go to work and remain at work. Thirty-six states have proposed or are implementing changes to allow AFDC families who go to work to keep and to save more of the income they earn. Most are increasing the amount of earnings a family can have without their grant being reduced, extending the period of time the earnings disregard is available, increasing the limit on allowable assets, and raising or eliminating the equity value of a vehicle a family can own.

- In the summer of 1993, Alaska began a program for teen parents that exempted the income they earned in the JTPA Summer Youth Employment program in determining their AFDC benefits and in calculating their asset limits.
- Michigan changed the rules for working clients to allow them to keep the first \$200 of earnings and 20 percent of the remainder before their grant is decreased. The number of AFDC cases reporting earned income has increased from 15.7 percent of the total caseload in September 1992, when the disregard first became effective, to 23.6 percent of the caseload in January 1994, an increase of 53 percent.

Second, let me turn to child support enforcement, or, as the survey put it, programs to enforce the responsibility of both parents to support their children financially. As you know, the Family Support Act created opportunities for states to improve their child support programs, through measures such as the immediate wage withholding of overdue child support payments. Twenty-nine states reported that they were taking steps beyond those required by federal law to increase collections from noncustodial parents and to establish the paternity of children in families receiving welfare. These steps include allowing families on AFDC to keep more of the child support collected on their behalf without reductions in their AFDC benefits, and revoking or suspending the professional or occupational licenses of noncustodial parents who are in arrears on their child support obligations. Some states also are increasing employment and training opportunities for noncustodial parents to help them find jobs that better enable them to support their children.

In my home state of Delaware, we have taken a number of steps to improve our system. Delaware's program on child support enforcement has been recognized over the years as a leader in paternity establishment, collections, and automation. Our program has a 73 percent paternity establishment rate, as compared to the national average of 48 percent. Our collections have increased every year for the last ten years, with an increase of 11 percent in fiscal 1993, and we are offsetting our welfare costs by about 20 percent through these collections. Here are some programs we've initiated: we piloted a clinic-based paternity establishment project in cooperation with a prenatal clinic operated by our division of public health to make unwed expectant mothers aware of all the benefits of paternity establishment. This, I believe, is a first in the nation. In addition, our divisions of social services and child support enforcement have worked with me to develop a welfare reform plan for Delaware which includes an innovated teen parent project that will work with both parents and their baby to try to break the cycle of dependency. And, we've developed computer linkages between the welfare and child support programs to make case processing more efficient and customer-friendly. We hope to continue to make strides in our programs so that children are ensured this critical financial support they need and deserve.

Governors believe that a strong federal role is needed to improve the child support enforcement system. Our policy touches on a number of areas in which we believe federal action is needed: improved federal collection tools, performance-based incentives for state and local implementation, data collection and research, data processing systems, administrative changes, technical assistance and support, improvements to interstate enforcement, continuing experimentation, assistance to noncustodial parents, and continued evaluation and implementation. In the interest of time, Mr. Chairman, I will not elaborate on these recommendations, but I would be happy to answer any questions.

The survey asked states to report on their efforts to simplify and improve the delivery of benefits, especially through the use of electronic benefit transfer (EBT). Twenty-seven states said they are exploring the use of "smart cards." Iowa, Maryland, Minnesota and Ohio are already operating pilot projects. In Iowa, almost 20 percent of the caseload are receiving AFDC and food stamp benefits through EBT. Minnesota's program includes AFDC, food stamps, general assistance, and refugee assistance, and has been approved to expand statewide. The Ohio pilot is in one county, and is testing delivery of food stamps: the state plans to expand to statewide delivery by 1998. This year, Maryland will become the first state in the nation to

run their program statewide; it includes food stamps, AFDC, general assistance and the amount of child support that is "passed through" to the recipient.

One key element proposed by the President whenever he speaks of welfare reform is to create time-limited benefits. In this area, states are experimenting with different options. These proposals vary greatly and range from a Wisconsin's strict time limit on benefits without either guaranteed employment or continued benefits at the end, to Iowa's individually tailored "social contracts," with the contract's timetable for leaving welfare based on each family's circumstances; to Vermont's program which will provide a 30-month time limit on benefits followed by paid public service jobs or community service work in exchange for benefits. None of these programs has been underway long enough for us to have results, but they demonstrate the range of approaches that can be considered when developing a time-limited system.

A number of states are supporting families in need to keep them from enrolling in welfare by providing them with a single cash assistance payment and with ongoing noncash support services, such as child care and health care. Utah's Single Parent Employment Demonstration Program provides a one-time payment of up to three times the size of the regular AFDC monthly grant. In addition, child support is distributed directly to participants. Through October, 1993, 108 families had been diverted from ongoing financial assistance: of these cases, only 7 percent returned were receiving financial assistance in November. From July through October, 15 percent of new applicants eligible for financial assistance were diverted. After one year, Utah reports that 95 percent of the families participating have developed an individualized self-sufficiency plan and are participating in program activities ranging from family counseling to full-time education or work. In comparison to families without earned income, the total income of families with earned income is 25 percent greater, and the total family income of persons employed, but still receiving food stamps, is 58 percent greater. And the program is creating savings in food stamps and Medicaid, as well as in AFDC.

As you can see, states are innovating in a number of areas that are central to any welfare reform effort, and demonstrating the role they play as laboratories for change. The strong bipartisan concern over problems in the current system has led Governors to propose new systems in their states, and to come together to create a set of principles for NGA policy that highlight those concerns. NGA policy redefines welfare as a transitional program, as a temporary program of cash assistance, with an emphasis on creating opportunities and providing services to enable recipients to become self-sufficient. We recommend that welfare be viewed as a social contract of mutual obligation between recipients and government. Our policy stresses that, in addition to rewarding meaningful work, the welfare program should seek to support stable family relationships, ensure child support collection, and provide assistance to obtain the educational and job skills necessary to long-term self-sufficiency.

Our policy stresses the importance of work and encourages private, unsubsidized work in the business or nonprofit sectors. To support families in their goal of reaching self-sufficiency, the policy stresses the need for additional supports, such as child care, health care, transportation, subsidized housing, workplace adjustments and other supports as necessary.

As mentioned above, the policy is explicit on the leadership role of the federal government in the child support enforcement system, and the key role of child support enforcement in enabling families to become self-sufficient.

Finally, the policy stresses the need for states to be encouraged and permitted to pursue state-based welfare reform programs aggressively and to implement demonstrations. This process often requires states to apply for and receive waivers from HHS and other departments. Section 1115 waivers were developed as a method for experimenting with different policy options. While the waiver process with HHS is now working well, not all federal agencies have waiver and demonstration authority, thus limiting the ability of states to test cross-program strategies that require interdepartmental sign off. The waiver process itself creates a number of limits and constraints in developing policy. First, waivers are only granted for research and demonstration projects, with complex methodology and rigorous evaluation. Second, waivers are nonrenewable, and thus do not allow the extension of a project that is working. Third, there are limits on multiple replication of projects tested under waiver, again limiting the states' ability to learn from each other, and establish new programs based on each others' success. We encourage you and the committee to look at the possibility of legislation that would allow states the opportunity to move from waivers to the use of state plan amendments. This policy change would make the process of reform and experimentation more accessible, and would allow states to continue work underway without having to seek new waivers. The 1115 process

was set up to test alternatives to current policy, which then could lead to changes in federal law, based on research and demonstration results. It is one method for testing new ideas, for experimenting in a rigorous and controlled way with potential new policy options. What we are proposing is to expand that experimentation effort, to allow states, within federally defined parameters, the flexibility to meet the federal statutory objectives.

At the recent NGA winter meeting, Governors discussed current state efforts to reform welfare. Governors share many of same concerns about welfare reform, many of the same hopes for improvements in the current program, and many of the same interests in seeing a better program be designed and implemented. As we look at legislative proposals, we will evaluate these proposals against certain criteria, and I want to mention a few here.

- Any new program cannot result in massive cost shifts and unfunded mandates on states.
- States should not be asked to undertake major new initiatives without adequate lead time, or without supplementary resources. States should not be asked or mandated to participate in a new program that does not take into account reform efforts already underway, and which are beginning to show positive results.

We also hope that a new program will allow us to continue to test, to experiment, to create solutions that will work in our states, in our parts of the country, and that will give us the tools to create administrative structures that work, that respond, and that are able to help recipients move to self-sufficiency.

As Senator Moynihan pointed out to us after participating in the welfare reform discussion at NGA's winter meeting, states are truly ahead in redesigning welfare and in improving the system. We are proud to agree with your chairman. As I mentioned earlier in my testimony, in a number of areas, we have results demonstrating that our experiments are working. As reform is being considered, and as plans are made to phase-in any new program, the importance of continued state flexibility and state ability to continue to make progress cannot be stressed too much. The nation's Governors look forward to working with you and the Senate Finance Committee as we move to reform welfare. I would be happy to answer any questions you and other members of the committee may have.

Attachment.

HR-5. A CONCEPTUAL FRAMEWORK FOR NATIONAL WELFARE REFORM

5.1 Preamble

Welfare should be a transitional program that moves people from temporary assistance to self-sufficiency. Welfare benefits should be based on a social contract that sets forth the responsibilities and obligations of both the recipient and the government. The goals of this temporary assistance program should include recognition of the essential dignity, well-being, and responsibilities of every American.

This program should be a partnership between all levels of government on behalf of the taxpayer and those who are in need of temporary assistance. The welfare program should be structured to encourage meaningful work and facilitate the move to independence. It should reward work and a reasonable amount of savings.

In addition to rewarding meaningful work, the welfare program should seek to support stable family relationships, ensure child support collection, and provide assistance to obtain the educational and job skills necessary to long-term self-sufficiency. Such assistance can only be provided effectively if education, training, and employment policies are coordinated across agencies at the federal, state, and local level.

Eligibility for other government programs, such as Supplemental Security Income and Social Security Disability Insurance, should be expanded to assist those for whom work is not an option because of age or disability. However, independence and self-sufficiency should not be excluded as appropriate goals for all Americans.

The national program should be financed to ensure full federal funding of any mandates and should not result in new costs or a shift of federal costs to states, counties, and localities. The federal government must recognize its responsibility to provide for the long-term needs of children and of persons who are physically or mentally disabled.

5.2 Temporary Cash Assistance

Assistance, in the form of cash grants,¹ to families with children should be available for a time-limited period during which activities that are designed to make the transition from welfare to work take place.

These activities should include education, training, and the support services necessary to help participants become self-sufficient. Receipt of assistance during this period should be conditioned upon ongoing compliance with the social contract.

¹ Currently the Aid to Families with Dependent Children (AFDC) program

States should be granted broad flexibility in defining the components of the social contract, including requirements to begin work before the maximum time is exhausted. The ongoing financial needs of children must be addressed in any time-limited system.

Continued federal, state, county, and local assistance under the national program beyond the time-limited period should depend on a requirement of work or work-related activities unless no job, community service work opportunity, or community service placement is available.

States should have the flexibility to extend assistance as needed, with full federal financial participation, for a limited period beyond the federal standard on a case-by-case basis in order to ensure that recipients complete education or job training programs, complete treatment for substance abuse or other physical or mental impairments, or resolve emergency situations such as homelessness.

5.3 Earned Income Tax Credit

The Earned Income Tax Credit (EITC) should be expanded over time so that with food stamps, a family of four with a full-time, year-round worker will be brought to the poverty line. Administration of EITC should be simplified, outreach and education to ensure full participation should be expanded, and worker choice regarding the frequency of payment should be preserved.

5.4 Job Development

As jobs are created in the economy through various means, every effort should be made to ensure that employment is available to those making the transition from welfare to work. The private sector, the major source of new job opportunities, should be encouraged to train workers and to hire those recipients who are trained and ready to work. Incentives to employers to hire, such as targeted tax credits and wage supplementation, should be enhanced. Job development through the creation of empowerment zones and enterprise communities should make jobs available to workers in transition from welfare. Public agencies at all levels of government should lead by example and accept their obligation to employ those in transition from welfare as jobs are developed. Where appropriate, government vendors also should bring these individuals into their workforce.

5.5 Work and Community Service

All Americans should be productive members of their community. There are various ways to achieve this goal. The preferred means is through private, unsubsidized work in the business or nonprofit sectors. Other alternatives, in order of priority, include unsubsidized public sector employment, subsidized jobs, grant diversion, working off the welfare grant, and volunteering in community service work.

Community service work opportunities should be developed and managed through the existing infrastructure at the federal, state, county, and local levels. Recipients should be placed in jobs that attend to the public good, such as in school systems, public works departments, social service agencies, and health care and child care facilities. Every effort should be made to place the person in a position related to his or her educational and job training skills so it can serve as a useful stepping stone to private sector employment.

State and local governments should have the flexibility to use some portion of their funds for community service to provide short-term subsidies to ensure the transition of people into private sector employment.

5.6 Additional Support Needs

The following are additional support needs.

- 5.6.1 **Child Care.** The nation's shortage of affordable, available, and quality child care is a problem for working families with children at all income levels. It is a problem that is no less a burden for those who want to avoid welfare than for those who want to leave welfare. The federal government should formulate a child care financial support policy that applies to all Americans. In addition, the federal government should lift regulatory barriers and allow states the discretion to coordinate and combine child care assistance administratively into one program. The Dependent Care Tax Credit should be made refundable to assist low-income working families with the costs of child care. Other solutions include expansion of transitional child care for up to two years, increased support for at-risk child care, incentives and training to expand family day care, and expansion of Head Start and year-round schools. These solutions have the added benefit of providing opportunities for employment for those in transition from welfare to work.
- 5.6.2 **Health Care.** Access to quality, affordable health care for all Americans is essential to enable people to make a permanent transition from welfare to work. Assurance of health care coverage outside the welfare system can prevent entry into the system for some and enable others who leave welfare for jobs to do so without the loss of health benefits. While national health care reforms are being developed and implemented, health care should be made available to those in transition from welfare to work without regard to participation in other assistance programs at fees based on a sliding scale that reflects family income.
- 5.6.3 **Transportation.** In many areas, transportation is a significant barrier to employment. Many workers are unable to travel to available jobs because they do not have reliable transportation. Raising asset limits would enable some to own cars so they could get to jobs. States, counties, and localities also should be encouraged and assisted to coordinate the use of existing transportation (e.g., school buses and vans for the transportation of the elderly and disabled).

- 5.6.4 Subsidized Housing.** For many families the cost of unsubsidized housing exceeds the amount of cash assistance they receive. Other families rely on subsidized housing, housing for which they are eligible based on their income. For these families to move from welfare to work, they need to be able to remain in subsidized housing until their earnings are high enough to enable them to pay for unsubsidized housing. Eligibility for subsidized housing should be coordinated with eligibility for other assistance programs to ensure that work is financially rewarded.
- 5.6.5 Workplace Adjustment.** This assistance must continue as an eligible program to meet the needs of people unfamiliar with the work environment. Help should be provided in learning and dealing with workplace requirements such as hours and punctuality, leave, appropriate dress, speech, relationships with coworkers and supervisors, and employment and labor rules. The objective is to enable people to make the transition from a dependent lifestyle to a self-sufficient life within a work environment.
- 5.6.6 Other Supports.** Family and individual counseling, peer support groups, mentoring, and other needed family supports should be maintained throughout the transition from welfare to work.
- 5.7 Program Coordination**

The effective delivery of services and benefits will require better coordination and integration. Federal education, housing, health and human services, labor, and agriculture agencies should remove barriers and consolidate and standardize language, programs, and requirements. States and localities should be given greater flexibility in the use of existing programs.

5.8 Child Support Enforcement

The Governors believe that a more effective child support system is a critical component of welfare reform. Both custodial and noncustodial parents must accept primary responsibility for the support of their children.

The current child support enforcement system is not working very well. States do not have the tools or the resources to run a good system. Just 58 percent of eligible women have support orders and only half collect the full amount. This means that more than 70 percent of mothers who are entitled to child support either lack support orders or do not receive the full amount due under such orders.

States, counties, and localities have continued to make improvements in the establishment of paternity and support orders and in the collection of support. In particular, the Family Support Act of 1983 made important improvements to the child support system. However, the statistical data showing large arrearages and substantial differences in performance among states suggest that collections can be increased further with broader use of the more successful techniques. In addition, there are significant problems in the interstate enforcement of support obligations and areas where additional federal support could increase the effectiveness of state efforts.

The establishment and enforcement of support obligations are central parts of family law, an area long within the purview of state government. Similarly, many of the proposed enforcement techniques require changes in licensing, insurance regulation, and commercial law, also areas long under state purview.

The Governors urge federal action to improve child support enforcement in the following areas.

5.8.1 Improved Federal Collection Tools. These tools include the following.

- State governments need access to Internal Revenue Service (IRS) data.
- IRS collection tools should be available to states.
- Support obligations should be reported on a modified W-4 form.
- Employers should be required to report new hires to state agencies via the modified W-4 form.
- A national registry of new hires should be maintained.
- A federal registry of support orders should be established and maintained.
- A national computer database of locator information should be established and maintained.
- Federal resources should support effective child support enforcement.

5.8.2 Performance-Based Incentives for State and Local Implementation. Incentives should be available to states for the successful completion of performance outcomes. Incentive funds should be earmarked for programs that serve children.

Areas of performance might include some of the following.

- Establishing paternity. A state establishes a system to voluntarily establish paternity and achieves improvements in this area.
- Applying national child support standards. A national commission with a strong state, county, and local role should be established by Congress to develop national standards for child support orders. Incentives that encourage states to achieve national standards are recommended.

Federal legislation should require Employee Retirement Income Security Act (ERISA) plans to conform to state law and regulations regarding the availability of medical support.

In the event national guidelines are established prior to passage of universal access to health care, those guidelines would have to include provision for medical support, including reasonable limits on the additional costs that would be borne by the absent parent.

- Improving collections of child support. States, counties, and localities should receive incentive payments for reaching certain levels of collections that are agreed upon in advance. This could be accomplished through adversely affecting licenses, interdicting lump sum payments, and reporting to credit agencies.
- Timeliness of interstate collections.
- Processing times at key decision points.
- Amount or percent of support collected.
- Establishing mediation services to resolve visitation issues.

Performance outcome measures should be developed in consultation with states, counties, and localities. They should be based on actual levels of achieved performance and should be tailored to individual state conditions. At least initially, the emphasis should be on improving performance outcomes rather than on reaching an arbitrary target.

- 5.8.3 **Data Collection and Research.** Although there is strong evidence to support the effectiveness of a variety of enforcement tools, these data often are fragmented and are not designed to effectively answer questions about costs and benefits in specific circumstances or to allow for the careful evaluation of alternative approaches to a similar goal. More complete data and additional research on specific enforcement tools would both encourage action at the state level and improve decision making.

The federal government should expand its data collection and research capacity and work cooperatively with states to develop priorities for future research.

- 5.8.4 **Data Processing Systems.** The existing requirements for management information systems have developed over an extended period of time. In some cases, it appears that required matches between and among systems may be duplicative. In other cases, the systems may not provide access to the full range of available information.

The federal government should, in cooperation with states, undertake a comprehensive review of the management information needs of the program and develop recommendations both for the required interfaces between state systems and federal and state databases, and for the needed interfaces among state systems.

- 5.8.5 **Administrative Changes.** It is recommended that the audit process be changed from process-oriented to outcome-oriented performance measures. The federal Office of Child Support Enforcement should conduct a study on minimum staffing standards.

- 5.8.6 **Technical Assistance and Support.** Additional technical assistance from the federal government to states, counties, and localities is needed. Technical assistance must go beyond merely telling states and localities what they should do. Effective technical assistance requires an understanding of good practice and the ability to work with states and localities to help decisionmakers understand the benefits of such practices and to help tailor those practices to the political and administrative conditions of each state.

- 5.8.7 **Improvements to Interstate Enforcement.** One-third of child support enforcement cases require interstate collection. Federal legislation should be enacted to adopt uniform interstate child support enforcement procedures to ensure that child support orders are enforced uniformly throughout the nation.

- 5.8.8 **Continuing Experimentation.** The federal government should authorize and fully fund child support assurance demonstrations.

- 5.8.9 **Assistance to Noncustodial Parents.** The federal government should examine eligibility for job training and other services designed to improve earning capacity, and should consider eliminating disincentives to marriage, particularly for teenage parents.

- 5.8.10 **Continued Evaluation and Implementation.** The Governors support continued evaluation and implementation of the broad range of paternity establishment and child support enforcement tools now in operation across the nation.

5.9 Transition

Pending the adoption of a new or reformed national welfare program, the federal government should do the following.

- Increase federal funding for the Job Opportunities and Basic Skills (JOBS) Training program, modify state matching requirements, and allow states to negotiate performance targets that reflect their economic conditions and the priorities likely to be established under a reform program. These performance targets should replace existing weekly, hourly, and annual participation requirements.
- Allow states additional flexibility in the design of cash assistance programs through modification of state plans rather than waivers. Changes should include but not be limited to:
 - eliminating the 100-hour rule and the JOBS twenty-hour rule;
 - extending eligibility to all families with children;
 - allowing the cash-out of food stamp benefits;

- increasing the asset limit, especially regarding the permissible value of vehicles;
- disregarding the income of step-parents in calculating income and eligibility;
- converting welfare benefits to wages for grant diversion or other work in exchange for welfare programs;
- expanding the earned income disregards; and
- extending support services to families until they reach economic self-sufficiency.

- o Allow various evaluation methods to be used in lieu of control groups.

5.10 Implementation of Reform

There is broad support for moving ahead expeditiously on national welfare reform. As the federal government develops a national program, states should be encouraged and permitted to pursue state-based welfare reform programs aggressively and to implement demonstrations.

States, counties, and localities that are able and willing to act quickly on the implementation of welfare reform should be encouraged to do so. Appropriate incentives, technical assistance, and programmatic support should be offered to them. For states that need a longer time to implement the new system, the federal role should be one of facilitating the transition with targeted technical assistance and support.

Efficiently managed programs require new technology and training. The federal government must maintain its level of investment in this necessary infrastructure in order to achieve welfare reform. Federal requirements regarding the process of acquisition of technology designed to support welfare reform should be simplified and expedited.

Time limited (effective August 1993-August 1995).

Adopted August 1993.

PREPARED STATEMENT OF EMANUEL CLEAVER II

I am Emanuel Cleaver II, Mayor of Kansas City, MO and the Chair of the Committee on Criminal and Social Justice of The U.S. Conference of Mayors. I am pleased to have the opportunity to appear before the Subcommittee today to brief you on The Conference of Mayors position on welfare reform and to describe an important effort underway in my city which shows the success that can be achieved when the public and private sectors work together to create jobs for welfare recipients.

THE U.S. CONFERENCE OF MAYORS POLICY ON WELFARE REFORM

In June of this year at the annual meeting of the Conference of Mayors, the Conference of Mayors unanimously adopted a resolution which I proposed which established our principles for welfare reform. That policy resolution states that any welfare reform proposal which the nation's mayor will support should include:

- The availability of jobs which pay a living wage, health care coverage and child care;
- Provisions which encourage fathers to assume their responsibilities for providing both financial and emotional support to their children;
- Welfare benefits that are sufficient to maintain a standard of living compatible with health and well-being and which remain available for a period of time determined by the client's need rather than an arbitrary time limit; and
- A system which is based on incentives rather than is punitive in nature.

We recognize that wholesale reform is needed and that the current system doesn't work for recipients or for the nation. The system needs to be changed to encourage and facilitate transition to work. No one believes anymore that recipients who are able should not be required to work. But there are varying ways of accomplishing this objective. Our approach is one which would respect the dignity of recipients and meet their basic needs while providing them the assistance they need to find and hold jobs.

LINKAGE TO EMPLOYMENT AND TRAINING AND JOB CREATION EFFORTS

If we are to transition welfare recipients successfully into work, we need to pay a lot of attention to our employment and training system. The welfare system needs to be more closely linked to the employment and training system and changes to and expansion of that system should accompany welfare reform activities. There need to be more incentives in the employment and training system to serve economically disadvantaged persons, particularly welfare recipients.

In addition, there need to be links to and support of local economic development efforts. It is not going to be possible to move people from welfare to jobs if the jobs do not exist. And the jobs are less likely to exist if we do not support and encourage local job creation activities.

The Administration's Empowerment Zone and Enterprise Communities initiative can provide help to such efforts in the approximately 100 communities which will receive designation and funding. Many cities use their Community Development Block Grant funds for economic development activities. And most mayors are actively engaged in developing public/private partnerships to create jobs. But despite these efforts, unemployment remains high, particularly in our cities. Clearly, further incentives which encourage and support local economic development efforts are needed. If you want to ensure that jobs are available to welfare recipients, you must include a job creation component in the welfare reform proposals.

We urge you to enact legislation this year which will establish a jobs program that will enable us to put Americans to work at jobs for which there is a real need. Senator Boren's Community Works Progress Act is such legislation. It would make it possible for cities to create jobs and provide an important employment opportunity for low-income unemployed persons and for our young people. The benefits are mutual and significant. Not only would we be able to address important community needs, but we would be able to provide a salary and work experience to those who currently have neither. Instead of being on the outside glaring at America, they would become a part of the system.

It is important that we view and treat equitably all community service jobs programs. We are all excited by the potential of the new Community and National Service Act—the potential for our communities and for those who serve. We must make sure that any other community or public service jobs programs—programs created through welfare reform, through the community works progress bill or through some other vehicle—be viewed as positive, important programs for a community and for those who do the jobs. Providing a positive work experience along with needed income to the worker and getting a needed job done for the community are the important elements.

THE 21ST CENTURY COMMUNITY PROJECT

I would like to take a moment to discuss a demonstration effort just getting underway in Kansas City which links human services with economic development. It is intended to move people from long-term dependency, to stable, private sector employment. Just last week we received federal approval for waivers that will help us move people from welfare rolls to payrolls. Through this initiative, called the 21st Century Community, welfare grants can be used as wage supplements for up to 48 months. Qualified employers will use the cash grant to supplement wages and provide an adequate, workable wage that will not only help welfare recipients get off welfare, but out of poverty.

The 10-year demonstration project came about through a series of partnership strategies among local, state and federal governments, community organizations, neighborhood associations and the business sector. The strategies incorporate and strengthen already existing programs in the areas of comprehensive learning readiness, job creation and progression, family and neighborhood support, wage supplementation, community-based enterprises, and child support enforcement. Future plans include tax incentives for employers, investors and non-supplemental employees, expansion of community-based business support and job training/employment preparation.

THE REPUBLICAN WELFARE REFORM PROPOSAL

I want to comment briefly on the Senate Republican Welfare Reform bill. This legislation would cut benefits to recipients who do not work or prepare for work. The adult's benefits would be eliminated for three months for the first offense, for six months for the second offense. With the third offense, the adult's portion would be taken away for one year and payments on behalf of the child or children could be made in the form of vendor payments or to a representative payee. While the use of the word "offense" suggests commission of a crime and seems inappropriate at best, our real concern is with the children. The adult and child benefits are inextricably linked in the household budget. With the reduced amount will the children have enough to eat? Will the family become homeless? Won't this just exacerbate the already difficult circumstances in which the family lives? And won't it just shift the costs to local governments and social service agencies and to shelters and soup kitchens? All of us feel there must be some ways to encourage work which are not

so mean-spirited and not so disastrous for welfare families, and do not ignore our responsibility to our children.

Another provision in that proposal would deny welfare benefits to non-citizens. This proposal is one more major unfunded mandate for state and local government. Our national government sets our immigration policies but leaves it up to state and local government to pay most of the costs of resettlement. Denying welfare benefits to non-citizens will just shift more of these costs to state and local government—costs which we cannot afford to absorb. Our position has always been that we welcome immigrants to our communities, that they contribute greatly to their economic and cultural vitality, but that the federal government needs to pay a greater share of the costs associated with their resettlement. Denying AFDC to non-citizens shifts costs feeds the anti-immigrant sentiment that is growing in this country. It is potentially dangerous public policy.

I mention these two provisions in particular because we feel it is critical that they not be included in whatever version of welfare reform that passes the Congress.

I appreciate the opportunity to appear before you today and look forward to working with you to craft welfare reform legislation that will provide real help to welfare recipients by enabling them to live in dignity and to become self-supporting to the maximum extent possible.

PREPARED STATEMENT OF GOVERNOR HOWARD DEAN

Mr. Chairman and members of the subcommittee: My name is Howard Dean and I am governor of the State of Vermont. I appreciate the opportunity to testify at this hearing, and I bring you the greetings and good wishes of the people of Vermont. I will focus my comments on the relevance of the Family Support Act to policy and program developments in Vermont and its relationship to current welfare reform efforts at the state and national levels.

I should tell you immediately that despite our reputation for frugality, Vermonters have traditionally provided fairly and generously for families in financial distress. In addition, the Vermont social welfare system has been innovative in structuring its social support programs. We are leaders in applying preventive strategies in the human services field, in collaborating across departmental lines to solve problems, in taking advantage of technological advances to streamline service delivery, and in using our resources efficiently.

Before I go any further, though, I want to say that the timing of this hearing could not be more appropriate from Vermont's perspective. Less than a week ago, and after more than three years of study, planning, discussion and debate, the Vermont General Assembly passed and I signed into law a bill reforming the AFDC program in Vermont. The development and implementation of this important legislation was truly a bipartisan effort, having been launched in the administration of my Republican predecessor, the late Richard A. Snelling, and carried to enactment, as I said, on January 12th with overwhelming political and public consensus.

The Vermont welfare restructuring act is the first statewide demonstration of welfare reform that includes work requirements based on time limits: After 30 months of receiving AFDC, single parents with a child under 13 will be required to work half time, while single parents with older children will be required to work full time. The primary wage earner in two-parent families will be required to work full time after 15 months' receiving AFDC. None of the requirements will apply, however, unless the state meets its commitments to provide case management, education, training and support services (including transportation and child care) in the context of individualized family development plans. And Vermont is fully prepared to follow through on that commitment. I will discuss the program in more detail later in my testimony.

I mention the Vermont restructuring because it is a fundamental redefinition of the public assistance program, rather than an incremental improvement.

The intent of the Family Support Act was to assure that parents in needy families with children can obtain the education and training necessary to avoid long-term welfare dependency. As part of this effort, the act required statewide education and training programs for AFDC parents, and the provision of child care and other support services while parents participated in those activities. The act also provided for transitional benefits: families who lose AFDC due to increased earnings are eligible for child care and Medicaid benefits for one year.

Title II of the Act established the Job Opportunities and Basic Skills Training Program, otherwise known as JOBS. It provided a philosophical and regulatory environment as well as a funding source for work-preparation programs. In Vermont our JOBS program is called Reach Up, but it preceded the Family Support Act by four years.

The Family Support Act was extremely welcome in Vermont. Its policy directions in child support and parental training and education coincided nicely with the aims of social policy-makers at the state level. FSA stressed (1) a uniform approach to

child support responsibility in the form of universal wage withholding, (2) early determination of parentage in unwed birth situations, (3) transitional assistance in the form of Medicaid and subsidized child care and (4) the establishment of statewide employment and training programs. Vermont was already on that road and welcomed the validation and support FSA provided.

On the child support side, especially, the statute has had enormous impact. It added a number of enforcement components and helped to establish more uniform state procedures. It emphasized federal interest in the area of child support enforcement and provided Vermont with important momentum to continue the improvement in its own child support programs.

The Act served as the basis for new state legislation and reinforced existing practices, such as the use of presumptive child support guidelines. But the most notable impact was in the area of immediate universal wage withholding.

Vermont began immediate wage withholding for all new child support orders in July of 1990, including non-AFDC cases. The Act did not require non-AFDC withholding until January of 1994. We were ahead of the federal mandate by almost four years. The progress toward full implementation of wage withholding has been steady. In July 1990 only 38 percent of obligations had wage withholding orders; now, 66 percent of cases have withholding orders. Wage withholding receipts have almost tripled since we began to implement the law and wage withholding is now the standard method of child support payment.

But when it comes to overall AFDC policy, the Act has had less of an impact, at least in Vermont. In fact, the welfare issues being debated nationally right now -- dependency, incentives, parental responsibility and the relationship between policy and society's values -- mirror the debate that gave birth to the statute in 1988. This doesn't mean that the FSA has been a failure -- only, in my view, that it did not go far enough.

Among other things, its prescription for change was not strong enough to meet public scrutiny on the issue of values. As a consequence, resentment against welfare and welfare recipients has remained high. The act simply did not take into account the changing realities of mainstream economic and family life.

Most important, even with its orientation toward preparation for worklife, the Act failed to alter the basic entitlement to public assistance.

To this day, a family may receive income maintenance checks until the youngest child turns 18, as long as nothing much changes in its basic economic situation.

That was fine in the 1940, when AFDC was a program that enabled poor widows to stay at home with their children and when mothers of young children rarely worked outside the home. It is not fine now.

Economic realities and society's values have long since overtaken the original AFDC assumptions and beliefs about the role of women (especially mothers), the value of work and the nature of public assistance.

We know that most American women with children now work outside the home more often as a result of financial necessity than from preference alone. A close look at census data last year gave us a picture of the working patterns of single mothers in Vermont. It showed that about 80 percent of all single women with minor children in Vermont actively participate in the labor force -- meaning that they hold jobs or are looking for work. That puts Vermont among the top few states in that category.

Work clearly matters. It is mainstream behavior. And it has value beyond the specific amount of money it generates. AFDC program policy must reflect this.

I'll report briefly on one more study, this one looking at welfare dependency trends. In late 1992 the Vermont Department of Social Welfare examined the experience of 7,700 families who were receiving AFDC benefits in 1983. Computer records were reviewed to determine how long Vermont families receive AFDC benefits. The study showed that long-term dependence on ANFC is a problem in Vermont, especially for single-parent families, which represent about 80 percent of our caseload.

Here's what we learned:

We learned that a quarter of the single-parent families on the AFDC rolls in 1983 received benefits continuously for at least eight years.

...that 55 percent would be enrolled for 5 years or more if non-continuous periods of benefit receipt were counted.

....And we learned that the longer a family receives benefits, the harder it is to leave the program: A single-parent family that has received AFDC benefits for five years has a bare 15 percent chance of leaving the program in the next 12 months.

The information clearly strengthened our feeling that dependency was a problem and that turnover should be brought level with public expectations and socio-economic realities.

AFDC was, and largely remains, an income maintenance program that demands little of participants. From the beginning, the system has implicitly told recipients that to work is a threat to their benefit economic security; that to marry means to lose eligibility; that anything beyond token self-improvement is all that is expected to continue to receive benefits.

A parent receiving AFDC has access to medical care, assistance with food and fuel costs, a measure of financial security and other considerations until the household's youngest child reaches 18. The message? Being on welfare is a better deal than holding a low-wage job. The message and the system that made it possible have simply been out of touch with both society's values and the economic reality of modern family life. That is one of the chief reasons Vermont chose to depart from "welfare as we have known it" and to restructure our AFDC system.

We agree with President Clinton's vision of time limits for AFDC assistance, but have crafted our own expression of the policy: We have imposed limits on how long parents can receive unrestricted AFDC benefits and set work requirements based on the time limits. The requirements may be especially vital for those so defeated by their dependence on public assistance that they cannot move toward self-reliance otherwise.

Those time-limited benefits and the carefully considered work requirements that follow on are a small part of the remarkable package of changes I signed into law last Wednesday. They and the other elements of the plan I presented to the Vermont General Assembly were drawn from the comments of hundreds of Vermonters who participated in focus groups across the state. The participants were AFDC recipients, welfare professionals, service providers, business and community leaders, advocates and many others. Then the Legislature debated the issue across two sessions to refine and improve the original proposal.

In its simplest terms, the new legislation resembles a contract. Among other things, it obliges the State of Vermont to provide (1) transitional financial support, (2) a substantial investment in job readiness education and training, (3) a range of supportive family services and (4) an environment in which work pays. The AFDC parent agrees to prepare for and accept a job, become more self-reliant and improve his or her parenting skills.

The time limits and work requirements underlie the system, along with participation in an expanded work-preparation program. If AFDC parents can't find jobs on their own after a specified period, the state will find them work in the public or private-nonprofit sector, diverting the AFDC grant as a paycheck. We do have sanctions available to give the work requirements a "bottom line." Non-complying parents will have their AFDC grants issued in the form of vendor payments instead of directly. They must also attend three meetings each month to facilitate the vendor payment process and revisit their work responsibilities in an effort to bring about compliance. But there's no edge of the world for a family to fall off of and no children will be exposed to risk because of a recalcitrant parent.

I would like to offer a very brief context for understanding the support for Welfare Restructuring in Vermont. The state has a history of innovation in building social support structures, especially where children are concerned. As I said earlier, we have tried to provide generously, within our means, for low-income families. During the past 20 years, policy makers in both the legislative and executive branches, and program administrators, with strong support from Vermont's citizens, have developed family-centered social policies and the organizational infrastructure needed to carry them out. An openness to innovation has been a hallmark of this process. Some of the major features of this system are:

A SOCIAL SERVICE NETWORK THAT IS WELL ORGANIZED AND EFFECTIVE.

Throughout the state, community-based organizations, including the country's first statewide network of parent-child centers, complement the efforts of the State agencies responsible for delivering human services programs. This system is characterized by a very real commitment to partnership through communication, cooperation, and integration of services.

OUR PROGRAMS FOR NEEDY CHILDREN HAVE WIDE SUPPORT.

Doctor Dynasaur, which provides health care insurance for uninsured children, is now an element of the Medicaid program and was expanded last year to cover children up to 18 whose families have incomes of 225 percent of the poverty level. A new effort, Healthy Babies, will foster home visits and parent education for Medicaid-eligible pregnant women and infants.

SUBSIDIZED CHILD CARE HAS BEEN AVAILABLE TO LOW-INCOME WORKING PARENTS IN VERMONT FOR 20 YEARS.

WE HAVE A TAX SYSTEM THAT IS FRIENDLY TO LOW-INCOME, NON-WELFARE WORKING FAMILIES WITH CHILDREN. It includes a state-funded Earned Income Tax Credit based on the federal Earned Income Tax Credit, along with sales tax rebates and rebates for low-income renters and home owners. All of these tax policies support economically fragile families.

REACH UP, WHICH I MENTIONED EARLIER, IS A SUCCESSFUL PROGRAM THAT ALSO ENJOYS WIDE PUBLIC SUPPORT. It provides ANFC parents with an opportunity to become self-sufficient through a constellation of services including case management, education and training, and support services, especially child care, health care and transportation. Here are some typical outcomes from the last year for which we have full data:

- More than 5450 AFDC parents and youth participated in Reach Up, which is roughly a third of all AFDC parent and out-of-school youth who received benefits.
- About 65% of single parents in Reach Up participated in education activities and more than 2300 started jobs.
- Average quarterly wages in the fourth quarter following job starts were 15 percent higher than in the first quarter.
- Total monthly benefits for those who started jobs declined 50 percent by the 12th month after job start.

It is not surprising that Reach Up has received wide bipartisan support and will be expanded to form the centerpiece of Vermont's time-limited AFDC program.

What are the purposes and goals of our restructuring?

It is not my intention to give a detailed description of the specifics of Vermont's Welfare Restructuring legislation here. But I do think you will find it useful to hear about the plan's key purposes, goals, and elements.

The overall goals of the plan are straightforward.

We want to:

- Strengthen families and parental responsibility.
- To reward work and promote self-support.
- To transform AFDC into a transitional assistance program.
- And to improve the way we serve families.

Our drive to meet these goals will move us toward specific objectives. Chief among them are:

- Making work a better alternative than welfare.
- Promoting responsible parenting and positive role modeling
- Establishing a partnership between ANFC parents and the state.
- Reducing time on public assistance and replacing benefits with wages.
- And helping to prevent child abuse and neglect, family violence, and other family dysfunctions.

In reaching those goals, we intend to:

- Intervene early with individualized family development plans and case management support.
- Expand Reach Up as the mechanism for achieving family self-sufficiency.
- Provide access to jobs, both unsubsidized and subsidized, and above-poverty incomes.
- And simply give families more control over their lives.

The underlying dynamic in this whole effort is a positive, prevention-oriented family focus. We are moving from a system that has been dedicated to income maintenance at below-poverty levels to a system that is committed to family support, self-sufficiency, and success.

Welfare restructuring in Vermont is part of a larger long-term plan. Vermont is an extraordinary place because we have the capability to make things happen that in other states might seem daunting. It is no accident that, in addition to welfare reform, we are heavily engaged in education funding reform and health care

reform. Our efforts in all these areas are, in fact, connected and mutually reinforcing.

The Vermont legislation, as I noted earlier, builds on the foundation established by the Family Support Act, but goes far beyond it in its global approach to the problems that welfare systems have traditionally seemed to ignore or even exacerbate.

One of the key points of the restructuring is that it makes work a better alternative than welfare.

- It allows AFDC parents who obtain unsubsidized jobs to keep more of their earnings before their grants are reduced.
- It eliminates the 100-hour rule, which prevents us from providing benefits to two-parent families with low-wage-earning breadwinners.
- It extends Medicaid coverage for 36 months following closure of a family's AFDC grant due to earnings and provides child care assistance as long as the family needs it.
- It excludes the value of assets accumulated from income earned by a parent receiving AFDC.
- And in a rural state like ours, where public transportation is virtually nonexistent, it excludes the value of one vehicle when computing a family's resources in the AFDC eligibility determination.

We will be using, pooling, cooperating with and relying on all our resources to make the new system work.

I'm very proud of the work our Agency of Human Services did to develop this restructuring blueprint and of our state General Assembly for cleaving to the issues as they fine-tuned the plan.

I believe the restructuring plan will serve Vermont well, and might model the possibilities for other states contemplating welfare reform. Senator Breaux, I am grateful for your interest and attention, and I'll try to answer any questions the members might have.

PREPARED STATEMENT OF DAVID T. ELLWOOD

Good morning, Mr. Chairman and members of the Subcommittee. Thank you for the invitation to appear before you today. I am encouraged by the Committee's long-standing interest in improving the nation's system of support for children and families, and I look forward to working with you as we continue to develop the President's welfare reform proposal.

There is near universal consensus that the current welfare system does not work. Americans share powerful values regarding work and responsibility and yet our current welfare system seems at odds with these core values. People who work, who play by the rules, are often worse off than those on welfare. Those on welfare need and desire the opportunity to become self-sufficient. Instead, they face a system that has traditionally placed far greater emphasis on verifying income and issuing monthly assistance checks than on helping people work and achieve real independence.

My co-chair on the Welfare Reform Working Group, Mary Jo Bane, has just recounted how the Family Support Act of 1988 has made progress in moving toward a system that encourages and facilitates self-sufficiency rather than seeming to defeat it. We need to build on the foundations laid by the Family Support Act to make the bold vision embodied there into a reality. Today I will talk about the vision that has led the efforts of the Working Group on Welfare Reform and the steps taken thus far in developing a welfare reform plan for the President.

First, I would stress that welfare reform cannot be viewed in isolation from larger forces that run deeper than the problems associated with our discredited system of welfare. I am speaking of economic and demographic forces that have wrought powerful changes in the spheres of work and family in American society.

In my view, the most dramatic and important of these economic and demographic forces involve (1) the decline in wages of low-income workers over the last twenty years, and (2) the increase in single-parent families. These are the two primary reasons for the growth in overall poverty and of special concern, poverty among children.

LOW WAGES

Perhaps the most dramatic economic change over the past twenty years has been the changes in the wage structure. In the quarter century following World War II, real wages increased by 40 percent per decade until the early 1970s. And then the growth stopped. Wages stagnated, and some groups began to lose ground. For the first time in many generations, many labor market entrants are earning less than their parents did.

And when the economy stumbles, the working poor fall. There is now clear evidence that the workers at the upper end of the economic distribution have fared far better over the recent past than those at the bottom. Young workers, the less well educated, and minorities in particular have disproportionately borne the brunt of economic changes of the past few decades. Wage inequality has increased to levels greater than at any time since 1940. The gaps between hourly earnings of a full-time worker in the 90th percentile of the earnings distribution and a worker in the 10th percentile grew by 20 percent for men and 25 percent for women from 1979 to 1989. This gap has continued to increase in the early 1990s.

Not only has wage inequality increased, but there has been a large growth in the number of workers with low and very low earnings. (In 1990 full-time, full-year workers with low earnings were classified as those earning less than \$12,195; this is the poverty line for a four person family with two children.) Between 1964 and 1974, the proportion of year round full-time workers earning low wages actually declined from 24 percent to 12 percent in the mid 1970s. Since 1979, however, there has been a rise in the prevalence of low earnings among full-time full year workers. In 1990, 18 percent of year-round, full-time workers earned low wages.

A second source of concern is the increase in joblessness, particularly among young workers. Joblessness, which I'll define as the proportion of workers reporting no work or earnings for an entire year, has increased among all young workers. Among persons aged 25-34, there has been an increase between 1967 and 1989 in the percentage of men who did not work, for both blacks and whites and for all education levels.

SINGLE PARENT FAMILIES

Economic changes relating to declining wages have taken place over roughly the same time period that profound demographic changes affecting family structure have occurred.

Everyone knows that Ozzie and Harriet are not typical. Responding to this reality is one of the most important challenges we face. In 1960, about 9 percent of all children lived in one-parent families. In 1991, about 25 percent, or one in four children, lived in a single-parent family. There are striking differences in family structure between white and blacks. In 1960, 9 percent of white children were not living with two parents. By 1990, the figure had risen to 21 percent. For blacks the changes were even more dramatic: 33 percent of black children were not living with two parents in 1960; thirty years later 62 percent were not.

Recent estimates now indicate that about half of all children born in the 1980s will spend some time in a single-parent family. The numbers are even higher for certain children—at least 80 percent of all black children and 43 percent of all Hispanic children, compared to 36 percent of all white children will spend at least some time in a single-parent home before reaching age 16.

Since 1970 the number of divorced parents has almost tripled, but divorce rates, while still high, have stabilized since the mid-eighties. In contrast, there was un-

precedented growth in the number of out-of-wedlock births during the 1980s and this accounts for virtually all of the recent rise in single-parent families. Currently more than one million children are born to unwed mothers each year—a 64 percent increase from 1980. According to the most recent vital statistics figures available, nearly 30 percent of all births were to unmarried mothers in 1991; 22 percent of births to white women and 68 percent of births to black women.

Contrary to what many people believe, most of these out-of-wedlock births are not to teenage mothers. Unmarried teen mothers, age 19 or younger, were responsible for only a third of all out-of-wedlock births in 1991.

THE IMPACT ON CHILDREN

While the causes of changing family structure and earnings over time are complex, their implications for the economic well-being of children and families are straightforward. Our children are in trouble.

By the official poverty measure, more than one child in five is considered "poor," and 40 percent of all the poor are children. In 1992, almost half (46 percent) of female headed families with children under 18 lived below the poverty level. Regardless of race, the incidence of poverty among single-parent families with children was high, but particularly so for minorities—57 percent of black and Hispanic female-headed households with children lived below the poverty level, compared to 40 percent of white single-parent households with children.

By contrast, less than a tenth (8.4 percent) of two-parent families with children under 18 lived in poverty. Poverty rates among two-parent black and Hispanic families with children was higher than among white two-parent families with children; 15 percent among black two-parent families and 23 percent among Hispanic two-parent families versus 8 percent among white two-parent families. Still, poverty rates across racial and ethnic lines were much lower among families in which parents were married than among those headed by a single parent.

An increase in poverty has resulted in an increase in welfare receipt. The average monthly number of children receiving AFDC benefits remained relatively stable between 1971 (7.0 million) and 1989 (7.4 million). Since then, that number has increased by almost one-third to about 9.6 million children in 1993, while the total number of children in the United States has remained steady. Likewise, the total number of recipients jumped dramatically from 10.8 million to 14.2 million since 1989. This sharp increase represents record breaking levels in AFDC receipt—for the first time the number of families receiving AFDC benefits exceeded the 5 million mark earlier this year. This occurred in spite of the fact that the average amount of benefits received by AFDC families has declined by approximately 40 percent over the past twenty years, once inflation is accounted for.

A NEW VISION BASED ON TRADITIONAL VALUES

Our current welfare system is an inappropriate and often counterproductive response to the forces of declining wages and the growth of female-headed families. Our system is at odds with the basic American values of work and responsibility. People who go to work are often worse off than those on welfare. Single-parent families sometimes get welfare benefits and other services that are unavailable to equally poor two-parent families. Noncustodial parents often provide little or no economic or social support to the children they parented. Despite the positive reforms brought about by the Family Support Act, not enough people are getting access to education, training, and employment skills, the welfare system is still driven by complex eligibility rules, and focused on benefit calculations and writing checks. The very culture of welfare offices creates an expectation of dependence rather than independence.

President Clinton's pledge to "end welfare as we know it," was based on the following four principles:

Make Work Pay—People who work should not be poor. They must get the support they need so they can both work and adequately support their families. Incentives must be made available though the economic support system that encourage families to work and not discourage them from leaving welfare.

Dramatically Improve Child Support Enforcement—The message is simple. Both parents have a responsibility to support their children. One parent should not have to do the work of two. However, only one-third of single parents currently receive any court-ordered support. In his speech before the National Governors' Association last February, President Clinton stated that we need to make sure that parents who owe unpaid child support pay it. This money would reduce welfare dependency, help lift single parents out of poverty and contribute to controlling government expenditures.

Provide Education, Training, and Other Services to Help People Get Off and Stay Off Welfare—To reduce the need for welfare support, people should have access to basic education and training necessary to get and hold onto a job. Existing programs encouraged by the Family Support Act of 1988 need to be expanded, improved and better coordinated.

Create a Time Limited Transitional Support System Followed by Work—With the first three steps in place, assistance through welfare can be made truly transitional as it was originally intended. Those who are healthy and able to work will be expected to move off welfare quickly and those who cannot find jobs should be provided with them and expected to support their families.

To fulfill his pledge, the President formed the Working Group on Welfare Reform, Family Support and Independence to develop a plan for welfare reform that provides opportunity, but also rewards work and demands responsibility. The Working Group, which Mary Jo and I co-chair along with Bruce Reed from the Domestic Policy Council, is made up of senior level appointees representing eight different Departments and seven White House offices.

The Working Group has made public involvement and input a top priority and has taken several steps to accomplish this. We conducted a series of five regional hearings in Chicago, Washington, Cranford (New Jersey), Sacramento, and Memphis to give members of the Working Group an opportunity to hear ideas and opinions from across the country. Approximately 150 groups testified. We also made site visits to model programs, county welfare offices, and individual communities in the course of our regional trips and had opportunities to meet with scores of welfare recipients.

From these visits, as well as from meetings with organizations and correspondence from the public, we have become aware of the wide range of concerns regarding any reform program. Groups have advocated flexibility within a blanket reform program, strengthening the current education and training programs, increasing access to quality day care, better coordinated services among agencies, and a stronger child support enforcement system.

The Working Group's vision for welfare reform is simple yet powerful. Our goal is to move people from welfare to work, and to bolster their efforts to support their families and contribute to the economy. We believe we must refocus the system of economic support from welfare to work, and we must reshape the expectations of government and the people it serves.

The Working Group believes that work is central to the strength, independence, and pride of American families. We accept that families sometimes need temporary cash assistance while they struggle past personal tragedy, economic dislocation, or individual disadvantage. But we believe that no one who can work should receive cash assistance—or welfare—indefinitely. And we believe that parents, not governments, are responsible for the support of their children.

To truly "end welfare as we know it," we must build on the values of work and responsibility. Those on cash assistance cannot collect welfare indefinitely. After a time-limited transitional support period, work—not welfare—must be the way in which families support their children.

The Working Group has developed a vision for true welfare reform that translates the President's principles into four fundamental elements, and builds on the values of work and responsibility.

1. Reward people who go to work by making work pay, by ensuring that people who play by the rules get access to the child care, health insurance, and tax credits they need to adequately support their families.

2. Promote parental responsibility by strengthening child support enforcement so that noncustodial parents provide support to their children and by looking at ways to prevent teen pregnancy. Parents should take responsibility for supporting and nurturing their children.

3. Promote work and self-support by providing access to education and training, making cash assistance a transitional, time-limited program, and expecting adults to work once the time limit is reached.

4. Reinvent government assistance to reduce administrative bureaucracy, combat fraud and abuse, and give greater State flexibility within a system that has a clear focus on work.

I'll discuss the Working Group's thinking on each of the four elements:

MAKE WORK PAY

We believe work is at the heart of the entire reform effort. To make work "pay" for welfare recipients, we believe we must provide some support for working families, and ensure that a welfare recipient is economically better off by taking a job. We see three critical components to making work pay—providing tax credits for the working poor, ensuring access to health insurance, and making child care available.

This Administration, together with Congress and the Finance Committee, have already expanded the *Earned Income Tax Credit* (EITC), which was effectively a pay raise for the working poor. When fully implemented the EITC will make a \$4.25 per hour job pay the equivalent of \$6.00 per hour for a family with two children. Now, we should encourage greater utilization of the advance payment of the EITC so that people can receive it periodically during the year, rather than as a lump sum at tax time.

We also must guarantee *health security* to all Americans through health reform. Part of the desperate need for health reform is that non-working poor families on welfare often have better health coverage than working families. It makes no sense that people who want to work have to fear losing health coverage if they leave welfare.

The final critical element for making work pay is child care. We would seek to ensure that working poor families have access to the quality child care they need. We do not believe we can expect single mothers to participate in training or go to work unless they have care for their children.

PROMOTE PARENTAL RESPONSIBILITY

If we are going to end long-term welfare dependency, we believe we must start by doing everything we can to prevent people from going onto welfare in the first place. Families and communities need to work together to ensure that real opportunities are available for young people, and to teach young people that men and women who parent children have responsibilities and should not become parents until they are able to nurture and support their children.

A prevention strategy would provide better support for two-parent families and send clear signals about the importance of delaying sexual activity and the need for responsible parenting. Teen pregnancy is an enduring tragedy—children who have children face tremendous obstacles to self-sufficiency. As I noted earlier, the total number of children born out of wedlock has more than doubled in the last 15 years to 1.2 million annually. We are approaching the point where one out of every three babies in America will be born to an unwed mother. The poverty rate in families headed by an unmarried mother is currently 63 percent.

We must also enforce child support. Our current system of child support enforcement is perceived to be heavily bureaucratic and legalistic. It often fails to hold accountable the fathers of children born out of wedlock from any obligation to support their children, while frustrating those who do pay. And the biggest indictment of all is that, although collections in Fiscal Year 1993 were about double the amount just before passage of the Family Support Act, only a fraction of what could be collected is actually paid.

We believe the child support enforcement system must strongly convey the message that both parents are responsible for supporting their children. One parent should not be expected to do the work of two—opportunity and responsibility ought to apply to both mothers and fathers. Government can assist parents, but cannot be a substitute for them, in meeting those responsibilities. We believe that movement toward universal paternity establishment and improved child support enforcement would send an unambiguous signal that both parents share the responsibility for supporting their children.

PROVIDE ACCESS TO EDUCATION AND TRAINING, IMPOSE TIME LIMITS, AND EXPECT WORK

The Family Support Act of 1988 provided a new vision of mutual and reciprocal responsibility for government and recipients alike—government has a responsibility to provide access to the education and training that people need, and recipients are expected to take advantage of these opportunities and move into work. The Family Support Act created the Job Opportunities and Basic Skills (JOBS) training program to help move people from welfare to work. Unfortunately, as Mary Jo mentioned, one of the clearest lessons we learned from our site visits and public forums is that this vision is largely unrealized at the local level. The primary function of the current welfare offices is still meeting administrative rules about eligibility, determining welfare benefits, and writing checks. The current JOBS program serves

only a fraction of the caseload. We don't need a welfare program built around "income maintenance"—we need a program built around work.

Is it really possible to move people into jobs? We believe it is. Recent research conducted by LaDonna Pavetti shows that there is even greater movement on and off the welfare rolls than we had previously thought. By exploiting the recent availability of monthly longitudinal data on the receipt of welfare, this research is able to capture short-term movement on and off the welfare rolls that was missed in earlier research that relied on annual data. In this research, Pavetti finds that it is extremely common for women to leave the welfare rolls and to do so very soon after they begin a spell of welfare receipt.

However, she also finds that for many women, this movement off the welfare rolls is extremely short-lived. More than half of all welfare recipients who begin a spell of welfare receipt leave the welfare rolls within the first year; by the end of two years the percentage who have left increases to 70 percent. By the end of five years, only about 10 percent have not left the welfare rolls. Unfortunately, most people do not stay off welfare. Some 70 percent of those who leave will eventually return, often quite quickly.

Based on these findings, we now believe that welfare serves three purposes: short-term assistance, episodic assistance and long-term income maintenance. Our best estimates suggest that about 40 percent of women who ever use welfare are short-term users, about one-third are episodic users and one-quarter are long-term users. This means that our policies to change welfare need to focus not only on getting women off welfare, but also on helping women to stay off the welfare rolls once they leave. That is why making work pay is so important. That is why child support is critical, and that is why training really could work.

We believe we need to transform the culture of the welfare bureaucracy. The message is simple: everybody is expected to move toward work and independence. We would expand access to education, training, and employment opportunities, and insist on higher participation rates in return. We envision a system whereby people would be asked to start on a track toward work and independence immediately. Exemptions and extensions would be limited. Each adult would sign a social contract that spells out their obligations, as well as what the government will do in return. The system must be sensitive to those who for good reason cannot work—for example, a parent who is needed in the home to care for a disabled child. But we should not exclude anyone from the opportunity for advancement—everyone has something to contribute.

At the end of two years, people still on welfare who can work but cannot find a job in the private sector would be offered work in community service. Communities would use funds to provide non-displacing jobs in the private, non-profit, and public sectors. They could form partnerships among business leaders, community groups, organized labor, and local government to oversee the work program.

The Working Group believes this may be the most sensitive and critical element of the reform program. We are consulting with labor organizations, government officials, advocates, recipients, and the business community. The purpose of these meetings is to draw on their expertise and experience in order to craft the work component of the program. We envision a system that lets each community utilize a variety of strategies to respond to the needs of its own particular labor market. Those strategies could include business subsidies, private industry councils, or contracts with private companies. It is this close consultation with the business community that makes this reform effort unique, and that will ultimately influence its success.

REINVENT GOVERNMENT ASSISTANCE

A major problem with the current welfare system is its enormous complexity and inefficiency. It consists of multiple programs with different rules and requirements that confuse and frustrate recipients and caseworkers alike. Waste, fraud and abuse can more easily arise in a system where tax and income support systems are poorly coordinated, and where cases are not tracked over time or across geographic locations.

The real work of encouraging work and responsibility will happen at the State and local levels. The Working Group believes the Federal Government must be clearer about stating broad goals and give more flexibility over implementation to States and localities. We envision simplifying and streamlining rules and requirements across programs to the maximum extent possible. Basic performance measures regarding work and long-term movements off welfare might be combined with broad participation standards. States should be expected to design programs which work well for their situation.

Technology now allows us to create a Federal clearinghouse to ensure that people are not collecting benefits in multiple programs or locations when they are not entitled to do so. Such a clearinghouse would also allow better interaction between the child support enforcement and welfare systems, as well as provide information about which people in which areas seem to have longer or shorter stays on welfare.

Transforming the social welfare system to one focused on work and responsibility will not be easy. A welfare system which evolved over 50 years will not be recast overnight. The myriad social and economic forces that influence the poor and non-poor alike run deeper than the welfare system. We do not have all the answers, and we must guard against unrealistic expectations. But we must think boldly and consider an array of policy options that will serve to reinforce the basic values of work and responsibility and enable us to preserve our children's futures.

PREPARED STATEMENT OF STEPHEN GOLDSMITH

Other than crime, welfare is the most significant predatory influence in urban communities. Through welfare, federal and state governments destroy the marketplace and the will to work, provide financial incentives for improper conduct and negative values, facilitate the destruction of the family and seriously erode any attempt to increase city and personal wealth.

BACKGROUND

The Committee is well aware of the many values undermined by welfare: mothers are not allowed to live with the father of their children, families are not allowed to save for their children's future, teen mothers have incentives to have more children and are encouraged not to live with their parents.

I would like to take a few minutes today for the Committee to think of this crisis in another way: do we want our market-based economy to succeed? As a prosecutor for 12 years in Indianapolis, it was my job to collect child support payments. Every AFDC mother in Indianapolis was my client. During those 12 years we increased collections to 37 million dollars, up from \$900,000 when I began.

Representing AFDC mothers was a critical experience for me. It provided me with an opportunity to understand a variety of behaviors, but fundamentally that these young women were quite rational, and were much more informed about what was in their own best interest than a Mayor, Governor or even Congress. They understood that going to work *harmed* their children, risked their health care, created a need for child care and reduced their income.

A recent experience with a local businessman drove this point home: Shortly after Christmas I was having a pair of pants altered and I asked the tailor how his business was going. He told me that business was great but complained that he was working 6 days a week, 10 12 hours per day because he could not find any help. He was offering \$8 an hour and had been told by several welfare recipients that they would only work for him if he paid them in cash and did not report it. Otherwise, they couldn't afford to take the job because it would cost them too much in lost welfare benefits. Any system that punishes an unemployed person for taking a job that pays \$8 an hour is broken, period.

Creating humane welfare reform that eliminates these insidious incentives is highly complex, but some answers are relatively obvious.

GOALS

We should aspire to the following four goals of successful welfare reform:

1. *Jobs:* Increase the number of public welfare recipients securing and then sustaining employment by: Removing programmatic barriers to employment and providing incentives to employment;

- Using market-based financial incentives to create private sector jobs;
- Avoiding the temptation to create large public works programs to employ welfare recipients;
- Requiring all welfare recipients to be enrolled in school, job training or welfare-to-work.

2. *Costs:* Decrease the cost of welfare to the taxpayer by:

- Increasing the reliability and the amount of child support collections through improved efforts to locate absent parents, establish paternities, and support teen fathers with programs that will enhance their ability to pay support;

- Decreasing the bureaucracy and paperwork associated with welfare programs by designing programs that rely more on modern technology;
 - Measuring outcomes, not inputs;
 - Vigorously moving able-bodied families off of welfare at the earliest opportunity.
3. *Values:* Cause dollars to be invested as an incentive for positive, not negative values by:
- Removing the penalty on poor families when parents choose to live together and/or to marry;
 - Requiring minor parents to live with their parents and attend school;
 - Allowing parents to save by creating Individual Development Accounts.
4. *The Delivery System:* Change the delivery system to improve services by:
- Using more private, neighborhood-based organizations and more "charter" systems for welfare delivery and fewer government-managed operations to deliver family based services;
 - Treating recipients with respect and dignity by creating a new culture within social service organizations that supports clients in their efforts to attain self-sufficiency.

SPECIFIC RECOMMENDATIONS

1. *Jobs:*

- Replace the current AFDC system with a program that encourages work and pursuit of child support.

AFDC families in which a child support order exists and in which the custodial parent, usually the mother, cooperates with child support authorities relative to enforcement of the order, would be permitted to keep more of their earnings and would have a transition period of up to 2 years to ensure financial stability before benefits end.

2. *Costs and Parental Responsibility:*

- Pass the recommendations of the Interstate Commission on Child Support as soon as possible.

Two years ago when I testified on welfare reform, I advocated child support assurance as a way of removing AFDC mothers from the confiscatory tax brackets in which they currently exist. Although reasonable people disagree on the details of child support assurance and on the proper degree of federal involvement, few seemed to disagree in any substantial way with the Commission's recommendations to correct the disgrace of interstate enforcement. Key recommendations include:

- Expanding the federal parent locate system to provide direct access to records in other states and access to federal records;
 - Providing access to information from quarterly estimated taxes;
 - Requiring national reporting of new-hires;
 - Creating a central registry of child support cases;
 - Developing a national subpoena with nationwide reach;
 - Permitting use of videotape and fax testimony.
- Permit the use of Title IV-A funding to support local and state initiatives which would include the following:
 - Requiring the child support agency to access state department of revenue files to identify noncustodial parents who have income other than wages;
 - Requiring hospitals to obtain information on fathers;
 - Providing opportunity for drawing blood for paternity testing at birth;
 - Providing for administrative setting of support following establishment of paternity;
 - Suspending professional and occupational licenses or put on probational status those who fail to pay child support but are able to do so;
 - Contracting with for-profit or not-for-profit organizations, on a contingency basis, to locate absent parents, to assist in establishment and enforcement of support orders, to collect medical support and to identify third party medical sources; Providing educational and incentive programs to stress the importance of prenatal care and the establishment of paternity;
 - Beginning paternity discussions with prenatal care;
 - Involving fathers in prenatal care, educational and employment services and other supportive services.

3. *Values and compulsory Activities:*

- Require children in families who receive benefits to attend school as a condition of eligibility.

All children should attend school full time in an elementary, secondary, vocational or technical training program. When children drop out of school or have excessive unexcused absences, a financial sanction should be applied to the family's grant. And, families whose children have no unexcused absences should receive a financial incentive.

- Welfare recipients should be permitted to build assets for future self-sufficiency.

Welfare recipients should be encouraged to invest a portion of their earnings in Individual Development Accounts to be used for specific purposes such as entering the private housing market, educating their children, or starting a business.

- Rules of welfare eligibility should promote and support family unity.

The following are examples of changes necessary to keep families together or reunite them if they have been living apart:

- Requiring minor parents and pregnant teens to live with their parents or in another supervised setting in order to receive welfare benefits;
- Continuing benefits (less the amount of court ordered child support) for a transitional period of up to 12 months when the recipient and the non-custodial parent reunite.
- Setting aside a portion of JOBS dollars for young fathers with limited education and skills to enhance their future employability and ability to support their children.

4. *Change the Delivery System:*

- All employment and training contracts should be performance based.

Employment and training services should be provided on a performance basis—payment made for desired outcomes rather than for process. Savings that result from recipients who achieve self-sufficiency and leave the welfare system should be reinvested in additional performance based employment and training contracts.

Creative public/private partnerships should be encouraged to strengthen employment and training opportunities that lead welfare recipients to self-sufficiency. Examples would include entrepreneurial opportunities for welfare recipients as well as diverting AFDC, Food Stamp and other recipient benefits to employers who hire welfare recipients to support wage subsidies (similar to a component of the Oregon program).

- Welfare agencies should take advantage of modern technology to make the system more cost effective and responsive.

Investment in technology to support electronic benefit transfer (EBT) for Food Stamps or "smart" cards or direct deposit of benefits should be required.

- Bring the delivery system into a marketplace environment by contracting for delivery of benefits.

Introducing the element of competition into the welfare system would have great potential for improving services and reducing administrative costs. Neighborhood, church, and community-based "charter" welfare providers can provide comprehensive services in a competitive fashion.

Also, it is my pleasure today to share with you the policy of the National League of Cities—the oldest and largest organization representing municipal elected officials.

Local officials have expressed grave concern over the growth of poverty in our nation's cities. Over the years, it appears as though the federal response to poverty in America's cities has focused less on poverty reduction and more on assisting the poor to survive in poverty through income maintenance, food stamp programs and housing programs. These programs fall far short of reaching all those in need and tend to perpetuate the cycle of poverty in families.

The growing disparities between central cities and suburbs dictate a joint federal-state-local strategy to end the current welfare system as we know it. Accordingly, the National League of Cities (NLC) supports the efforts of the President and the Congress to fundamentally transform the nation's welfare system as a means to reducing widespread poverty in cities and providing opportunities and incentives for all persons to attain economic self-sufficiency.

NLC believes that the goal of income support programs should be the provision of an adequate level of income for persons who have not, or cannot, attain economic self-sufficiency, while, at the same time, providing educational, employment and supportive services until self-sufficiency is attained. Finally, while NLC favors a welfare program that enables individuals and families to move from welfare to work, it is very concerned that varying aspects of welfare reform would impose additional unfunded mandates on municipalities.

While general proposals for reform have been discussed and advocated by many different groups, there has been very little discussion concerning financing for welfare reform. The President's budget did not include a cost estimate for welfare reform, although Secretary Shalala maintained that the President's welfare reform plan would "include initiatives to reduce federal expenditures enough to offset the additional costs of the plan—thereby making it deficit neutral—with no impact on the budget as submitted." However, early indications are that welfare reform will cost about \$10 billion annually to the federal government. There appears to be a huge fog placed over any estimates about the potential cost to state and local governments. The lack of information on costs to states and local governments is of great concern to NLC and its members.

NLC offers the following suggestions and raises the following questions in response to the varying welfare reform proposals currently under consideration by the President and the Congress.

- The increase in poverty in local communities suggests that our current welfare system is failing and should be fundamentally transformed.
- Teenage pregnancy. A concerted effort by all levels of government is needed to combat the epidemic of teenage pregnancy and child-bearing in the United States. The emphasis of such efforts must be on the prevention of pregnancy. Accordingly, there is an imperative for the inclusion of health services, sex education and life planning in school curricula. However, the addition of these vital services in schools may be greatly impaired by a school system's limited resources. How can a system with inadequate resources be expected to take on additional responsibility?

The high incidence of pregnancy among teens from poor families suggests a causality rooted in despair and a lack of opportunities for both teenage men and women. Ultimately, only improved prospects for career and job opportunities will motivate poor teenagers to postpone parenthood. To help combat this problem, the federal government should consider funding pilot and demonstration programs targeted to at-risk teens, particularly young women. Enhancement of summer and year round youth employment programs, linked to staying in school, would also help to provide incentives.

NLC has dual concerns regarding policy which would require teenage mothers to live with their parents or guardians in order to receive benefits. On one hand, this proposal recognizes that teenage mothers need nurturing and supervision themselves and are rarely ready to manage a household or raise their own children. On the other hand, NLC must consider whether such a proposal would increase incidents of domestic abuse, child abuse and incest within these households, and increase burdens already placed on local police, fire and social service departments.

NLC is similarly torn on policy that would require states to limit benefit increases when additional children are born to parents on Aid to Families with Dependent Children (AFDC). On one hand, such a policy may promote greater responsibility among those who have access to family planning. At the same time, however, such a policy, intended to punish parents, may, in fact, only penalize children who are already at a high risk.

- Welfare-to-work initiatives. To be successful, welfare-to-work programs must consist of a variety of options designed to: (1) meet the diverse and often complex needs of families and children; and (2) provide families and children with choices of avenues to self-sufficiency. Such options should include: basic and remedial education, with an emphasis on literacy; vocational, technical and higher education; English language training; skills training; work experience; job search and placement assistance and entrepreneurial opportunities. Effective counseling of family members should begin with enrollment in a welfare-to-work program and continue after placement in a job. Emphasis must be placed on family sustaining transitional plans and programs.

In addition to programmatic options, welfare-to-work initiatives must provide essential supportive services to families. Day care for children, transportation to and from work, housing support, and health care for participants and children

are the most essential services to be provided and must be continued for a period of time after job placement, as wages increase to a family sustaining level. NLC supports the continuation and expansion of federally funded programs which provide states with valuable resources for developing effective models of welfare-to-work programs.

With regard to the two-year time limitation suggested in many of the proposals for reform, NLC recognizes that transition plans must be designed to respond to individual situations. Accordingly, NLC is concerned that a two-year time limitation may be viewed as an entitlement. In fact, there may be some individuals who are in a position to move off of welfare prior to the expiration of the two-year period. On the other hand, NLC would not want to penalize children by requiring their parents to move off of welfare before they are able to achieve a measure of self-sufficiency.

- Work should be available. All family heads who can work should have access to full-time work. Federal trade policies, business incentives, etc., need to be assessed in terms of their impact on the structure of the American job market. Community service jobs should be offered as a last resort to those who, after an aggressive job search, still cannot find work in the regular economy. One crucial question surrounding the provision of community services jobs is who would be responsible for financing the community service jobs that are created—the federal government, states, cities, the private sector, all of the above or some combination of the four? Just as importantly, who would be responsible for the expensive undertaking of managing those community service jobs? CETA was not a successful experience for municipalities.
- Work should pay. Full-time work should provide enough earnings—and, if need be, earnings supplements, including an expanded Earned Income Tax Credit (EITC)—to get all families out of poverty and to relieve more low income families of tax obligations.
- Working should pay more. Poverty among families in which one or more persons work is a reflection of low wages and an insufficient number of full-time jobs providing adequate pay. As one approach to improving the earnings of low income wage earners, NLC supports an increase in the minimum wage to a level which more closely approximates poverty level income.

Federal employment and training programs should make every effort to upgrade the job skills of low income workers. Policies to create more full-time jobs in the private sector should be fostered as a means of expanding job opportunities for low income workers. To assist working poor women in particular, every effort should be made to eliminate sex segregation in jobs, as well as in vocational education and career counseling.

- Health Care should be available. NLC strongly supports significant health care reform. Many individuals currently remain on welfare in order to receive health care. This link must be broken by providing health care to all persons.
- Child support should be absolute. Increases in poverty among families headed by women are attributable, in some measure, to the lack of child support on the parts of absent fathers. Estimates are that less than half of all fathers pay child support, and only half of them pay in full. At birth, every child should have both parents' identity established. From birth until adulthood, the financial support of children should be the automatic responsibility of both parents.

Stronger policies of enforcing child support are necessary to help parents adequately care for children. One approach that merits consideration is automatic collection of support payments through payroll tax deductions, with payments being made to legal guardians of children. There is also a need for standardization of child support levels to ensure that adequate amounts of support are ordered by the courts. An equitable standard for child support payments should be based on a specific percentage of the absent parent's income according to the number of children being supported. Such standards should periodically be re-evaluated.

- Marriage should be rewarded. There should never be a tax penalty or AFDC penalty for getting married or staying married. Children will be better off.
- Restructuring government assistance. The current income support system—including AFDC, the supplemental security income program, general assistance, food stamps, housing for low income individuals, and Medicaid—is a series of individual programs, unrelated to each other and with needlessly complicated operating procedures. NLC supports a simplified national income support program, developed as a part of an integrated employment and income security system.
- Federal policies should be assessed in terms of their effects on work and family, especially poor families. Such assessments, including recommendations for re-

- vising such policies, should be done in areas as diverse as transportation, trade policies, vocational education, entitlements and mandatory spending, and housing subsidies.
- Paying for welfare reform. Accomplishing welfare reform will not be cheap. Welfare reform is an investment to alter peoples' lives so that conditions in families that contribute to the perpetuation of poverty are not continued.
- NLC has not directly linked welfare reform to specific revenue sources. NLC's general policies on federal revenue, budget and tax practices can be used as a guide to potential revenue sources for welfare reform.
- NLC is opposed to the current barriers which exist between budgetary categories. NLC believes that the Congress and the administration should view the budget in a comprehensive manner and not have their budgetary discretion limited, except by programs explicitly designated as trust fund programs which are financed from a dedicated revenue source. Such a comprehensive approach to budgetary decisions would provide the Congress a greater opportunity to evaluate the relative effectiveness of other federal programs compared to welfare reform initiatives.
- Federal tax expenditures, that is, programs granting exception to general tax provisions to certain classes of taxpayers, currently total hundreds of billions of dollars. These entitlement programs disproportionately provide federal benefits to Americans least in need, increasing the federal deficit and reducing resources which could be directed to providing alternatives to welfare. These tax expenditures should have sunset dates. When existing tax expenditures are reviewed or new ones created, they should be referred not just to the tax committees of the Congress, but should be jointly referred to the tax committees and authorizing committees dealing with the programmatic area affected. The costs and benefits of using the tax expenditure versus a direct spending program or other indirect financing device should be analyzed and found in favor of the tax expenditure in order for its use to continue.
 - Limitation on the value of tax preferences. In the area of taxation, NLC supports the continued use of the income tax as the primary federal tax base paired with a progressive rate structure. In order to both increase fairness and the yield of the income tax, NLC supports tax changes to make all tax preferences, except interest on municipal bonds and the deductibility of state and local taxes, uniform in value to individual taxpayers. NLC also supports limitation on the total of all tax preferences that can be taken by an individual. As an example of one type of approach to this type of limitation, the CBO estimates that a limitation of itemized deductions to 15 percent would raise an average of \$53 billion per year. This amount is far in excess of amounts discussed as necessary for welfare reform. Thus, even when state and local taxes are excluded from the limitation, there is substantial room for Congress to tailor a limitation of this type.
 - Enhancing child support. As discussed earlier, NLC is a strong supporter of enhancing and making child support automatic. This should provide a significant amount of funding and reduce pressure for federal spending.
- NLC looks forward to working closely with the Subcommittee on welfare reform issues so that the Congress and the President may present to the people of this country a welfare reform proposal which will enable them to rise out of poverty by providing incentives and opportunities for work.

PREPARED STATEMENT OF ROBERT GREENSTEIN

Thank you for inviting me to testify here today. I am Robert Greenstein, executive director of the Center on Budget and Policy Priorities. Some time ago, in the late 1970s, I also served as Administrator of the Food and Nutrition Service, the USDA agency that administers the food stamp program and other food assistance programs. During that time, I also served in the Carter Administration's welfare reform planning group.

There is strong consensus that the welfare system is deeply flawed and major change is needed, although there is not agreement on what that change should be. Welfare reform covers a broad range of areas, more than can be covered in a single piece of testimony. I would like to focus today on six points:

- If welfare reform legislation is to be effective over the long term, policymakers need to distinguish between proposals that have a basis in research findings and proposals that are rooted in strong beliefs but not backed by evidence. If a reform effort is built around proposals for which there is little empirical basis,

we run a substantial risk of carrying out reforms that turn out not to be effective and that may have unintended, perverse effects that could even increase poverty. As a result, some aspects of welfare reform should be pursued through demonstration projects and testing prior to national implementation, and other aspects need phased-in implementation to provide time for adjustment as the effects begin to be seen and important lessons learned. We need to avoid a headlong rush to policy prescriptions for which we have little knowledge of what the effects will be.

- The expansion of the earned income credit enacted last summer is a basic building block for welfare reform. So is universal health care coverage. It will be difficult to move people from welfare to work on a large scale if universal coverage is not forthcoming or if the EITC reforms are undone. It also will be difficult unless additional child care assistance is included as part of a welfare reform package.
- Promoting work—and making public assistance into a system that moves more people into work—should be seen as a principal welfare reform goal. Promoting work should include both part-time work and full-time work. Full-time work will not always be available or feasible, but many single parents who cannot work full-time can work part-time. Also, work in regular, wage-paying jobs should be the objective, not simply placement in a community service job slot or workfare slot under which a parent works for government benefits or a government check.
- One parent cannot do the job of two; the role of both parents is crucial. Strengthening of the child support system should be integral to welfare reform.
- Care needs to be taken so that welfare reform does not have the effect of weakening poor inner-city and rural communities by reducing the resources and purchasing power flowing into local economies in such areas and thereby causing a loss of jobs. This could occur if welfare reform is financed primarily through reductions in means-tested assistance and the funds raised in that manner are primarily used to pay for services that have only limited effectiveness. If that were to occur, resources would be transferred from these neighborhoods to service providers and bureaucracies. Welfare reform needs to strengthen fragile economies and help revitalize—and reduce poverty in—blighted communities, not exacerbate the economic problems in these areas.
- Welfare reform needs to be designed in a fashion that not only looks good on paper but can actually be implemented and administered effectively across the country.

I. RELYING ON RESEARCH FINDINGS AND EVIDENCE

That the welfare system needs strong change is a nearly universally held view. But even the welfare system can be made worse. Welfare policy is an area fraught with dangers and risks of producing unintended consequences quite different from what policymakers had in mind. The best safeguard against this is to be guided by research findings on the strengths and weaknesses of various reform approaches, to test untried ideas, and to be able to adapt reforms as they're being phased in to reflect the lessons being learned on how to implement the reforms effectively.

In the current welfare reform debate, some suggestions are being advanced without much to back them up and in the face of research findings that cut in the opposite direction. The suggestion has been made, for example, that teenage mothers and their children ought simply to be made ineligible for assistance. We have little evidence on what the effect of such a policy would be, beyond the fact that it would deepen the poverty of this group. We know from research findings, however, that certain interventions which are aimed at teen mothers on public assistance—and which use carrots-and-sticks tied to that assistance—have had positive effects. The LEAP program in Ohio increases benefits to teen mothers who stay in school while cutting benefits to those who do not; it also provides case management and support services. The result has been increased school attendance. If teen mothers were made ineligible for public assistance benefits, such programs would have to be abandoned. There would be no benefits to increase or reduce and no "hook" for providing the case management and support services. An important opportunity for positive intervention in the lives of these young women during their formative years would be lost.

It may be argued that with no benefits, there would be fewer teen mothers. But the research findings do not support that notion. The relationship between welfare and out-of-wedlock births has been the subject of extensive research, and the research has found little causal connection. In addition, the few studies that have found such a link find it only among whites and not among blacks.

As research conducted by David Ellwood in the late 1980s found, from 1972 to 1984, the number of black children in female-headed families rose three million, while the number of children in AFDC fell by a half million. Ellwood observed that if more single mothers were induced to have children because of welfare, the number of children on welfare should have risen, not fallen.

Other data also fail to show a strong link. While the percentage of children who live in female-headed families rose substantially from 1975 to 1990 and the percentage of children in poverty also climbed, the percentage of children receiving AFDC did not; it was about the same in 1990 as in 1975.

Also, if welfare played a large role in spurring out-of-wedlock births, we should expect that states with high welfare payments would have higher out-of-wedlock birth rates than states with very low payment states. They don't. And Alabama and Mississippi, with some of the lowest payments, have some of the highest teen birth rates for both blacks and whites. Vermont, with some of the highest payments, has the nation's lowest teen birth rates for blacks and whites.

There is risk that a federal policy to terminate assistance for these mothers and children would not have very large effects on birth rates but would both intensify the poverty of these families and lessen their chances to attain self-sufficiency by making interventions like the Ohio LEAP program impossible to mount. This is an example of an area where ideology and belief could trump research findings, with potential adverse long-term effects.

II. THE EITC AND UNIVERSAL HEALTH CARE COVERAGE

One area where research findings are clear is in identifying the erosion of wages for lower-paying jobs as one of the significant contributing factors to poverty in recent years. Census data show that in 1979, some 12 percent of full-time year-round workers were paid a wage too low to lift a family of four from poverty. By 1990, some 18 percent of those workers were paid a wage this low.

Consider also the data on poverty rates among families with children where the family head works. Since 1980, the poverty rate among such families has climbed more than one-fifth.

Increasingly, low-wage work has become less remunerative. The wages it pays have declined, and an increasing proportion of those who go to work at such jobs lack health care coverage for themselves and their families. These developments can make work in the above-ground economy less attractive than work in the under-ground economy or reliance on public assistance.

Hard work needs to be more adequately rewarded. If it is not, it will likely be difficult to move large numbers of recipients from public assistance to regular jobs.

The expansion of the earned income credit can play an important role. The expanded earned income credit will bring a family of four with a full-time year-round worker close to the poverty line (if the family also receives food stamps), although a modest increase in the minimum wage is needed to get the family fully to the poverty line.

I am concerned that at least one welfare reform proposal, H.R. 3500, could cause repeal of the earned income credit increase, thereby reducing the value of work. This would be unwise.

The EITC increase surely is not excessive. As noted, it will still leave a family of four with a full-time worker somewhat short of the poverty line. Moreover, when the EITC increase is phased in fully, a working mother with two children whose earnings equal 75 percent of the poverty line—about what full-time minimum wage work now pays—will have \$1,000 less in disposable income than a mother with earnings equal to 75 percent of the poverty line would have had in 1972.¹ (Similarly, a mother with earnings equal to half of the poverty line will have about \$2,000 less in disposable income than a mother at that earnings level had in 1972.) This decline in disposable income has occurred because over the past 20 years, AFDC benefits have been reduced sharply for working poor families. In the average state, the

¹ These figures, which are adjusted for inflation, compare disposable income in 1972 for families with earnings equal to specified percentages of the poverty line with disposable income in 1992 for families whose earnings equal the same percentage of the poverty line. In calculating a family's EITC benefits in 1992, the EITC expansion enacted in August 1993 is assumed to be in effect. Disposable income, as used here, equals wages, AFDC benefits, food stamps, and the EITC, minus federal income and payroll taxes. The figures represent a weighted average across states.

The basis for these figures is a table compiled by House Ways and Means Committee staff, using Congressional Research Service data on state AFDC benefit levels in different years. See House Committee on Ways and Means, *Overview of Entitlement Programs: 1993 Green Book*, Table 4, p. 1243, July 1993.

AFDC decrease during this period for working poor mothers and children exceeds the entire EITC payment for which such families will qualify under the expanded EITC benefit structure.

Universal health coverage is a second key building block. Researchers agree that providing universal coverage would itself cause a significant reduction in the welfare rolls, although the magnitude of the reduction is unknown. Without universal coverage, welfare reform is likely to be both less effective and more expensive. There would be more recipients to be trained—and if there were a two-year time limit followed by a community service job slot, there would be more recipients to be placed in these job slots, which cost a fair amount to administer. There also would be more families for which transitional Medicaid coverage would have to be provided when they left welfare for work. And there likely would be more cycling from work back to welfare after the transitional Medicaid coverage expired.

On the other hand, the combination of expanded EITC benefits and universal coverage could have a strong effect. Today, a parent leaving welfare for low-wage work faces loss of AFDC and eventual loss of health care coverage—and can end up little better off or worse off than when on welfare. The combination of an enlarged EITC and universal coverage would substantially alter that equation.

Child care assistance also is essential. If more AFDC recipients are to participate in programs to ready them for employment and then to go to work, more child care will be needed. Furthermore, concerns about the lack of adequate quality child care appear to keep some poor single parents from entering or re-entering the workforce. Finally, disruption or dissolution of child care arrangements appears to be one of the factors leading some who have left welfare for work to subsequently leave work and return to welfare.

III. PROMOTING WORK

A central goal of welfare reform should be to promote work and increase the number of low-income parents who go to work in the private sector, both in part-time and full-time jobs.

It is often said that most mothers now work and those on AFDC should, too. It's important to note, however, that most married mothers work part-time, not full-time. Research by David Ellwood has shown that only about one-third of married mothers work full time throughout the year.

That married mothers who have a spouse with whom to share child-rearing responsibilities usually do not work full time is significant, since single mothers can have an even more difficult time managing full-time work than married mothers do. Poor single mothers may have young children enrolled in a program—such as a Head Start program that does not provide full-time care. Or they may have school-age children who need close supervision during after-school hours. This can be particularly true in dangerous neighborhoods where many single mothers feel a need to be home when school lets out so they can supervise their children and keep them out of danger, off the streets, and away from gangs. Such neighborhoods often have fewer organized after-school activities than more middle-class neighborhoods do. (One recent study finding greater work effort on the part of AFDC mothers who were moved to the suburbs than on the part of comparable mothers who continued to live in the city reported that those in the city felt a greater need to be home and watch their children when school let out.)

This raises a question: how should welfare reform treat a single mother who works half-time or more—but less than full-time—and whose wages are sufficiently low that she and her children are well below the poverty line and qualify for AFDC?

A few answers seem clear. First, we need to distinguish between such mothers and the much larger number of AFDC recipients who don't work while on AFDC. Those working at least half-time and also raising their children without the help of a second parent should be encouraged, while those not working at all should see more incentive in going to work.

Second, we should not require these part-time working mothers to give up their private sector jobs to take a publicly supported community service or workfare slot instead. That would be costly to taxpayers while setting back the parent's efforts to move to self-sufficiency. This will probably mean that, if we move to a time-limited welfare system, different rules will be needed for those working part-time than for non-workers.

The issues regarding part-time work also raise other concerns. Some welfare reform plans would require those who have been on AFDC for two years to "work off their benefits" by working 35 hours per week. But a 35-hour per week requirement could reduce rather than enhance the likelihood that some of these participants will find private sector jobs. Given the need also to raise and supervise young children,

35 hours of work per week may leave many of these mothers with little or no time to search for a private-sector job.

In addition, such a requirement could either force a mother already working 25 hours a week to give up her private sector job and take the community service slot instead or compel the state to arrange for, and pay the costs of supervising, a supplementary 10 hours-a-week community service slot and 10 additional hours of child care. With resources likely to be tight in many states, this is not likely to be the best use of scarce dollars.

A uniform 35-hour per week work requirement also can pose problems for a mother who is willing to work more than half-time but believes she must be home by 3 p.m. to supervise her children when they return from school. Finally, an approach of this nature involves providing remuneration for work at a rate well below the minimum wage, which is supposed to be the floor the nation has established for payment of work.

One final issue on promoting work. We now know that large numbers of those who go on public assistance leave welfare for work, then return to the welfare rolls when their job falls apart, and then may cycle off and on again. One goal of welfare reform should be to enable a larger proportion of those who leave welfare but then cycle back on to get off subsequently and stay off.

Often, those who have held one or two jobs that subsequently have fallen through have gained valuable knowledge of what they need to succeed in the workplace, including an understanding of the types of skills they need to acquire. As a result, such individuals sometimes can gain more from training and education after their return to the welfare rolls than on their initial stay.

If a welfare reform plan is structured so that once a parent has been on AFDC for two years, she can get no further training or education at any time to improve her skills—even if she leaves welfare, works for a substantial period of time, and returns to AFDC only after that—the result may be to reduce rather than enhance long-term self-sufficiency. It would be useful to enable former recipients who have remained off welfare for a significant period of time—but who then need further aid and can benefit from further training or other employment preparation to be able to receive some training or education rather than automatically being placed in a community service slot immediately upon their return to public assistance.

IV. CHILD SUPPORT

A theme of welfare reform should be to strengthen paternity establishment procedures and child support enforcement systems. We need to move toward a system where young men have greater belief that if they father a child out-of-wedlock, they will have to pay support for 18 years.

One interesting approach that holds promise is an approach sometimes called child support assurance. Under this approach, a mother who has helped secure a child support award against a non-custodial parent is assured of at least a modest level of monthly child support payments. If the father's income is so low he can't pay this amount, the state pays the difference. The amounts the mother receives for child support are counted as income for AFDC purposes, generally reducing her AFDC benefits dollar-for-dollar. But the child support payments are not reduced, or are reduced little, if the mother goes to work or increases her earnings, thereby giving her greater incentive to work.

This system is designed to achieve two goals—to spur large increases in the establishment of child support awards and to establish more powerful incentives for single parents to work. A variant of this approach has been tested in one demonstration to date, in seven counties in New York State. In the demonstration, the number of child support awards rose 23 percent, the proportion of those working climbed 17 percent, and average earnings increased 27 percent. The result was increased personal responsibility and some reduction in poverty, with no added benefit costs to the state.

There are many unanswered questions about this approach. It is an idea that could represent a major policy breakthrough, but also could turn out to have some unintended effects. A demonstration project on a sufficient scale to test this idea and answer the questions about it should be part of a welfare reform package.

Before leaving the child support area, I do want to raise a concern about one other proposal that has been advanced. Under this proposal, if a poor single mother has cooperated fully with the state welfare and child support agencies and has named the father of her child, no benefits would be provided for the child (or under some proposals, for the mother) until the father's paternity has been legally established. If establishing paternity in such cases were like going to the doctor for a diagnostic test and getting the results back the following week, this idea might warrant consid-

eration. In fact, state child support bureaucracies are typically overwhelmed and very frequently take *one to two years* to establish paternity in such cases: (Federal regulations allow 18 months.) The American Public Welfare Association reports that nationally, there are an average of 1,000 child support cases for each child support caseworker.

Moreover, there are vast differences in states in paternity establishment rates, with some states establishing paternity for as few as five percent of out-of-wedlock births and other states establishing paternity for as many as 70 percent of such births. These disparities largely reflect differences in state paternity establishment systems, rather than differences in the behavior of mothers. Major improvement is needed in states with low paternity establishment rates, but that will take time and require the infusion of substantial amounts of new resources. Denying basic assistance to poor infants, children or mothers in circumstances where the mother is co-operating fully but the state bureaucracy is performing inadequately or moving slowly is difficult to justify.

V. WELFARE REFORM AND WEAK LOCAL ECONOMIES

Sometimes well-intended policies go awry because their potential effects on the economy—or the economy's effects on the policies—could not be predicted or have not been thought through adequately. It is important to try not to make such a mistake here.

One important question is how welfare reform will work in areas with high unemployment rates and a shortage of jobs. Some areas experience this problem chronically, while a larger number of areas experience it episodically when the economy falters or slips into recession. Some welfare reform proposals envision cutting off both benefits *and work slots* after a given period of time. Under these proposals, an AFDC parent who is willing to work and comply with any work requirement—and who has demonstrated this by “working off” her benefits for several years (under some proposals at well below the minimum wage)—could have assistance and her work slot withdrawn at this point. If her skills are low, she may encounter some difficulty in finding a job even in a normal economy. In a weak economy with substantial levels of unemployment her chances may be slim.

Denial of both a work slot and cash assistance in such circumstances not only deepens the poverty of the affected parents and their children but also withdraws purchasing power from the local economy. In inner-city and poor rural areas, removal of resources from already fragile local economies can cause further reductions in employment, thereby exacerbating some of the problems welfare reform aims to address.

This brings me to a related point. Care needs to be given to how welfare reform is financed. Suppose large sums are spent on work programs during recipients' first two years on AFDC and on work slots for those who pass the two-year mark. And suppose the work programs and work slots, like many such efforts in the past, yield only limited results in raising the employment and earnings of participants. Suppose also that the large sums needed for these efforts are secured by reducing assistance to low- and moderate-income families through multi-billion dollar reductions in other means-tested assistance.

One result of such a scenario could be withdrawal of substantial purchasing power and capital from inner-city and poor rural economies and the transfer of resources to service providers and bureaucracies (and under some schemes, to employers who could receive windfalls for hiring employees they largely would have hired anyway). Such a development would be unfortunate and could make the overall effect of welfare reform negative if the withdrawal of resources from poor areas led to further job losses there.

This suggests that close scrutiny be given to welfare reform provisions that could affect local economies, including provisions establishing financing mechanisms through which welfare reform costs will be offset. Schemes that would weaken fragile economies in high poverty areas should be eschewed.

Of course, it is often difficult to forecast the economic effects of various approaches in advance. This is another reason why the testing of various welfare reform ideas prior to implementing them nationally can be especially valuable.

VI. IMPLEMENTING WELFARE REFORM IN THE REAL WORLD

Congress needs to be realistic about what can be implemented at the state and local level and how fast it can be done. Changing the welfare system is a difficult task; if done haphazardly, welfare reform will never achieve its objectives. It is important to implement welfare reforms in an effective manner.

This means not making the reforms so complex they can't be administered, not forcing states to move so fast that reforms are implemented in an ineffectual manner, and not expecting states to contribute unrealistic sums to the enterprise. The welfare reforms that emerge from the coming debate may become a critical part of our social program architecture for a long time to come. It's important to design and implement them in a careful manner that will produce lasting, beneficial effects.

VII. CONCLUDING THOUGHTS

Reforming welfare is one of the most important tasks facing policymakers. It also is one of the most daunting. There is much we don't know and much uncertainty about what the effects of various reforms would be. One thing of which we can be fairly sure is that there is unlikely to be a "silver bullet"—a single approach that by itself will turn the welfare system around, substantially reducing the rolls while materially lessening child poverty and doing this without imposing unaffordable new costs.

This suggests that those reform elements now in place that show promise—particularly the JOBS program—should be strengthened rather than discarded. It also suggests that we proceed with some humility, testing approaches and phasing-in bold changes so they are implemented effectively and systematically and so that needed mid-course corrections can be made. In addition, it suggests keeping in mind the fact that perhaps the most important long-term effect of welfare reform will be its effect on poor children.

Welfare changes that expose children in substantial numbers to increased deprivation, homelessness or hunger would not represent wise courses of action. The need for a safety net for children will remain. There are likely always to be some families that cannot provide adequately for their children for a period of time due to a parent's inability to find employment, a disability, a family crisis, or other such reasons. We must be careful not to advance reforms that rend the safety net for children in the name of "rescuing" them.

I commend the Subcommittee for holding this hearing and wish you well in the difficult deliberations that lie ahead.

PREPARED STATEMENT OF JUDITH GUERON

Good morning. I am Judith Gueron, President of the Manpower Demonstration Research Corporation. I appreciate the opportunity to appear before this Committee today to present what we have learned about the implementation and effectiveness of the Job Opportunities and Basic Skills Training (JOBS) Program created by the Family Support Act of 1988 (FSA).

This hearing is being held at an important time. The Family Support Act affirmed a vision of responsibility and reform: Parents should support their children; welfare should contain a reciprocal obligation, whereby recipients must take steps toward independence and states must provide services to assist that transition. The idea was to make the Aid to Families with Dependent Children (AFDC) Program more transitional: to provide a route toward, not an alternative to, work.

Currently, in state capitals and here in Washington, there is a clamor for further reform. One might reasonably ask: Why are we discussing this again? Was the legislation flawed? Are there important new issues requiring new solutions? Or was the legislation never fully implemented? The answer is important, because different diagnoses will lead to different prescriptions.

In summary, my response is that:

- There is new concern about the growing number of people who work full time but earn below-poverty wages. This issue was not fully addressed in the Family Support Act, and is one element of current state and federal proposals and action. There is also concern about the recent growth in the AFDC rolls.
- However, much of the clamor comes from the fact that JOBS has not fundamentally changed the message and character of AFDC. It has resulted in the provision of more education and training services, and does seem to be increasing work and reducing welfare, but the system has not enforced a participation mandate focused on work.

If this diagnosis is correct, the lesson is one not likely to be popular in Washington. For JOBS to change welfare will require added resources so that states and localities can create the activities that would make the obligation real, clearer federal guidance on the program's vision, and strengthened local commitment to enforce a participation obligation and operate high-performing programs. Congress will need

to increase funding and clarify program goals, but just as urgent—and difficult—will be changing administrative practice in the field.

Changing welfare as we know it has to happen on the ground. While I will point to examples where JOBS has transformed the welfare system, the broad implementation story is that this has not occurred.

If JOBS were fully implemented—with tough obligations, adequate services, and high-expectations programs focused on work—welfare could feel different and temporary. But to date, in many communities, the resources have not been adequate for administrators even to attempt this transformation. At the very time that we are learning—and have the building blocks in place to learn more—about JOBS' potential to change behavior, we see programs unable to realize this promise. In my view, this is a key reason the welfare reform debate has been joined again today.

Yet making JOBS work is critical to any attempt to move further. For example, it is hard to imagine a serious discussion of time-limiting welfare, with or without work at the end, unless JOBS does better at reducing the rolls. Too many people will hit the cliff—that is, the time limit—and either require subsidized work that is likely to cost the public more than welfare itself or face a dramatic loss of income, with unknown effects on families and children.

JOBS is the upstream program that must succeed better before time limits can realistically be afforded downstream. Thus, it is critical that we understand why JOBS has not transformed AFDC and act to make this happen.

In the rest of this testimony, I will discuss the challenge of welfare reform, the legacy from studies of pre-JOBS welfare-to-work programs, lessons on JOBS' effectiveness, steps to strengthen JOBS, and the implications for the current reform debate.

THE CHALLENGE OF WELFARE REFORM

To understand the passion in welfare reform debates, it is useful to recall the complexity (and disagreement) surrounding fundamental program goals.

When the federal government got into the welfare business in 1935, the aim was to help poor children. AFDC was intended to give poor mothers the same opportunity to stay at home with their children and out of the labor force that other mothers had. It represented what one researcher, Gilbert Steiner of the Brookings Institution, called a national commitment to the idea that a mother's place is in the home.

Since then, a series of changes—women pouring into the labor market, the increasing costs of welfare, the growing numbers of single-parent families, and concern about long-term dependency—have undermined the 1930s view that welfare should provide an *alternative to work* and raised questions about the equity of paying one group of women to stay home on AFDC while others were working, often not by choice. The focus shifted toward trying to make welfare a *route to work*.

Welfare reform proposals since the 1970s have sought to balance the original anti-poverty goal against a new anti-dependency goal, always under pressure to minimize costs.

In the 1980s, efforts to encourage work took two main directions. The first was to make welfare less attractive, through dramatic cuts in real benefits. AFDC benefits have declined 45 percent in real terms in the last 20 years. In 1970, welfare benefits almost brought a family out of poverty; now they are only 40 percent of the poverty threshold. Even if offsetting increases in Food Stamps are taken into account, combined real benefits fell 26 percent over this period.

The second was to make welfare less an entitlement—if you were poor, you got money—and more a reciprocal obligation. This idea seemed simple: To get benefits, people would have to participate in activities designed to help them get a job.

In its most common form, this strategy requires welfare recipients to participate in employment-directed activities—such as education, job training, job search, or community work projects—or risk losing some welfare benefits.

The resulting welfare-to-work programs are, in part, an employment and training strategy, but they are also a welfare reform program intended to change the character and message of welfare from an entitlement into a participation requirement focused on work.

This tension between services and mandates, layered on the tension between welfare's anti-poverty and anti-dependency goals, means that different administrators or advocates have very different views of the basic goals and thus tools of welfare-to-work programs. People who emphasize raising earnings and reducing poverty tend to favor investing in education and training to improve job skills; people who emphasize reducing welfare dependency and costs stress enforcing a mandate (getting high participation) and maximizing job placements.

LESSONS FROM PRE-JOBS WELFARE-TO-WORK PROGRAMS

The 1987-88 debate on welfare reform, leading to the passage of the Family Support Act, was nourished by widely believed evidence that welfare-to-work programs could work, but also that the gains were limited.

Studies of the earlier 1980s programs (typically low-to-moderate-cost programs that focused on getting people into jobs quickly and provided some short-term unpaid work experience) had shown that states and counties could implement effective, large-scale programs and that different approaches in diverse environments could be double winners: increasing the earnings of participants and saving money for taxpayers.

However, the same studies also showed that many people remained on welfare and that most of those who went to work got relatively low-paying jobs that did not move families out of poverty. Also, by themselves, the programs did not increase the self-sufficiency of long-term welfare recipients—the people on whom the most is spent.

A recently completed five-year follow-up of people in these programs shows that impacts lasted for three to four years, but that eventually people in a control group caught up with those in the program. This catch-up does not erase the earnings gains and welfare savings that the programs achieved, but it does mean that the gains do not keep accumulating and suggests that these programs primarily got people to take jobs and leave the rolls more quickly than they would otherwise have done. The programs do not appear to have reduced the number of people who would still be on welfare five years later.

Three other findings are particularly relevant to the current debate:

- Impacts seemed to be driven by job search services, not by unpaid work experience. Unpaid work experience proved feasible to operate at relatively small scale, but there was little evidence that it led to positive employment and earnings effects or to a reduction in welfare receipt and payments. However, there was evidence that, at the scale realized, work assignments could be meaningful, were considered fair, and produced work of sufficient value to offset their approximately \$1000 to \$6000 annual cost per filled slot.
- A program in Baltimore that offered some education and training and more client choice of services was the only one to get people somewhat better jobs and to have earnings impacts that continued for the full five years of follow-up.
- Another demonstration program—the Saturation Work Initiative Model (SWIM) in San Diego—was given full funding to test the feasibility and nature of a saturation participation mandate. Results showed that, even under ideal conditions, maximum monthly participation translated into about 50 percent of single parents with school-aged children being active in the program, in self-initiated education or training, or in part-time work.

The JOBS program sought to build on the strengths of these 1980s Work Incentive (WIN) Programs, but to do better. It provided more resources, extended the obligation to women with younger children, and shifted the emphasis to education and training. The hope was that, as a result, people would get better jobs with higher earnings and that the program would succeed in raising the earnings of the more disadvantaged.

In response to findings that today's teen mothers are all too often tomorrow's long-term welfare recipients, JOBS also required states—subject to funding availability—to extend an education mandate to teen parents who had not completed high school or its equivalent.

LESSONS ON JOBS' EFFECTIVENESS

We now have important findings on JOBS' success for teen mothers and adults.

Results from Ohio's LEAP Program

Ten years ago, Mary Jo Bane's and David Ellwood's research alerted people to the fact that, while most people spend relatively brief periods on welfare, some do not. Teen parents are at the greatest risk of becoming long-term welfare recipients, and more than half of welfare spending goes to families headed by women who first gave birth as teens.

The need to find effective strategies for teen parents is magnified by the encouraging but limited success of welfare-to-work programs for adults, particularly the most disadvantaged adults. This argues for strategies that can intervene early to prevent young mothers from becoming long-term welfare recipients.

But identifying a problem is not equivalent to having evidence of a solution. The Learning, Earning, and Parenting (LEAP) Program, developed by Ohio's Depart-

ment of Human Services, is one of the first statewide large-scale attempts to put JOBS' school attendance mandate into practice.

LEAP uses an unusual mix of financial incentives and penalties, case management, and support services to promote school attendance. For a teen who attends school regularly, LEAP's bonus adds \$62 a month on top of the average \$274 grant; for a teen who attends poorly, LEAP reduces monthly grants by the same amount. The financial incentive is substantial, with a teen who attends school regularly receiving \$124 more per month than one who does not.

Results, now available for 7,000 teens in seven Ohio counties, show that:

- LEAP prevented some in-school teens from dropping out and brought some dropouts back to school.
- In-school teens experienced a 10 percentage point increase in continuous school enrollment during the year after they became eligible for LEAP.
- For dropouts, there was a 13 percentage point increase in the rate at which teens returned to school or entered adult education programs.
- Although the school completion story is not yet finished, early evidence indicates that LEAP may produce significant increases in high school graduation and GED receipt.

To produce these results, Ohio spent \$330 per teen per year in direct costs (that is, not including the cost of increased schooling), and at some point over an 18-month period scheduled fully 93 percent of the mothers for bonuses, sanctions, or both. While the typical teen came out ahead under LEAP, about 13 percent qualified for four or more sanctions and no bonuses. For this group—primarily teens who had been out of school for more than a year—LEAP produced no clear benefits and put their children at further risk.

While the findings are encouraging overall, it is too soon to know the payoff in improved high school graduation rates or whether LEAP's education gains will translate into improved labor market performance and reduced welfare receipt, the ultimate goals of the program.

LEAP's success results from actions by the welfare department, aided in many cases by in-school programs for teen parents. One can only imagine the potential synergy if these were combined with serious efforts to change the schools themselves—schools that LEAP teens all too frequently said they feared to attend. Although the causes of high dropout rates are clearly complex, LEAP's results point to the continued importance of efforts to improve the school environment for low-income youth.

The LEAP results are surprisingly positive. In considering their replication, it is important to remember that the program was a package that included bonuses, sanctions, case management, child care, and transportation. We do not know which of these elements was most vital to the program's success.

Results from California's GAIN Program

The most reliable information to date on JOBS' success with adults comes from MDRC's evaluation of California's JOBS program, called Greater Avenues for Independence (or GAIN)—a study conducted for the California Department of Social Services. The interim results are important because of the scale of the program (26 percent of AFDC funds and 12 percent of JOBS funds are spent in California); because, during the period studied, GAIN offered a good test of JOBS, with serious mandates and extensive education and training services; and because the study is particularly reliable, with a strong random assignment design covering 33,000 people in six counties, which together hold 52 percent of the state's AFDC caseload.

The findings are both encouraging and challenging:

- GAIN resulted in notable and increasing impacts on employment and earnings and some reductions in welfare costs. Importantly, in several counties this was also true for long-term welfare recipients.
- Results varied widely across the six counties studied. While, overall, GAIN's mix of services and mandates increased single parents' second-year earnings by 24 percent and cut welfare payments by 7 percent, impacts were particularly large in Riverside County, where earnings went up an average of 53 percent and welfare costs decreased by 17 percent.

If impacts of this magnitude—which are averages for every person in the JOBS program—could be replicated elsewhere, JOBS could have a substantial effect on work effort and AFDC costs and serve as an impressive building block of reform.

- The results also show that, with sufficient funding, JOBS can change welfare as we know it to a program with real obligations and real opportunities.

The encouraging news from California suggests that JOBS can make an important contribution to the overall effectiveness of welfare reform efforts. With resources and commitment, states that want to combine opportunities and real participation obligations can change the basic character of welfare and both increase employment and reduce welfare costs. Further, while on average the results are positive, at their strongest they represent a major achievement and evidence of what can be accomplished within the JOBS program.

Adding to the data from California, MDRC has recently released a report on Florida's JOBS program, which provides further evidence of positive results from a JOBS program in another large and diverse state.

But for state JOBS programs—and JOBS as a whole—to promote change and transform AFDC, additional resources are required. In the current hard-pressed fiscal climate in most states, JOBS can provide only limited services to relatively small numbers of welfare recipients. As a result, the reciprocal obligation often exists largely on paper.

JOBS as Welfare Reform

This story of mixed implementation success can be interpreted two ways. Some might urge that the country move on to new approaches. To this I would counter that, unless JOBS works better, most of the next-stage activities now being discussed will have high risks. The task of JOBS implementation cannot be avoided. It will take time to change large institutions, but the research shows this is possible. We can do better.

In the language of the current debate, I would argue that one way to "change welfare as we know it" is to make JOBS real, and point to the example of Riverside, California, which emerged from the GAIN study, to show that this can happen.

More than any other place I know of, this program communicates a message of high expectations. When you walk into a GAIN office in Riverside, you are there for one purpose: to get a job. At orientation, job developers announce job openings; throughout, program staff convey an upbeat message about the value of work and people's potential to succeed. If you are in an education program—and more than half of Riverside GAIN participants are—you are not marking time, as you can in some locations. You know that if you do not complete the program, or at least make progress in it, staff who are closely monitoring your progress will insist that you look for a job. Finally, if offered a job by a job developer, you have to take it or have your grant reduced.

Under this regime, welfare feels temporary. I would argue that it could feel more temporary than under a nominally time-limited program, where someone could volunteer for education, make no clear progress, and then spend an indefinite number of years working for benefits.

The Riverside model is only one possible version of a high-performance JOBS program. Other approaches may emerge as even more effective when longer-term research findings become available from California and elsewhere. The challenge at the federal and state levels will be to identify, replicate, and build on success.

JOBS Approaches: Human Capital Development versus Immediate Job Placement

What are the elements of an effective JOBS program? The 1980s studies provide a convincing record of the accomplishments and limitations of programs that offer mainly job search assistance and unpaid work experience. The record on human capital investment approaches is less clear. The JOBS evaluation, sponsored by the U.S. Department of Health and Human Services, places particular emphasis on credibly comparing these two approaches to resolve a central issue in debates about JOBS. Will investments in education, training, and other skill-building services lead to welfare recipients' getting better jobs, to reductions in poverty, and to greater success with long-term recipients?

Results are not yet available from that study, but there is relevant information from the GAIN and earlier evaluations.

What are the returns to basic education? A soon-to-be-completed report shows that California's GAIN program led to increases in the number of hours in basic education, and to increases in the receipt of a GED. However, welfare recipients in only one of the six study counties experienced increases in scores on a test of literacy and mathematical problem-solving. Moreover, at two years, there is as yet no link between sites with educational gains and sites with earnings gains (although the report argues that two years may have been too short a time to detect impacts, and points to some evidence that earnings may have improved at the three-year follow-up point). Further, the report notes that education gains are concentrated among individuals with relatively high levels of literacy and that test score gains are con-

centrated in the site that made special efforts to adapt existing adult education programs to the special needs of people on welfare.

What are the lessons from Baltimore? While these GAIN findings raise cautions about mandatory basic education in JOBS, the recent results from the five-year follow-up of 1980s programs cited earlier is a reminder of the limits of a primarily job-search program and the possibility of greater long-term earnings gains from a human capital development approach. The Baltimore Options program, a not very mandatory program that offered education and training in addition to job search and work experience, had particularly enduring earnings gains, although it produced no welfare savings.

The importance of the JOBS evaluation. The new findings on basic education in GAIN may prompt some people to counsel shifting the focus in JOBS, while the findings from Baltimore point to the potential of human capital investments. Together, they imply that different approaches can be more or less successful in achieving different goals. Importantly, they also suggest that the evidence is not decisive, pointing to the significance of the direct comparison of human capital and labor force attachment approaches that forms the centerpiece of the JOBS evaluation that MDRC is conducting for HHS.

STEPS TO STRENGTHEN JOBS

It is easy to argue for making JOBS stronger. It is more difficult to outline how to achieve that. High-performance JOBS programs are likely to share certain features. Key among these would be the strong commitment to—and adequate resources for—working with all mandatory registrants; reasonable staff caseloads and reliable automated systems so that JOBS workers can monitor and report on participation; strong linkages between JOBS staff and welfare eligibility workers so that a new message can be communicated to welfare recipients; JOBS staff who promote the value of work and the capabilities of welfare recipients, who are willing to enforce participation mandates, and who know how to work with private sector employers. Focusing on these types of issues would shift programs more toward improving internal management and away from the necessary but largely completed work of building institutional linkages that has characterized implementation efforts until now.

This suggests a number of steps that HHS (or Congress, where appropriate) can take to expand and strengthen JOBS:

- Articulate a strong vision of the JOBS program. This will not be easy, because it will require choices as to the philosophy and values of the program, but it will help guide the system with regard to program objectives.

Such a vision might include refocusing the system on the goal of getting people jobs and on the concept of a reciprocal obligation. This could contain a continued emphasis on education and training, but complemented by an insistence on job search and employment for those not opting for, and not demonstrating a commitment to disciplined participation and progress in, those activities.

- Provide additional resources, with a substantially higher federal match, for states that increase program activity above current rates, and employ other measures to encourage states to draw down these resources and expand JOBS program staff and services.
- Strengthen the reciprocal obligation by requiring states to work with a much higher share of the caseload, but at the same time redefine and simplify the calculation so that the performance measure is both more logical and more accurate in reflecting staff enforcement than is the case under the current system.

One option would be to substitute for the current participation measure the concept of "coverage," whereby people would be counted as covered if, for example, they were active in the program, working part- or full-time, in the sanctioning process, or temporarily excused from participating (for specified reasons, and only for a certain percentage of the caseload). Such a change would send a "saturation" message, reward staff efforts to enforce the reciprocal obligation and meet program rules, and be consistent with research lessons on effective programs.

- Provide increased technical assistance and training to state and local program staff on practices associated with success in JOBS.
- Require or encourage administrators to use job developers aggressively in implementing JOBS programs.
- Continue efforts to identify effective JOBS approaches and techniques (particularly ones that are successful with long-term and potential long-term recipients) in order to assure a return to the expanded investment in JOBS.

IMPLICATIONS FOR FURTHER REFORM

Past research suggests that, even with improved practices, JOBS programs by themselves are not likely to move very large numbers of people out of poverty or off welfare. (For example, even in Riverside, almost 50 percent of people slated for GAIN were still receiving full or partial AFDC grants two years after coming into the program.) But new changes may mean that future programs can do substantially better.

JOBS programs have been swimming upstream against a current of declining wages for the low-skilled. In that environment, they seem to help; but not to transform people's opportunities. One of the new elements on the political agenda is the commitment to making work pay, as exemplified by the recent expansion in the Earned Income Tax Credit. Given how difficult it has been to transform earnings capacity, this focus on making any job a better job may offer more direct promise of increasing self-sufficiency and reducing poverty.

Federal and state efforts to make work pay should make JOBS programs more successful by creating a positive synergy. With increased work incentives, economic forces will reinforce rather than pull against the goal of work mandates.

But, for most welfare recipients, stronger JOBS programs and work incentives still ignore half of the equation: the fathers of children on welfare. The constraint on what can be achieved working with single mothers (given their limited earnings capacity) is one rationale for the increased emphasis on child support enforcement.

Under the current child support system, men have an obligation to pay but no help in getting there. Some of the fathers of poor children have sporadic earnings, others work regularly, and many are unemployed. It is almost impossible for the child support enforcement system to sort this out: It has trouble finding the fathers and, when it does and they say they are unemployed, lacks a viable way to respond. Faced with this, some systems threaten the fathers with jail, others simply ignore them. Without direct evidence of income, the child support enforcement system has no way to make the mandate real for this crucial group of fathers.

Judges and state officials see a new demonstration, Parents' Fair Share, launched under the Family Support Act and currently a nine-state pilot, as providing an opportunity to do that. Parents' Fair Share is designed to provide employment and training services and extend the reciprocal obligation to fathers of children on welfare, and thereby make child support enforcement a more effective vehicle to reduce poverty.

TIME-LIMITED WELFARE

Another approach proposed at the federal and state level is setting a time limit after which welfare might end or employable welfare recipients would have to work in the private sector or in community service positions. This is a controversial concept, of unknown cost, feasibility, and consequences. If subsidized work is substituted for welfare, how can this be done at reasonable cost? If all benefits end, what will prevent large numbers of women and children from becoming destitute and homeless?

Key questions about work at the end of a certain time period include: Can enough new "real" (rather than make-work) jobs be created? How many welfare recipients are not technically disabled but, at least temporarily, cannot work? Are there other groups (e.g., mothers of very young children) who should not be required to work? Should people in community service jobs work full time or part time? Should they be paid wages or work in exchange for welfare benefits? How will child care be provided? How will the time-limit clock be designed, and can existing state data systems provide the needed information? Finally, can and will the welfare bureaucracy manage and enforce the new obligations?

There is a lesson from the last ten years of research, which I have been describing today, that goes beyond the findings themselves and is relevant to a consideration of such far-reaching change. In the 1980s, welfare reform benefited—and a consensus around legislation became possible—when new ideas were rigorously tested at the state level before being expanded across the nation.

The numerous programmatic and fiscal uncertainties surrounding time-limiting welfare—and the inevitable up-front cost of current proposals (at a time when the public assumes that reform is synonymous with saving money)—suggest that this would also be a wise policy for the 1990s.

CONCLUSION

Since 1967, Congress has sought to substitute for AFDC's entitlement structure a reciprocal obligation intended to reduce welfare and increase work. The 25-year

history of underfunded attempts makes it hard to know the full potential of this strategy. However, the 1980s research and the new findings on JOBS provide conclusive evidence that this approach can change the character of welfare and, at its most successful, be notably effective.

But there is a big gap between the average and the exceptional program. In many communities, there are expanded services, but the Family Support Act's vision of requirements has yet to be implemented. Institutional change takes time, and JOBS is at a stage where programs need resources and strong incentives to build on and go beyond what has been accomplished so that the JOBS vision can be adequately tested.

Yet this is a time of clear risk: risk that new reforms will compete with JOBS for limited resources; risk that interest in creating large-scale community work experience programs would so absorb JOBS staff that they would be diverted from their effort to get people off welfare; and ultimately risk that JOBS would revert to the more anemic version of WIN that it was meant to replace.

A key to reducing the number of people supported on welfare or in subsidized work, and to changing the character of welfare, is to help JOBS achieve its potential—through adequate funding and efforts to make the mandate (as well as the opportunity) real. If JOBS were fully implemented—with tough obligations, adequate services, and high expectations focused on work—welfare could feel different and more transitional. Other state and federal reforms may have the effect of making JOBS even more successful, but should not divert administrators from the tough work of changing practice in the field.

The coming year will be critical to determining the potential for expanding JOBS and bringing the system up to the performance of the more effective JOBS programs.

PREPARED STATEMENT OF GENE KUSSART

Mr. Chairman, I am delighted to be here today to talk with the Committee about Wisconsin's thinking on reforming the nation's welfare policies.

Under Governor Thompson, Wisconsin has received more federal waivers than any other state to experiment in welfare reform.

We have made welfare reform a high priority in our state and we have made remarkable progress in recent years in reducing the state's AFDC caseload. Actually, it's a track record that no other state can point to.

At the beginning of 1987, the caseload was 98,300. Today it's 78,000 and sinking -- the caseload is down over 20% and we are saving almost \$12 million per month.

Seven years ago we had the nation's 10th largest AFDC caseload. Today it's the 19th largest.

Seven years ago, Wisconsin had the 8th highest percent of households on welfare. Today we rank 31st.

Our reduction in AFDC caseload -- at a time when the nation's caseload increased 30 percent -- exceeds the total reduction for the rest of the nation combined.

Wisconsin, I believe, was the first state to draw down 100% of its available JOBS dollars -- something we've done every year -- and, as you know, something that most states don't do.

And, I believe, that although we are the 18th largest state, in terms of population, only three states today have more participants in the JOBS program than we do.

We are serious, in Wisconsin, about moving people from dependency into jobs. Wisconsinites are stepping forward to fund these efforts and as you can see we are attaining very significant results.

Therefore, we believe we are uniquely positioned to test our new Work Not Welfare initiative, clearly a very no-nonsense effort to move able-bodied recipients into work more quickly than they are today.

Before outlining just how our Work Not Welfare experiment will be implemented, let me briefly describe the philosophical ground upon which our reforms are based.

One thread that runs through our experiments is this business of personal responsibility...expecting more from recipients.

In Learnfare, we've put in place appropriate disincentives to truancy. What could possibly be more important than keeping kids in school.

In two of our demonstrations, we have capped additional benefits for additional children.

Kids having kids is terrible and we're working on that problem in our Parental and Family Responsibility Initiative.

And we're expecting parents to meet their financial obligations to their children.

Eighty-five percent of noncustodial parents are dads and dads aren't doing enough.

Wisconsin has been among the national leaders in paternity establishment. But even in our state no paternity is established in more than 40% of the cases. That's crazy. And not a nickel in child support is received in more than 60% of the public child support cases. That's wrong.

In our state, Governor Thompson has advanced a program called Children First. It's incredibly simple. The judge gives the dad three choices...get the money up and become current with your child support, work 16 weeks in a community job for no pay or go to jail. The results have been remarkable and we're expanding the program now to more counties.

That brings me then to the subject of "work".

Less than 8% of AFDC recipients nationally report income from some work.

Our thinking in Wisconsin is that it is time to require work -- not just training, not just education -- but require able-bodied recipients to work for their benefits -- and that is what the Governor's Work Not Welfare pilot is all about.

Does working make a difference? You bet it does.

Among single mothers not on welfare -- 85% are working across the country.

Can work keep single mothers out of poverty? It would appear so. Among single mothers who work full time, all year, only 7% are on welfare.

Work is good. But we haven't required work. We should.

And frankly, we are not expecting every recipient to initially identify \$10 per hour positions. All of us start somewhere and we believe moving recipients toward work, period, ought to be a very high priority.

In our Work Not Welfare experiment we are attempting to introduce real world of work values into the environment in which AFDC recipients are currently operating.

As you know, at any given point in time, 65 percent of AFDC recipients are individuals who will spend a total of eight or more years on AFDC. Most people think that is too long.

What we are attempting to do in this demonstration is to test strategies to reduce that period spent on welfare.

In his Work Not Welfare initiative -- that the Clinton Administration has now given us waivers to implement -- Tommy Thompson's pilot in several counties will give recipients, when they sign up for AFDC, a total of 24 months of cash benefits, but then cash benefits will end and they will be expected to join the rest of the real world of work. This isn't going to be a voluntary program. Everyone will be in it.

No one in this room has a guaranteed job. And after 24 months we're not going to guarantee jobs either.

Our AFDC, Medicaid and child care programs in Wisconsin are among the most generous in America. And in this demonstration we will provide recipients with more help than Wisconsin has ever provided before.

But what is new is that we'll be expecting more. There will be a safety net for kids, but able-bodied recipients will be expected to work.

There is no question that our constant hammering away at reforming our welfare system has resonated successfully in every corner of the state. And the proof is in the pudding. We have 72 counties in Wisconsin. The caseload is down in all of them.

We feel Wisconsin is on the right track and that others can learn from what we've already accomplished.

PREPARED STATEMENT OF JAMES J. LACK

Mr. Chairman and Members of the Senate Finance Committee Subcommittee on Social Security and Family Policy, I am Senator James J. Lack of East Northport, New York. I appear today as the Vice President of the National Conference of State Legislatures (NCSL) and a member of NCSL's Welfare Reform Task Force and the State and Local Officials Advisory Group on Welfare Reform. I am currently chairman of the New York State Senate Judiciary Committee and from 1985 through 1993, I chaired the New York Senate Labor Committee.

I appear today along with my colleague, Rep. Bill Purcell of Tennessee, on behalf of NCSL to discuss federal welfare reform. Our statements are a reflection of our experience and the bipartisan consensus of our fellow legislators. It takes three quarters of the states to concur for the passage of NCSL policy.

Mr. Chairman, the nation's state legislatures stand ready to work with you and members of this Committee to enact welfare reform that promotes self-sufficiency and ends dependence. We are committed to working closely with you to fashion legislation that will comprehensively provide education, training and employment for welfare recipients, ensure that those who work can rise above poverty and improve child support collections. For state legislators, this means a new welfare reform policy we can implement, that takes into account how state laws are enacted, that gives the states the flexibility to innovate and address local needs and that does not shift costs to the states.

Mr. Chairman, I will focus in my testimony on issues relating to education and job training, time-limited benefits and mandated work, financing and child support enforcement. Rep. Purcell will focus on time-limited benefits and mandated work, child care, state flexibility and removing barriers to self-sufficiency and family formation for welfare recipients.

Mr. Chairman, we in New York and in NCSL would be remiss if we did not acknowledge the work of this Subcommittee in enacting the Family Support Act of 1988. Without the current Finance Committee Chairman and senior Senator from my home state, Senator Moynihan, we would not be as far along in this debate. We would like to see further welfare reform build on the consensus in The Family Support Act of 1988. Unfortunately, at first, we like the majority of states, were unable to draw down our full allocation of JOBS funds. I can proudly state that we currently are matching all federal JOBS funds. We still do now and only serve about 16% of all eligibles.

Two years ago, Rep. June Leonard of Washington testified for NCSL before this Subcommittee expressing our concern that additional federal funds were needed to adequately implement the JOBS program. In 1988, we did not envision that the combination of a recessionary economy and simultaneous state fiscal crisis would lead to dramatic welfare caseload growth and our inability to provide the state dollars necessary to match all appropriated JOBS funds.

To gain the support of state legislatures, federal welfare reform must be:

- o Financed adequately and appropriately without under and unfunded mandates to the states;
- o Able to provide flexibility to help states meet the variety of local employment markets and gear education and training to those needs;
- o Coordinated with other federal employment and training programs;
- o And able to build on state successes in child support enforcement without preempting state family law or federalizing the program.

JOB TRAINING

Mr. Chairman, in New York on April 1, the beginning of our state fiscal year, approximately \$5.6 billion will be spent on state, local and federal funds for income maintenance assistance for those eligible for SSI, AFDC and home relief, our general assistance program; Medicaid spending is estimated to reach \$24.3 billion. In 1993, our AFDC or as we call it ADC population reached 444,000 cases of which 222,929 were considered employable under current rules. As I mentioned earlier with full expenditure of our federal allocation, we only serve 18% of them in our current employment and training program, the JOBS program. Further expansion will require additional funds. We will not know if JOBS will be a success until the evaluation is complete. This is not expected for several years.

I am very familiar with job assessment and training programs. In New York, we grappled with how to implement Title III of the JTPA in a way that made sense. Syracuse is not New York City. Oneida's job market is different than my own Long Island's. We determined that flexibility was needed so that localities could determine what was best for themselves. Areas with large populations of dislocated workers might choose differently than those with low areas of unemployment. The New York Worker Adjustment Act allowed the localities to set up the plan best for the area within federal guidelines and has been successful.

NCSL strongly believes that any education, employment and training program must allow states to develop their own plans to reflect local needs. A one-size fits all or cookie-cutter approach will stifle state innovation and recipients will suffer. Allow us to determine what kinds of programs are appropriate.

I am concerned, however, that we think about any new employment and training program in concert with the myriad of state and federal programs that provide education, training and employment. Too often we are duplicating what is already there. In New York, various studies have shown approximately 80-120 different programs. The U.S. General Accounting Office presented a higher figure to NCSL's Welfare Reform Task Force. The federal government could assist the states by rethinking how these programs could better fit together and eliminating existing barriers to coordination.

Additionally, NCSL believes that technical assistance must be made available to the states on how best to invest in training. The entry level jobs that we ordinarily train for are shrinking at an alarming rate. The private and public sectors must work together to identify emerging areas of employment and consider how best to train recipients for those jobs.

This does not mean that jobs are not available today or that only investment in education is appropriate. In some areas, fewer employment opportunities are available. Some recipients will need more assistance than others. NCSL supports efforts that would allow states to provide upfront employment search and supportive services (like child care and health care) so that some recipients will never enter the welfare rolls.

TIME-LIMITED BENEFITS AND MANDATED WORK

NCSL currently does not have a position on time-limited benefits. During our State-Federal Assembly Meeting in May and at our Annual Meeting this summer, we will be considering a more specific policy on welfare reform and developing a consensus on what we believe is required for a temporary welfare system and renewed social contract. We have many questions about how programs would be structured and what kinds of flexibility might be given to states to help them design programs that would best fit their local job base and economic climate.

However, legislators continue to be concerned about what happens after two years (or whatever the time-limit might be). Who pays for recipients who have not completed training or who cannot find a job? State legislators are especially concerned about the cost impact.

State legislators are concerned about where the opportunities for mandated work will develop. In December, the unemployment rate for the state of New York was seven and a half percent; in New York City it was ten and a half percent. The availability of jobs in New York City is probably better than the opportunities in my colleague's rural West Tennessee.

Renewing the social contract between recipients and government has much support from state legislators. However, a real contract must hold both parties accountable. Governments role must be to find ways for recipients to be productive participants. Otherwise, the public's confidence will be destroyed and they will believe that once again government has failed to reform our welfare system.

Our first preference is that recipients find jobs in the private sector. Welfare reform must focus on community economic development first with community work experience as a last resort. Work requirements for community service should be designed without displacing public employees. The private sector should be encouraged to participate and must be at the table. Job creation and the development of employment opportunities are vital to our success. The need for community development in concentrated areas of poverty is a barrier to self-sufficiency. NCSL has long supported tax incentives for this purpose. The Targeted Jobs Tax Credit and the more recent tax incentive in the Empowerment Zones legislation encourage the private sector to hire within distressed communities.

FINANCING

NCSL will oppose any financing proposals that will shift the costs of welfare further to the states. As a state legislator, I understand the difficulties of raising funds and the trade-offs involved in funding initiatives. It is our belief, clearly shared by Senators and the Administration, that a full scale revision of our existing welfare reform system will be expensive but worth the investment. The proof will be the results over time.

Mr. Chairman, welfare reform is not cheap. We learned implementing the JOBS program that employment and training programs, child care for participants and transitional benefits and a new infrastructure to monitor job participation is costly. Many states can not make their match even today. New York still serves very few eligibles.

In New York, we spend \$79.3 million of federal, state and local funds for work programs for AFDC and Home Relief in addition to \$11.9 million in food stamp employment and training funds. It will cost \$61.2 million for the JOBS program to serve 18% of the eligibles (as I stated before approximately half of the ADC population is eligible). We would like to reach more.

I urge you to provide significant resources for this effort. If the federal government does not, welfare reform will fail.

States cannot afford welfare reform on their own. Community work experience requires a significant influx of funds for development and monitoring of work requirements. A major expansion, even phased-in over time, cannot be supported by states alone.

We are deeply troubled by proposals to finance federal welfare reform through elimination of benefits to legal immigrants. NCSL strongly believes that it is the responsibility of the federal government to fund its policy decisions. Because the federal government has sole jurisdiction over immigration policy, it must bear the responsibility to serve the immigrants that it allows to enter states and localities. Federal decisions have increased admissions and reduced targeted funding to states and localities for immigrants, shifting the costs to state and local budgets. For these reasons, we will oppose any financing that eliminated federal benefits for legal immigrants.

The majority of legal immigrants, refugees included, are employed and contribute to federal, state and local revenues. However, according to the Urban Institute, these revenues are heavily skewed towards the federal government while states and localities bear disproportionate shares of the costs of services to newly arrived immigrants. New York cannot and should not bear any further costs.

The federal government may find savings through eliminating SSI benefits to elderly, needy and disabled legal immigrants. Unfortunately, that savings will just shift the costs to states like New York (in particular our general assistance program). The indigent elderly that are the 30 percent of the caseload that go on the rolls after their American citizen children cease to be legally responsible for them are no different than other indigent elderly who apply for SSI. 20 percent of the caseload were here at least 10 years before applying for SSI. 25% of the SSI population are refugees, the largest of which are elderly Soviet Jews. Eliminating federal aid will not eliminate the need, and state and local budgets and taxpayers will bear the burden.

State legislators do not believe that welfare reform legislation is the appropriate place for the immigration debate. We cannot pit legal immigrants against welfare recipients. This thinking has led to resentment and disturbances in our inner cities, New York included.

CHILD SUPPORT ENFORCEMENT

Improved child support enforcement is a integral part of a comprehensive approach to welfare reform. NCSL believes that children should be supported by both of their parents. State legislators are deeply concerned about the failure of personal responsibility of absent parents that causes our nation's children to live in poverty and economic uncertainty. State legislators need the federal government's assistance, both financially and technically, to improve our paternity establishment, enforcement and collection efforts. However, family law still remains in the domain of the states. We urge you to reject proposals that preempt state authority in this area and support state innovation.

The federal government should acknowledge and reward innovations by the states. In enacting Chapter 59 of the Laws of 1993, New York's version of the federally mandated triennial review and adjustment process, New York also moved forward on 3 other fronts in the

enforcement area. New York has authorized a medical support execution to secure provision of employer provided medical insurance by payroll deduction. This an essential legal device to help reduce state costs for medical payments to uninsured minors while accessing medical care for New York's children. We have also established procedures for non-judicial acknowledgements of paternity right at the hospital when the child is born. New York also has enacted laws for the aggressive enforcement of defaulted support orders without the necessity of judicial intervention through the use of liens, attachments and restraining notices.

Federal financial incentives should be provided to encourage innovations at the state level. NCSL supports elimination of the separate incentive system for AFDC and non AFDC systems with a base matching rate of no less than 66% with a performance rate available as an incentive. These incentives, coupled with the judicious use of federal waivers for new demonstration programs targeted at support enforcement, will generate greater collections. New approaches to support collections should be recognized when setting performance standards and when conducting program audits.

Conversely, the rigorous and inflexible applications of federal mandates upon the states may well have the effect of stifling creativity at the state and local level resulting in the misallocation of human and financial resources to the demands of mandate compliance rather than the task at hand - collecting child support.

Simply put, unfunded and underfunded mandates hurt - rather than help - the business of securing support for our children and recovering taxpayers dollars paid out in federal, state and local benefits.

Specifically, NCSL advocates a 90/10 federal - state match for federally mandated automatic data systems and changes required by federal statute and regulation. For example, in New York the advent of the triennial review and adjustment process alone will mean a review of nearly 1/3 of a million existing support orders for adjustment purposes while requiring as many as 7 adjustments of every new order where adjustment is sought during each child's minority. This massive intake of data, as well as contemplated future system changes must be matched by federal dollars so that custodial parents first entering the child support system are not defeated or delayed by a failure of technology. States must not be made to bear the financial burden of acquiring and implementing this technology alone.

Finally, NCSL opposes extensive federalization of child support enforcement including the use of the Social Security Administration as a broad based collection agency. Utilization of the Internal Revenue Service as a child support collection agency must be carefully scrutinized, particularly in terms of potential conflict with the agency's current revenue collection and enforcement mission. Cohesive, coordinated interstate cooperation, with centralized state data access represents the best hope for successful child support collection efforts - not the addition of new layers of federal bureaucracy.

NCSL believes that states should adopt the model law for interstate child support collections, the Uniform Interstate Family Support Act (UIFSA) developed by the commissioners on model state laws. However, we oppose federal legislation that would preempt this authority of the states.

In the Omnibus Budget Reconciliation Act of 1987, Congress authorized and the Administration later granted a federal waiver to us to run the New York Child Assistance program (CAP) through March of 1994. CAP is a demonstration program run mostly in upstate counties and my own Suffolk county. We recently expanded CAP to New York City. CAP participants have obtained a court order requiring the absent parent to pay child support in order to participate. The state provides enhanced child support collection activities and child care and food stamp benefits are provided in cash. The CAP grant is 66% of the AFDC grant but there is a lower reduction rate for recipients' employment earnings and a hire accumulation of assets are allowed. Eligibility continues until a recipients combination of child support, earned income and CAP grant reaches 150% of the poverty line. ABT associates found the initial results for CAP very promising: participants work 25% more hours and earned 25% more than members of a control group. NCSL strongly supports more demonstration authority for child support assurance so that additional states can test this important idea.

COMBATting FRAUD AND ABUSE

In New York, we are currently trying a new technology to combat and prevent fraud and abuse in our welfare system. Finger imaging being used to ensure that our home relief recipients (General Assistance) receive the checks to which they are entitled. The program has been very well received by the public and appears to have a deterrent effect. Our Department of Social Services has estimated that if implemented statewide, \$46.2 million could be saved in our Home Relief program alone (this does not include Medicaid saving). Unfortunately, when Congress removed our enhanced match for administrative costs, federal participation for fraud control in the AFDC program dropped from 75 to 50 percent. We urge you to reconsider enhanced matches as you consider welfare reform.

On behalf of the National Conference of State Legislatures, thank you for consideration of my remarks. I would be happy to answer any questions you may have.

PREPARED STATEMENT OF WILL MARSHALL

Good morning Mr. Chairman, members of the subcommittee. I appreciate the opportunity to testify before this panel on the Progressive Policy Institute's views on replacing welfare with a work-based social policy.

Nothing better exemplified candidate Bill Clinton's commitment to fundamental change than his promise to "end welfare as we know it." More than any other, this pledge defined him as a "Different Kind of Democrat" determined to move beyond an exhausted left-right debate that is failing to confront America's most pressing problems.

In calling for a two-year limit on welfare, President Clinton has proposed the most radical reform in U.S. social policy in a generation. The notion that welfare should offer poor Americans transitional support en route to a job -- rather than subsidize a way of life widely seen as divorced from work and responsibility -- clearly struck a responsive chord with the public.

Recent surveys confirm that Americans, regardless of class or race, overwhelmingly want to change -- but not demolish -- the welfare system. People are less concerned about costs than about welfare's failure to encourage and reward the values most Americans live by: work and saving, marriage and family, individual initiative and a sense of responsibility to one's community. More than 90 percent of the public thinks that making welfare recipients self-sufficient is more important than removing them from the rolls to cut costs. Nearly as many support work requirements, even for mothers with young children.

Despite near-unanimous support for sweeping reform, the Administration has been curiously slow off the mark. It has instead pressed ahead with a far more complicated and costly plan to overhaul the nation's health care system. The implicit downgrading of welfare reform as a presidential priority has heartened both liberal defenders of the status quo and conservative opponents of new public efforts to help the poor. At the same time, however, the Administration's Working Group on Welfare Reform, Family Support and Independence has made impressive progress in laying the intellectual foundations for a comprehensive reform.

With welfare reform at least temporarily on hold in Washington, states have seized the initiative. Wisconsin and Colorado have won federal approval to test a two-year limit on welfare eligibility; Virginia received a federal waiver for a pilot program moving 600 AFDC recipients into private sector jobs paying from \$15,000 to \$18,000 a year; Oregon is awaiting final waiver approval to move its JOBS Plus program and it looks as if Mississippi and Washington will follow with similar programs that convert welfare benefits into wages or subsidies for work.

The broad indictment against America's welfare system is well-known and has four main counts: the system undercuts incentives to work and isolates the poor in a separate welfare economy; it penalizes marriage and underwrites out-of-wedlock births and single parenthood; it empowers bureaucracies and social service providers rather than poor citizens; and it undermines values held by most Americans, rich and poor, perversely rewarding failure rather than success.

Although virtually every president in the last two decades has vowed to fix these defects, their attempts to bring about systemic reforms have generally foundered on ideological gridlock. Conservative resistance to spending more on social programs, coupled with liberal reluctance to demand more of welfare recipients, has ruled out anything more dramatic than marginal adjustments in the status quo. We are left with a welfare system that seems impossible to defend yet impossible to change fundamentally.

In addition to the fact that it comes from a Democrat, President Clinton's call for time-limited assistance is striking because it represents a great conceptual leap forward. Time limits would ensure that the obligation to work replaces the right to income maintenance as the organizing principle of welfare policy. Such a policy casts welfare not as an entitlement but as a compact of mutual obligation: While society owes everyone a chance to work, the beneficiaries of public aid have a corresponding responsibility to strive to support themselves. This approach says that all work confers moral dignity and can lead to self-sufficient citizenship.

Time limits, though essential, are just the beginning. In fact, simply mandating a two-year limit, without other reforms, would only worsen the plight of 14 million welfare recipients, 9 million of whom are children. Helping people develop their capacities -- especially those with few resources and many problems -- is an expensive proposition. Hence, a radical redesign of social welfare is likely to cost more, not less, in the short run. In fact, the current welfare system has survived successive bouts of reform precisely because it is a relatively cheap way to deal with the poor. But spending more now to enable people to work will reap large dividends down the road: fewer people subsisting on public aid, more people gainfully employed and paying taxes, less public money siphoned off by a social service bureaucracy consumed with process rather than results, and fewer children trapped in a remorseless cycle of illegitimacy, unstable families, welfare dependency and lack of opportunity.

In PPI's view, President Clinton's challenge is to strike a political bargain with the left and the right if he is to achieve his goal of making welfare "a second chance, not a way of life": Liberals must accept time limits, and conservatives must accept higher social costs. Or, as the President has said, welfare reform should both expand opportunity and demand responsibility.

A Progressive Blueprint for Welfare Reform

In addition to time limits, the Progressive Policy Institute believes that a progressive, work-based social policy requires five key policy shifts:

- First and foremost, we must make work pay. Low-wage jobs simply can't compete with the package of benefits available in the welfare economy. For example, a welfare recipient in Ohio may collect a maximum basic welfare grant (Aid to Families with Dependent Children plus food stamps) of \$633 a month, or \$7,596 a year. However, she also is eligible for thousands of dollars worth of Medicaid and child-care assistance and possibly housing subsidies as well. Yet, if she takes a 40-hour-a-week job at the minimum wage of \$4.25, she will make only \$8,840 a year, nearly \$3,000 below the poverty line for a typical family of three. It makes little sense to exhort welfare recipients to work if that means lowering their standard of living or leaving them without health care or decent child care for their children. Indeed, one of the greatest inequities of the current system is that it often makes working people worse off than people on welfare.

The alternative is to shift public subsidies from welfare to work, so that what people earn from low-wage jobs and subsidies always exceeds what they collect for not working. At the President's request, Congress this year took a giant step in this direction by expanding the earned income tax credit, a subsidy to low-wage workers. Thanks to this crucial advance in social policy, a minimum wage job paying \$4.25 will soon be worth \$6 an hour for a family with two or more children. We at PPI are particularly heartened by this development since our organization's first policy proposal was to expand the credit so that, together with food stamps, it would lift every family with a full-time worker out of poverty.

As the Administration's welfare reform working group points out, working mothers also will need more assistance with child care as they move from welfare to private jobs. It proposes increased funding for child care for both those on cash assistance and working families.

- Second, we must assure universal access to health care. When welfare recipients take a job, they soon lose Medicaid benefits worth about \$3,000 a year. The jobs they are most likely to take rarely offer health insurance or pay enough to let them buy their own policy. To remove a serious obstacle to work, health care reform must include public subsidies for those who cannot afford to buy their own health insurance.

- Third, we must strengthen child support enforcement to supplement the income of poor families. Even with expanded subsidies for work, many single mothers who lack education and skills will remain on the financial edge. Their children deserve the support of both parents, yet only 20 percent of never-married mothers collect child support from absent fathers. We need to crack down on deadbeat dads and encourage mothers to cooperate by letting them keep more of their child support payments. The welfare working groups points out that only \$13 billion of a potential \$47 billion in child support payments is actually collected. There is a broad consensus that requiring paternity establishment at the birth of the child is the first step to increasing awards. When coupled with tougher enforcement and government collection of delinquent payments, these changes should greatly increase the amount of support single mothers receive.

- Fourth, we must expand welfare-to-work efforts by public agencies, nonprofit groups and even private businesses. While studies show that education and training programs can lead to marginal increases in earnings, such gains are rarely enough to lift a family out of poverty. On the other hand, innovative ventures such as America Works and Chicago's Project Match show that with intensive support, even long-term welfare recipients can get and hold private jobs with decent pay and benefits.

America Works has helped over 5,000 welfare recipients find jobs, including many who have been on welfare for six to eight years. Of those placed in jobs (about 60 percent of those beginning the program), 68 percent are hired permanently by the employers. One year later, 90 percent of the recipients placed are still working. At Project Match, which works mainly with residents of Chicago's Cabrini-Green housing project, director Toby Herr has inverted the JOBS approach, which provides education, training and other services before trying to move people into jobs. Project Match starts by finding people a job, then providing counseling and other support services to permanently link that person to the labor market. Her clients often go through two, three or four jobs before settling permanently into full-time work.

Such job placement efforts should be available at the outset, not just at the end of a two-year spell on welfare. Toby Herr offers a "ladder" of work possibilities, starting at the lower rungs with part-time volunteerism at Head Start centers or other community organizations and ascending to full-time, private work.

This is not to deny that poor people need more education and training. The question is, should their entry into the job market be delayed while they attend training classes? That may make sense for some -- especially teen-age mothers who dropped out of school. (Nonetheless, Toby Herr reports that while 50% of the high school dropouts in her program prefer to resume their education rather than seek work, few actually earned a diploma or GED.) For most adults, getting a job is usually a better bet than getting generic training that may have little relevance to the local job market.

A recent Manpower Demonstration Research Corporation study of California's GAIN program supports this view. The study found that programs that stress work, offer intensive job placement and work closely with local employers to determine training needs are more successful at both reducing welfare rolls and increasing earnings than programs that stress education and training. In Riverside County, the site of the most successful GAIN program, over a two year period, earnings increased by \$2,099 a person, a 55 percent increase over the experimental group, and welfare payments were reduced by \$1,397 a person, a 14 percent reduction compared to the control group. This should not be surprising: Most people learn their jobs on the job. What welfare recipients need more than anything else is to be reconnected to the world of work. Then more education and training makes sense as a way to improve their career prospects.

- Fifth, we must offer community-service jobs for those who, at the end of two years, can't find or keep private jobs. If society is to require work as a condition of public assistance, it must guarantee the opportunity to work. But community-service jobs at minimum wage should be a last resort. A revamped welfare system should be characterized above all by closer ties with private employers and should work to reduce the stigma now attached to welfare recipients as they seek employment. Moreover, wage subsidies for private jobs, and other transitional benefits, should create a differential that always makes a permanent, private sector job a better paying proposition. The Administration's welfare working group creates such a differential by applying the EITC only to income earned in private sector jobs.

These five initiatives would move us from a system centered on income maintenance and consumption to a system oriented around work and the development of personal assets.

In addition, PPI believes that a work-based social policy should be reinforced by an array of empowering initiatives, including individual development accounts (IDAs) to encourage saving and asset building; microenterprise to encourage self-employment; tenant management and ownership to encourage public housing residents to handle their own affairs; and social service vouchers, to give poor people choices and thus more control over the services they use.

It's impossible, of course, to subsidize private jobs that don't exist. A crucial question for backers of the time-limited approach is whether there will be enough jobs for welfare recipients seeking work. Liberals say expanding welfare rolls proves that jobs are not available; conservatives point to the want ads and the fact that immigrants seem to find jobs in the United States. In truth, however, no one knows the answer because the supply of jobs is dynamic, always expanding and contracting. The only way to find out how well our labor markets can absorb people moving off the welfare rolls is to try. Community service jobs would act as a buffer to temporarily employ people who haven't found private jobs. And the number of people moving from welfare to work can initially be kept manageable by applying the time limit to specific segments of the welfare population; such as young recipients or those entering the system for the first time.

As we figure out how to help people leave welfare, we must redouble efforts to prevent them from entering the system in the first place. A serious prevention strategy must take aim squarely at the explosion of out-of-wedlock births to teenage mothers. If we do not stem the tide of illegitimacy, our welfare system will continue to grow instead of shrink: a 1990 CBO report shows that half of all unmarried teen mothers receive AFDC within a year of the birth of their first child and three-fourths receive AFDC by the time their first child turns five. At least 40 percent of never-married mothers receiving AFDC will remain on the welfare rolls for 10 years or more. The cost to federal taxpayers of families begun by teenagers is enormous — almost \$29.3 billion in 1991 for AFDC, food stamps and Medicaid alone. But the children of teenage mothers pay the most. They are far likelier to live in poverty, to grow up without the moral or financial support of their father, to be dependent on welfare, to drop out of school, to get in trouble with the law, and, if they are female, to give birth as teenagers — thus starting the cycle anew.

The working group proposes that the President and other top Administration figures launch a vigorous media campaign to discourage teen pregnancy. It also recommends preventing teen parents on welfare from setting up their own household and requiring them to finish high school. PPI supports these modest steps and we are exploring more comprehensive ways to condition public support on responsible behavior by both teenage boys and girls.

The Administration's Approach

The approach I've outlined overlaps substantially with the basic architecture of welfare reform as drafted by the Administration's working group. That group has worked conscientiously and imaginatively to craft a plan that combines a two-year time limit with new supports for work. Nonetheless, some of its proposals seem vague or ambiguous and large questions remain unresolved. I'd like to highlight the following concerns:

- * First, a fundamental maxim of welfare reform should be: Work first. The working group's recommendations on this score are not clear. They seem to put primary stress on education and training and other "transitional services." Recipients are not *required* to seek work until the final 45-90 days before the two-year limit expires. Yet, as I've pointed out, there is compelling evidence that emphasizing work rather than education and training produces better results. Moreover, for most welfare recipients — excepting mothers with infants or younger recipients still in school — there is no reason to wait two years before getting serious about work.

Oregon and Mississippi are pursuing a promising alternative to JOBS' current stress on education and training. Oregon's Jobs Plus program would convert AFDC payments and food stamps into wages for "training placements." These are temporary jobs with private firms that allow people to get work experience and build a resume. The aim is to get people working, then assess them individually to determine what additional education and training they might need. To convert food stamps to wages, Oregon and Mississippi need waivers from the U.S. Department of Agriculture. I hope Secretary Espy will swiftly grant these waivers. As President Clinton told the nation's governors, now is the time for creative state experiments that test different ways to promote work and independence.

- * Second, a radical overhaul of the welfare system should lead to pluralism and choice in the delivery of services. The working group, however, makes enlarging the JOBS program the centerpiece of its new welfare architecture. I'm skeptical that simply expanding the existing bureaucracy is a promising way to start reinventing the welfare system. Moreover, JOBS is organized mainly around the task of providing welfare recipients with education and training, not work. Even if we can create a high-performance JOBS program focused, like California's Gain, on job placement, why leave that task solely to the public sector? We should also allow

welfare recipients to take advantage of non-profits like Project Match and even for-profit businesses like America Works. By allowing private organizations to bid for the right to prepare people for work and place them in permanent jobs, we can make use of a wider array of actors at little financial risk, since they would be paid only for results. The working group, however, appears to see private groups as an option only for those who have already reached the two-year limit.

I don't think we're going to help people escape poverty and dependency simply by surrounding them with more professional service providers. That is how you turn citizens into clients. Instead, we should rely more on civic associations and community institutions to help integrate poor Americans into the economic and social mainstream. A reinvented welfare system should shift power and responsibility from public bureaucracies to the voluntary institutions of civil society, as well as to needy citizens themselves. It should adopt what the Industrial Areas Foundation calls its Iron Rule: "Never, ever do for others what they can do for themselves."

* Third, there should be as few exemptions as possible. The working group calls for a narrowing of exemptions in the existing the JOBS program. However, it appears to undermine the force of time limits by expanding definitions of what constitutes "participation" in JOBS to include everything from substance-abuse treatment to parenting/life skills classes ~~or~~ domestic violence counseling. This apparently would permit people to engage in many activities other than work, when at least some work is possible.

* Fourth, we're skeptical about state "workfare" programs. MDRC's study of the Community Work Experience Program (CWEP), "Unpaid Work Experience For Welfare Recipients," states that unpaid work experience fails to significantly raise incomes or lower public welfare costs, much less lift poor families out of poverty. Moreover, workfare is rightly regarded by participants as welfare by another name and carries the same stigma as welfare. People who have reached the limit should work for wages, not for welfare.

* Fifth, we need solid estimates for the new costs associated with welfare reform. A work-based system will entail new expenses: for child care, for medical insurance, for more job placement, education and training, for fallback community service jobs. By failing to be explicit about these costs, the Administration has fed fears that a time-limited system would only worsen the plight of poor Americans. Again, the essential bargain has to be this: more spending, but only for a true system change -- not incremental changes. We agree, however, that welfare reform should be deficit-neutral. Rather than raising taxes or expanding the deficit, it should be financed by cutting government subsidies to specific industries that serve no compelling social or economic purpose.

* Finally and most important, we believe the Administration must not delay further a major effort on welfare reform. Delay has several costs. It raises questions about the President's commitment to radical reform and about Washington's ability to fix a system that is clearly broken. It heartens defenders of the status quo on both the left and the right. Moreover, with a majority of House Republicans embracing the main tenets of the President's approach, we face a rare opportunity to forge a broad, bipartisan coalition for fundamental change. Worst of all, it perpetuates the system of bureaucratic compassion that encourages dependence rather than self-sufficiency and thus reduces citizens to clients.

Of course, there are lots of devilish details to be worked out, and a work-based social policy will be no more immune to the law of unintended consequences than

others. All this suggests the need for a lengthy transition, many state experiments that move people into private jobs and to create and monitor community service jobs, much more rigorous evaluation of these efforts, and humility about what even the boldest changes may accomplish. Above all, we must introduce changes gradually so that we can adjust as we go along.

Nonetheless, President Clinton should make 1994 the year that the transformation of our welfare system begins. If he does so, he will find a public eager and ready to support his resolve.

PREPARED STATEMENT OF BILL PURCELL

Mr. Chairman and Members of the Senate Finance Committee Subcommittee on Social Security and Family Policy, I am Representative Bill Purcell of Nashville, Tennessee. I am Majority Leader of the Tennessee General Assembly and also chair the General Assembly's Select Committee on Children and Youth. I currently serve as the Chair of the National Conference of State Legislatures (NCSL) Human Services Committee and I am a member of NCSL's Welfare Reform Task Force.

I am pleased today to join my colleague, Senator Jim Lack of New York, in representing NCSL and providing comments on welfare reform. Our Human Services Committee and Welfare Reform Task Force have met with Administration officials and members of the House and Senate Majority and Minority and their staffs to provide advice and guidance as they develop their welfare reform plans. True welfare reform can only come in a partnership between the states, localities and the federal government.

Our current system was designed with one goal in mind: to provide a minimum level of support to families, mostly widows with children. The system was designed to support long-term dependence and efforts to work were considered fraud.

Today, we expect the public assistance system to serve a variety of needs without changing its design or foundation. The public hates it; recipients hate it; politicians hate it; business hates it. Our concern for children must remain paramount. But in order to support these children, we must find ways to enable their parents to support themselves. We must reward work rather than welfare.

Unfortunately, we now understand that there is no one quick fix for this program. Families become destitute for a variety of reasons. These include job loss, spousal abuse, the failure of our educational system, addiction and the economy. Self-sufficiency for these families will require a variety of solutions including child support enforcement, education and training programs, employment and support services such as child care.

WELFARE REFORM IN TENNESSEE

Poverty in Tennessee is both urban and rural. Reforming the welfare system means different solutions for the rural poverty in Appalachia and West Tennessee, big city poverty in Memphis and Nashville. We may choose different solutions in Tennessee than my colleague, Senator Jim Lack, does for Long Island.

Mr. Chairman, legislators around the country believe that the system needs to be changed and that oftentimes federal law and regulations are the barriers. It is my hope that this Subcommittee will examine the barriers to employment and family formation in the current system and provide flexibility for the states to address local problems.

It is my view and our experience in Tennessee, that welfare recipients would rather work than be on welfare. Eighty percent of our JOBS program participants, have a work history. They cycle on and off the system and cannot seem to hold steady employment.

We are particularly focused on our current efforts toward reform in Tennessee. First, we are implementing health care reform - TennCare. The TennCare program will remove a major barrier to employment for our recipients. As you may know, Tennessee is a low benefit state and many of our recipients enter or remain on public assistance primarily to receive medicaid. TennCare will provide health care to the uninsured without regard to categorical eligibility for AFDC.

Second, over the next three years, we will be increasing our standard of need. For the last nine years, Tennessee has been a "fill the gap" benefit state. We have removed the disincentive to work in the current system by allowing recipients to fill the gap between our benefit level and the standard of need with income from employment without penalty. The welfare system has made working difficult rather than supporting employment.

Third, we are expanding our JOBS program, JOBSWORK, and our JOBS and transitional child care program. JOBS has been a real success story for our state. JOBSWORK is a voluntary program and we have more than enough volunteers to meet the federal participation requirement.

Recipients want to work. We have more volunteers than we need to meet participation rates. We have not yet had to mandate participation.

Most of our clients have a work history and cycle on and off the program. Therefore we have chosen to focus on skills improvement. 40% of participants are in post-secondary education. Unfortunately, most of our participants are at a 5th - 6th level even if they finished high school. In FY 1993, 48% received a GED and 35% enrolled in basic education. Skills improvement is critical to long-term self-sufficiency.

Our recipients are not returning to welfare. Tennessee estimates that half of the JOBSWORK participants had not returned to public assistance after the first 18 months of the program. 34% have reduced their food stamp benefits through employment.

SUPPORTS ARE NEEDED TO ENSURE THAT WORK IS BETTER THAN WELFARE: CHILD CARE, HEALTH CARE AND EARNED INCOME TAX CREDIT

It is our view that the test of welfare reform will be how we manage the transition to the public system to full-time employment for welfare recipients.

CHILD CARE

Child care is an integral component of welfare reform.

Mr. Chairman, we understand that providing sufficient child care for an expanded number of recipients in education and training, work experience and in the transition from welfare to full time employment will cost money. Adequate resources and an improved infrastructure is critical so that children have access to quality care.

Our current JOBSWORK child care is growing by leaps and bounds. In December alone, 24,000 children were receiving assistance. The legislature is considering a \$17 million increase for child care.

We cannot ignore the issues of child care quality and increasing child care supply. We now have less than 12% of our JOBSWORK children in informal, unregulated care. This is predominantly in the rural areas of Tennessee where child care choices are limited. As part of our program, we work to educate parents on how to identify good quality care. NCSL strongly believes that funds should be available to the states to improve the supply of quality affordable care. The JOBS and Transitional child care funding streams have no funding available for any activities other than reimbursement. A welfare reform plan must allow states more flexibility to allocate some resources toward expansion of care.

The public and private sectors can work together to expand the availability of child care. Our Department of Economic and Community Development's Child Care Facilities Fund helps provide loan guarantees to expand child care. NCSL supports efforts to increase the state match for child care.

I am especially proud of Tennessee's success in finding child care for JOBSWORK transitional child care. We have 14 regional broker agencies who aggressively find child care slots, arrange payment and counsel clients. We have a 38% usage rate for transition compared to the nationwide average of 20%.

We should not only focus on reimbursement for child care for welfare recipients. Careful analysis is needed of the impact of an expanded child care system for transitional welfare recipients on the working poor. Tennessee has a waiting list for our program for families in need of child care who are at risk of entering the welfare system.

HEALTH CARE

Mr. Chairman, I must reiterate the importance of health care to low income families. Women on welfare are often faced with a stark choice - the dignity of employment that offers no health insurance or dependence on AFDC assurance of Medicaid for their children. Health care reform is vital part of welfare reform. TennCare separates health care from public welfare benefits.

EARNED INCOME TAX CREDIT

The Earned Income Tax Credit (EITC) is an incentive for families who play by the rules, the working poor. NCSL strongly supported expansion of the EITC. More outreach is critical to the success of EITC.

REMOVE THE BARRIERS TO FAMILY FORMATION

Reforming the welfare system means that penalties for non-performance must be considered. However, sanctions for non-compliance must be viewed in terms of unintended consequences. There are contradictions in how we allocate resources. Many children have entered our foster care system because their parents do not have the funds for housing and heat. Yet, we pay foster parents more than public assistance to care for these same children. An unintended consequence of a too eager or rigorous sanction may be an influx of children into our more expensive foster care system.

Our General Assembly has invested considerable time in developing alternatives to out of home placement in Tennessee. Our much acclaimed Home Ties program provides support to families in crisis before a child is removed from his or her home. We could avoid the emotional trauma felt by these children if we could allocate existing resources with more flexibility.

We believe federal legislation must be family oriented. The marriage penalty must be reexamined. It makes no sense to penalize family formation in the federal AFDC system. The 100 hour rule and work history requirements similarly attack AFDC-UP families. At a minimum, states should have the ability to waive these requirements in their state plans. They should not have to apply for a waiver.

Teen parents need special assistance and early intervention beyond education and training to become self-sufficient. While only 7% of our welfare population, teen parents are particularly at risk for long-term welfare dependency and education deficiencies. States must be allowed to include programs to promote better parenting as well. We believe that the new Family Preservation and Support Services program, which NCSL strongly supports, is an important first step in this area. We believe that it is essential that a link be made between this program and welfare reform. Teen fathers also must not be left out of these programs. If we do not include them, we will have a continuation of the failure of these families.

State legislators are uncomfortable, however, with proposals to mandate that teen parents reside with certain families. This requirement is an option under the Family Support Act of 1988 which five states have adopted. We believe that each legislature is capable of evaluating and adopting this approach if they so choose. Some states have not due to studies illustrating a high incidence of physical and sexual abuse among teen parents. States have traditionally maintained responsibility for these sorts of decisions.

REMOVE THE BARRIERS TO EMPLOYMENT

Welfare recipients in Tennessee want to work. Every month, more than 400 women in Memphis and 200 women in Nashville volunteer to participate in JOBSWORK. We have made our federal participation rate on volunteers alone.

Too often, people who leave welfare cycle back into the system. The federal government should give the states the flexibility to expand the amount that recipients earn without penalty of loss. Currently for every dollar a welfare recipient earns, she loses a dollar. By changing our incentive system through expanding earned income disregards, increasing the asset limit and fill the gap budgeting, we would change the incentives. A study commissioned by the Washington State Legislature found that welfare recipients who work while on AFDC have a much better chance of long-term self-sufficiency. The federal government should allow the states to make these changes without the need for a federal waiver application.

Conflicting federal rules for AFDC, Medicaid and Food Stamps often dissuade recipients to work. NCSL strongly supports efforts to simplify these rules and apply them consistently. We also must examine rules that may inadvertently limit the ability of recipients to work. For example, we have treated recipient ownership of automobiles as an asset rather than a means of finding and securing employment. Recipients are often penalized for vehicle ownership. States should be allowed to alter the vehicle asset limit of \$1,500 without having to apply for a federal waiver; this should be handled by a state plan amendment consistent with state laws. States also should be allowed to choose to reimburse reasonable transportation costs for participants in employment and training, transitional assistance and employment, both to and from work and to and from child care.

FINANCING AND FLEXIBILITY

New York is unusual in its ability to match federal JOBS dollars. Most states, like Tennessee, were unable to match all of the available federal dollars for the JOBS program. We were unable to pull down half. It is unrealistic to expect every state to finance this program.

A time-limit for education and training of two years will have a major impact on our infrastructure. We have a very good vocational and community college system which serves both JTPA and JOBSWORK participants. I am very concerned that there will not be enough classroom space to serve the demand during the two years. Currently, for example, it is very difficult to get our participants space in the Licensed Practical Nursing program.

The key question before us is financing a new infrastructure to support welfare reform. We must build this infrastructure to provide education and training opportunities, monitor participation and find transitional work and full-time employment in the public and private sector.

Legislators, whether state or federal, must make difficult choices usually within fiscal constraints. We must decide how best to spend tax dollars.

The federal government, along with the states, needs to prioritize these goals, understanding the fiscal constraints we face. States should be allowed within federal parameters to create programs that address their local circumstances.

FEDERAL WAIVERS REVIEW PROCESS

State legislators are pleased with the Administration's expedited waiver review process. Certainly, Tennessee was pleased to be given the authority to begin our TennCare program. As I have repeated often in our testimony, we believe that options are preferable to waiver authority. For many potential policy initiatives from the 100 hour rule to expanded earnings disregards, we no longer need to test new ideas. Instead, states should have the option of choosing them as amendments to their state plans. In addition, too often, legislators are not included in the federal waiver process until after a waiver is granted. NCSL strongly believes that federal waivers should only be granted with the passage of state laws. State waivers requests, whenever required, should not be acted upon by the federal government until state legislators have been consulted.

On behalf of the National Conference of State Legislatures, thank you for consideration of my remarks. I would be happy to answer any questions you may have.

PREPARED STATEMENT OF ANTONIO R. RILEY

Chairman Breau and subcommittee members, good morning. My name is Antonio Riley. I am a State Representative from Milwaukee, Wisconsin.

I have come to speak to you today on welfare reform, or as I would prefer to state it, on replacing welfare.

I feel I must warn you that I am not a welfare policy expert and that I am not prepared to assess the impact of the Family Support Act of 1988.

I am, however, what you might call a kind of welfare expert. And, what I am prepared to tell you is that I do know firsthand what it feels like to be on welfare.

For a time when I was growing up in Milwaukee, my family was forced to resort to welfare so we could keep food on the table. Eventually, we were able to escape from welfare and provide for ourselves again, but I keenly remember the frustration and humiliation that pervaded the atmosphere at my house during those years on the public dole. And, later, when I was going to college, I had to rely on welfare again--general relief for myself this time--for a brief period.

Now, I represent the central city neighborhoods I grew up in. And, while I am proud of my district--the 18th Assembly District--it is one of the poorest in Wisconsin. Many of my neighbors and constituents are welfare recipients, like I once was.

So, yes, I know something about welfare. I may not possess a wealth of policy knowledge yet, but I do have a good store of personal experience and frequent contact with welfare recipients.

Based on that experience, those contacts and some recent "book learning" on the subject, I have come to believe that the current welfare system cannot be reformed and that it must be scrapped altogether and replaced with work-based programs.

And, along with scrapping the current welfare system, I believe we should also abandon our current way of talking about welfare and the myths that have distorted our thinking on the issue.

For example, the myth that welfare recipients don't want to work must be demolished--because they do want to work. I know that from my own experience.

As I'm sure you already know, a majority of welfare recipients in fact do work to supplement their meager benefits. They don't report the earnings because--and this is what's so crazy about the current system--it's illegal for them to be working.

I believe we must begin to shift our focus away from blaming welfare recipients for their poverty, to figuring out ways to help the working poor work their way out of poverty.

But before I proceed, let me be perfectly clear about one thing: while I am saying that we must get rid of our current welfare system, I am not advocating that we provide no socio-economic safety net for those who need help. On the contrary, I believe we must design a better safety net--one that no longer snares people in dependency, but rather springs them into work and independence.

I am proud to say that in Wisconsin we have recently taken the first step toward ending welfare and rewarding work, that we have cleared the way so we can design a better safety net.

That historic step was taken when Governor Tommy Thompson accepted--in part--a challenge from Wisconsin's Democratic legislators--led by Assembly Assistant Majority Leader Barbara Notestein--to end the state's welfare system by 1999.

The Democrats were motivated to take this course because they had grown tired of the piecemeal tinkering approach to welfare reform and because the Governor's welfare reform plan--"Work Not Welfare"--struck them as extremely unsatisfactory.

Governor Thompson's plan--a limited experimental pilot program to be tested over 10 years in just two counties and applying to just 1,000 of the state's 85,000 AFDC households--ends cash benefits to AFDC recipients after two years regardless of whether the recipients have found work. The program is not slated to be run in Milwaukee County which contains half of the state's welfare population.

What the Democrats did was to amend Work Not Welfare with provisions sunsetting Wisconsin's Aid to Families with Dependent Children (AFDC) program, General Relief, Relief to Needy Indian Persons (RNIP) and Food Stamps on December 31, 1998. Under the Democratic proposal, replacement programs recycling the dollars used to fund the current welfare system would have to be drafted by 1995.

On December 13, 1993, Governor Thompson signed into law the sunset of AFDC by 1999, but vetoed the provisions sunsetting the rest of the state's welfare system.

In effect, what Governor Thompson did was agree to end welfare for women with children, but keep it for men.

Although I am disappointed that Governor Thompson did not fully embrace the Democratic challenge to scrap the entire current welfare system, his cooperation in ending at least a part of it has helped put Wisconsin on the leading edge of welfare reform in the nation.

Wisconsin has taken the lead because welfare recipients, community leaders, state and local politicians, voters and taxpayers alike have come to realize that our current welfare system just doesn't work.

Surely, welfare programs ought to be judged not only by their success in moving people off of welfare and into the workforce, but also by their success in moving people out of poverty. And, by those criteria Wisconsin's current welfare system has clearly failed. Consider:

--A decade ago the child poverty rate in Wisconsin was the fifth lowest in the nation; now we rank 22nd.

--In 1991, the poverty rate for African-American children was 55.8%, a rate exceeded only by your state Chairman Breaux, Louisiana.

Rather than helping to reduce poverty, our welfare system has instead exacerbated the problem. Instead of making people independent, it has spawned poverty pimps--bureaucracies and businesses that feed off of poverty and seek to perpetuate it.

Which is why in the coming months, I'll be fighting to replace Wisconsin's current dependency-breeding welfare system with programs that offer jobs and dignity, programs that aid the working poor. Specifically, I'll be making the case that Wisconsin must:

1. Help all able-bodied family heads obtain full-time work. The priority should be on connecting former AFDC recipients to private sector jobs. But if such are not found after an aggressive search, then transitional community service work should be offered as a last resort;
2. Offer earnings supplements such as the Earned Income Tax Credit so that all low-wage adults who work full-time and year-round are able to get and stay above the poverty line;
3. Offer basic child care and health care support to the working poor so that they can keep working; and
4. Provide basic income support to low-income people who cannot work because of physical or mental disability.

I believe this set of pro-work, pro-family, pro-individual responsibility priorities could also serve as the core of a national welfare replacement program--a program designed to end dependency and reward work.

But no replacement program will work unless it is bolstered by a strong commitment from federal and state governments and the private sector to create jobs. Private sector job creation and economic development must be at the foundation of welfare replacement programs.

Before I conclude my remarks, I know that what I've said today provides just the merest hint of what might possibly replace our current welfare system. I know, too, that there's a debate raging between the conservatives on the one hand who argue that replacing welfare with aggressive anti-poverty programs would be too expensive and liberals on the other hand who worry about creating programs that punish people for their poverty.

But I'd like to plead with you to press ahead with the work that still needs to be done in formulating welfare replacement policies and to avoid the pitfalls of partisan rhetoric.

Our current welfare system not only destroys individual lives, it also does violence to our highest ideals of liberty and independence. Replacing such a system must be a high national priority. President Clinton's goal of "ending welfare as we know it" is an urgent national task.

I thank you for affording me this opportunity to testify today.

Milwaukee

THE JOURNAL

Welfare reformer knows all about hunger

Riley rose from poverty to help shape state's plan to dump welfare

By DAVE DALEY

Journal Staff Writer

Madison, Wis. — Antonio Riley knows poverty and hard times from the inside, from the mean streets of Chicago and Milwaukee.

His father was shot to death trying to help a patron during a bar holdup in Chicago's inner city. His cab driver stepfather, al-

ing from a heart attack, put his pride aside in the 1970s and reluctantly went on welfare in Milwaukee so the family of nine could eat.

His mother sold candy out of their near West Side home to help make ends meet.

Don't talk to Tony Riley, now a Democratic state representative from Milwaukee's North Side, about lazy welfare loafers feeding off the public trough.

"It's easy to bash those people," Riley says. "It's a lot harder to find them a job."

This is the Tony Riley who helped craft the landmark legislation that promises to scrap the

state's main welfare program by 1999, making Wisconsin the first state in the nation to pledge to dump welfare and start over.

The radical reform idea is drawing national attention, for Republican Gov. Tommy G. Thompson and for the bill's main Democratic sponsors — Riley and state Rep. Barbara Notestein (D-Milwaukee). Thompson has signed the bill into law.

For first-term legislator Riley, at age 30, the national media spotlight is heady stuff. Three years ago, he was selling cosmetics in Milwaukee. Now he's do-

ing interviews with ABC News and CNN.

"Some might say I'm just a freshman, wet behind the ears, but that's what we're here for, to try to make a difference," Riley said last week in an interview in his state Capitol office. "It's good to know you can make a difference. I can lose the next election tomorrow and still feel good."

Business Ledger

Part of the attention paid to Riley is luck and timing, colleagues say.

Please see Riley page 13

Riley/He knows welfare from inside

† From page 1

As an African-American who was once on welfare himself briefly after leaving home, and who represents a central city Milwaukee district, Riley has impeccable credentials to take the lead on an issue as politically charged as welfare reform, Democrats say.

Assembly Speaker Walter Kunicki (D-Milwaukee) appointed Riley vice chairman of the As-

ON B8.

● Riley
bill on
residential
facilities

sembly's welfare reform committee because, he says, Riley brings a legitimacy to the issue not available to "a white male who's never been on wel-

fare."

"He deserves a lot of credit for this bill," Kunicki adds. "He knows firsthand that the current welfare system is backward and keeps people impoverished."

Riley calls the current welfare system, with its built-in disincentives to work, a "jailer of people." He agrees that his race and personal welfare experience have given him a legitimacy to boldly call for throwing out the system.

"We can't have a bunch of white males from the Heritage Foundation writing up and doing this thing," he says.

In 1990, Riley ran the Milwaukee campaign office for then-Speaker Tom Loftus, the Democratic candidate against Thompson that year.

Two years later, Democrats were looking for a candidate to run in an open 18th Assembly seat on the near West Side. They

sought out Riley, then working as an aide to Milwaukee Mayor John O. Norquist.

Riley, happy working for the mayor, was reluctant at first. But talks with key black leaders and follow-up phone calls from state Rep. Peter Bock (D-Milwaukee), got him into the race.

Riley's hair is starting to thin a little on top. Gold-framed glasses give him a studious look, and he peppers his conversations with references to Plato. His dark suits and natty ties are those of a successful young urban professional.

But the clothes and a nice car, Riley emphasizes, are relatively new, and he candidly talks about an upbringing in a poor, inner-city neighborhood and a family broken by divorce and poverty.

"Here I am, the bastard child of a bartender who was shot to death," he says bluntly.

Although he was born in Chicago, his roots are in Milwaukee, where he was raised by his mother and stepfather in a house filled with the noise of eight brothers and sisters.

He grew up in the Merrill Park neighborhood, went to school at 27th Street Elementary School, and to church at Hope Lutheran. Then it was on to Riverside High School, where he was a debate champion and class president four years in a row, graduating in 1982.

REMEMBERS HIS ROOTS

At Carroll College in Waukesha, Riley majored in political science and history, graduating in 1987. Then it was on to a job, selling cosmetics at first and working his way up to director of the sales staff.

Now a rising star in Milwau-

kee and the state Capitol, Riley says he does not forget his roots. And the memory of his family's on-and-off stays on welfare during the 1970s is still biting.

"There were days we had nothing," he says. "The hot breakfast at school, that was it."

Riley lives on W. Mount Vernon Ave. with two of his brothers, Vince, 27, and Demetrius, 16, the youngest in the family.

On the welfare issue, he worked with Notestein and state Rep. Shirley Krug (D-Milwaukee), who formed a working group of Assembly Democrats to craft the Democratic substitute to Republican Thompson's proposal for another pilot program to reform welfare.

Krug, who two years ago sponsored another major overhaul of the welfare system that failed in the Assembly, says there is some risk for Riley in pushing a radical overhaul of the welfare system.

"He's setting himself against the old guard, and that's partly why he's getting so much attention," Krug says.

Riley says he knows that. But the phone calls, letters and personal responses so far have been overwhelmingly in support of his position scrapping the system and starting over, he says.

"The issue for me is tough, given my district," Riley added. "I almost backed off, at one point. But sometimes you've got to be the voice in the wind, saying the things people don't necessarily want to hear."

PREPARED STATEMENT OF AUDREY ROWE

INTRODUCTION

Mr. Chairman and members of the Subcommittee on Social Security and Family Policy, thank you for the opportunity to testify today. My name is Audrey Rowe. I am commissioner of the Connecticut Department of Social Services and serve in several positions with the American Public Welfare Association—on the Board of Directors, the Task Force on Self-Sufficiency, and as chair of the Education, Training and Employment Committee. APWA is a 64-year-old nonprofit, nonpartisan organization representing all of the state human service departments as well as local public welfare agencies, and individual members.

I would like to briefly discuss two issues in my testimony today: implementation of the Family Support Act (FSA) and the Job Opportunities and Basic Skills (JOBS) Training Program; and APWA's recommendations for reform of the welfare system. The recommendations are the culmination of a year's work by APWA's Task Force on Self-Sufficiency.

IMPLEMENTATION OF THE FAMILY SUPPORT ACT AND THE JOB OPPORTUNITIES AND BASIC SKILLS (JOBS) TRAINING PROGRAM

The current public policy debate on the need to reform the nation's welfare system comes a little more than five years after passage of the Family Support Act—a bill that was approved by the Senate by a vote of 96-1. The passage of the act resulted in a new and comprehensive strategy in support of families—improved child support services; comprehensive education, training, and employment activities; transitional child care and medical care; and financial assistance to two parent families.

That landmark legislation was built upon a very strong bipartisan consensus on the need for programs and policies to reflect values: values like mutual obligations between citizens and society; and education and job opportunities tied to individual responsibility. Much of what we hear today echoes the rhetoric behind the Family Support Act: concern with dependency, individual responsibility, and work in place of welfare.

It is important that national policymakers understand not only the problems associated with welfare dependency but the fact that some of our efforts, today, are working. The JOBS program is a success—a modest one, to date, given the enormity of its task and the fiscal constraints we all feel. Early findings, for example, from studies of programs in California and Florida conducted by the Manpower Demonstration Research Corporation (MDRC) show that JOBS is having a positive impact on employment earnings and welfare savings.

In a two-year followup of California JOBS participants, MDRC found that those in JOBS earned 24 percent more than AFDC recipients not participating in JOBS. MDRC also found that after two years, welfare payments were seven percent lower for JOBS participants than the average amount received by a control group. In Florida, JOBS participants earned nearly seven percent more than a control group and received nearly seven percent less in welfare payments. MDRC President Judith Gueron, who testified before this subcommittee earlier this year, has said that the results from California and Florida "confirm an emerging story about JOBS' effectiveness in increasing employment and reducing welfare dependency."

Nationally, there are approximately 500,000 people participating in the JOBS program each month. In fiscal year 1992, the latest period for which national data are available, approximately 40 percent were in education activities (high school or post-secondary education) and over 20 percent in job training or in a job readiness activity. Twenty-eight (28) percent of those in JOBS participated 20 or more hours per week. Over one-third participated 16-20 hours, and 38 percent participated less than 16 hours per week.

As you know, Mr. Chairman, the JOBS program was designed to target services to those who were long-term recipients or at-risk of long-term stays on welfare. In fiscal year 1992, 74 percent of those participating in the JOBS program were among the hardest to serve. Nearly 43 percent had been receiving AFDC for 36 out of the previous 60 months, and over 18 percent were under the age of 24 and either did not have a high school diploma or had not previously held a job. In fact, Mr. Chairman, of those served in the JOBS program in fiscal year 1992, 42 percent had not completed the 12th grade, and 18 percent failed to complete the ninth grade.

State commitment to the JOBS program is reflected in the steady increase in state funds allocated for the education, employment, and training program. In fiscal year 1991 state financial commitments spent \$400 million of the \$1 billion available in federal funding. In fiscal year 1992, states spent \$660 million of the \$1 billion available, and in fiscal 1993 it is estimated that states spent approximately \$700

million of the \$1 billion available. States spent an equal amount for child care, bringing total federal spending to \$1.4 billion in fiscal year 1993. Total federal and state JOBS and child care spending for the year was roughly \$2 billion—this in spite of the recession, high unemployment, and unparalleled growth in the AFDC and food stamp programs.

CASELOAD GROWTH AND STATE BUDGETS

In November 1993, the latest date for which national data are available, there were 14.2 million people in nearly 5 million families receiving AFDC. Nearly 27.4 million people received food stamps. Since July 1989, the beginning of the recession and the first month in which states could begin implementing the JOBS program, AFDC caseloads have risen by 34 percent nationally and food stamp caseloads by 47 percent. The increase in caseloads has been attributed to a combination of factors including the economy, demographic changes such as increases in out of wedlock births, and policy or programmatic changes in programs like Medicaid where outreach efforts may have contributed to growth in AFDC cases.

Although economists tell us we are officially out of the recession and in a recovery, the weakness of the recovery continues to affect state budgets. According to the National Association of State Budget Officers, twenty-two states were forced to reduce their fiscal 1993 budgets alter the budgets were enacted. Medicaid spending continues to grow at a rapid rate, with states expecting to spend 11.2 percent more for fiscal 1994, following increases of 14 percent in fiscal 1993, 31 percent in fiscal 1992, and 28 percent in fiscal 1991.

It is clear, Mr. Chairman, that the amount of funding states have allocated for the JOBS program is very significant in light of the recession, high caseload growth, and the fiscal stress experienced at the state and local level. We believe, Mr. Chairman, that the funds states have spent on the JOBS program underscores the commitment to the program and to the notion of self-sufficiency. We continue to be committed to the use of public funds for a greater public good—to try to assure that current welfare recipients and children born into poverty today will have an opportunity to become productive self-reliant citizens.

If we want the JOBS program to touch and benefit even more poor families, however, more federal dollars have to go into the program. We need to increase the current capped entitlement and federal financial participation for the program. We need these resources now, Mr. Chairman, not when new reform legislation is implemented one, two, or three years from now.

APWA TASK FORCE ON SELF-SUFFICIENCY RECOMMENDATIONS

As Congress considers welfare reform legislation APWA state and local human service administrators stand ready to offer our knowledge and experience. On January 11, 1994, APWA released a series of recommendations that state and local human service administrators see as the critical next steps in restructuring the welfare system. The recommendations represent a bipartisan consensus of opinion among a broadly diverse group representing the variety of state views on welfare policy. Our Task Force includes commissioners from many of the states—including my own—that have undertaken or plan to undertake demonstration projects through the federal waiver process. The APWA recommendations, Mr. Chairman, are the first bipartisan recommendations for welfare reform in the current welfare debate. We hope they will not be the last bipartisan recommendations you will receive.

Our recommendations build on the Family Support Act. They reward and support hard work. Under our proposal, everyone is required to do something with the goal of using welfare as a temporary source of support. There will be penalties for those AFDC parents who fail to take their responsibilities seriously. Penalties will not be imposed, however, if resources aren't available or if jobs do not exist.

AGREEMENT OF MUTUAL RESPONSIBILITY

Our proposal is based on the premise that welfare should reflect mutual responsibilities on the part of the parent and welfare agency. When applying for AFDC the parent must sign an "Agreement of Mutual Responsibility." If the parent refuses to sign the agreement, the application process stops. The parent would not be eligible for financial assistance.

In signing the agreement both parties enter into a contract. The welfare agency agrees to provide financial assistance and the individual agrees to participate in: (1) an assessment of his/her education and literacy needs, work experience, strengths and interests, and personal circumstances; and (2) the development of an employ-

ability plan outlining goals for employment, the responsibilities of the parent and the agency in meeting these goals, and the specific steps to be undertaken.

BASIC ELEMENTS OF THE PROGRAM

We propose a three-phase program, building on the current Job Opportunities and Basic Skills (JOBS) Training program in which, within 90 days of eligibility determination, all AFDC recipients will be required to participate in mandatory job search in combination with:

- A JOBS preparation phase; or
- Up to a limit of two years in a JOBS career-focused education and training phase; and/or
- A JOBS mandatory work phase in which AFDC parents would be required to work in an unsubsidized private or public sector job, with CWEP available as a last resort for those who complete JOBS and are unable to locate unsubsidized work.

There are *no exemptions* from participation in JOBS under our proposal.

JOBS PREPARATION

Individuals who enter the JOBS preparation phase would include those the welfare agency believes have limited skills or whose personal circumstances present barriers to employment such that they need more than two years of education and training. They could include individuals temporarily incapacitated due to a physical or mental illness or because of a substance abuse problem; those caring for an incapacitated adult or child in the household; individuals with very low literacy levels and no recent work history; young parents still in school, or mothers of very young children. These individuals, nevertheless, would participate in an activity as a condition of eligibility, such as training in parenting skills, regularly receiving necessary health or behavioral health care, and making progress on or completing their GED or high school diploma as identified in their employability plan.

APWA is proposing a "graduation rate"—an outcome-based performance standard measuring parents' movement out of the JOBS preparation phase—as a requirement for states to meet to ensure that participants in JOBS preparation move on to career-focused education and training.

CAREER-FOCUSED EDUCATION AND TRAINING

Individuals who enter the JOBS career-focused education and training phase are those the state believes will be employable after up to two years of education and training or those, while they might be considered for JOBS preparation, volunteer to participate in education and training. States would operate the program as they do today—offering a full range of services and activities to promote job readiness and employment. Everyone will participate in job search. They will be expected to begin the process of looking for and going to work from the very beginning. Our goal is to ensure that individuals obtain employment *before* the two-year deadline.

MANDATORY WORK REQUIREMENT

After up to two years in education and training participants will be required to work. Our highest priority is that these individuals work in unsubsidized employment in the private or public sectors. We call for a variety of approaches to ensure that this happens, and I will describe those for you in a few moments.

For those not working in unsubsidized employment, we recommend placement in Community Work Experience as a last resort. As stated in our report, "While administrators anticipate a significant expansion of CWEP because of the increased numbers of AFDC parents required to participate in preemployment or employment activities, they note that it will have limited value for parents who are job ready and have previous work experience."

Individuals working at least 20 hours per week are considered meeting the mandatory work requirement under our proposal. Those working at least 20 hours per week and still receiving AFDC will continue to receive child care, support services, and other employment and training assistance necessary to enable them to stay employed. If a parent cannot find work and agency resources are not available to support a parent's satisfactory participation in a work activity, including CWEP, the mandatory work requirement will not be imposed.

PENALTIES

I want to underscore that sufficient federal and state resources must be provided to ensure that those participating in JOBS can meet the requirements for satisfactory participation, and that is why we are calling for 90/10 funding. If resources are available and AFDC parents fail to participate in the development of their employability plan or to comply with the plan as required, we propose a penalty reducing the family's combined AFDC and food stamp benefit by 25 percent. We believe such a penalty is realistic and necessary for any parent who fails to take his or her responsibility seriously.

OTHER POLICY PRIORITY AREAS FOR APWA

The report also addresses issues of prevention and cross-system collaboration. It takes the challenge of reform beyond the welfare system. The centerpiece of our proposal is work, but the goal of true reform cannot be fully achieved if we do not "make work pay," including enactment of health care reform that ensures universal health care coverage, access to quality child care options, and making sure that everyone who is eligible takes full advantage of the expansions in the Earned Income Tax Credit enacted by Congress.

We must improve the establishment of paternity and the enforcement and collection of child support with particular attention focused on improving interstate enforcement of child support. Currently, the easiest way to avoid child support is merely to move to another state. We call specifically for states to provide uniform rules for jurisdiction of orders through the Uniform Interstate Family Support Act (UIFSA), a model law developed by the National Conference of Commissioners on Uniform State Laws.

As stated earlier, we also call for expanded funding and improved access to available federal funds for the current JOBS program—both before and after welfare reform legislation is enacted and implemented by states. In addition, we should act now to simplify and coordinate existing public assistance programs. In doing so, our report calls for enactment of 57 legislative and regulatory proposals for simplification and coordination of AFDC and food stamps identified by state and local administrators through the APWA National Council of State Human Service Administrators.

And finally, Mr. Chairman, as you know, the majority of states are pursuing state-based reforms of the welfare system through waivers of federal laws and regulations. Congress created this mechanism to encourage state experimentation and innovation. We believe a number of the waivers now being granted to states by HHS and USDA should not have to meet the tests of cost neutrality and experimental design. We call for more flexibility within the current process, including allowing states to use the state plan process to implement changes in AFDC and food stamp programs.

JOB CREATION

Our proposal emphasizes the need for employment that results in family self-sufficiency as the successful endpoint for both client and agency efforts. We underscore the preference for jobs in the private sector—the primary source of our nation's economic growth and development.

We recognize the lack of private sector jobs available today for many Americans who are poor. We therefore call for creation of a new, adequately funded job creation strategy to support employment of low income individuals in the private sector. We propose targeting 75 percent of the new jobs created under this new initiative to JOBS graduates and 25 percent to unemployed economically disadvantaged youth and adults.

We believe that under an adequately funded welfare reform program, expansion of on-the-job training, work supplementation, and the use of the Targeted Jobs Tax Credit can serve as useful tools in the placement of JOBS graduates in private sector jobs. We recognize, however, that these placement tools are now used on a small scale and will likely serve only to supplement other job creation efforts. In fact, Mr. Chairman, there were less than 1,900 participants in on-the-job training and only 673 participants in work supplementation in JOBS in fiscal year 1992.

We commend Congress and the President for creation last year of the National Service Corp. We believe that National Service can and should serve as a valuable work and education alternative for AFDC parents and their children. We believe, however, that AFDC recipients should become a target group under the program. In fact, we recommend that AFDC recipients be identified as a target group in any new or reauthorized community development, economic development, or private sec-

tor job creation program enacted by Congress. I believe such targeting is much more feasible—politically and fiscally—than creating a new, separate public service jobs program for AFDC recipients facing a mandatory work obligation under welfare reform.

COMMUNITY WORK EXPERIENCE

There will undoubtedly be much debate about the efficacy of CWEP as a primary source of jobs for AFDC recipients facing a mandatory work obligation. Human service administrators understand the challenges posed by operating CWEP, since we have been responsible for administering such programs. Our experience tells us that we must have realistic expectations about the ability of states to operate a large scale program as the cost of CWEP can be high and labor intensive—developing work sites and providing supervision, monitoring and followup with the employer and the client. We know from the MDRC research conducted in the 1980's that CWEP is feasible to operate and that participants and supervisors found the work meaningful. The programs we have operated in the past and those studied by MDRC, however, were small in scale with little evidence to support the idea that CWEP on its own leads to consistent employment or reductions in welfare caseloads or costs.

We know there are differences among states in terms of their success in identifying employers and sustaining a growing program. Our recent experience with implementation of the new work requirement under the JOBS program for two parent families on AFDC illustrates the challenges of operating an expanding CWEP program. Some states have found it easier than expected to develop slots but harder than expected to fill them. Private nonprofit organizations are eager for manpower, but their needs don't always match the skills of the available pool of workers. Some employers have become frustrated with attendance rates, which can be low for a number of reasons, including lack of transportation or child care or illness of the child or adult.

The challenges posed by CWEP are significant as we move to scale. I caution the Congress against having overly high expectations about the efficacy of this approach in moving large numbers of recipients into unsubsidized employment or in reducing caseloads of costs. In addition, while CWEP can serve as a structured, meaningful work activity for the AFDC recipients facing a mandatory work obligation, states do not currently have the administrative capacity or experience to operate a large-scale work program of this nature.

COMMUNICATIONS

American Enterprise Institute for Public Policy Research

The Coming White Underclass

By Charles Murray

Every once in a while the sky really is falling, and this seems to be the case with the latest national figures on illegitimacy. The unadorned statistic is that, in 1991, 1.2 million children were born to unmarried mothers, within a hair of 30 percent of all live births. How high is 30 percent? About four percentage points higher than the black illegitimacy rate in the early 1960s that motivated Daniel Patrick Moynihan to write his famous memorandum on the breakdown of the black family.

The 1991 story for blacks is that illegitimacy has now reached 68 percent of births to black women. In inner cities, the figure is typically in excess of 80 percent. Many of us have heard these numbers so often that we are inured. It is time to think about them as if we were back in the mid-1960s with the young Moynihan and asked to predict what would happen if the black illegitimacy rate were 68 percent.

Impossible, we would have said. But if the proportion of fatherless boys in a given community were to reach such levels, surely the culture must be "Lord of the Flies" writ large, the values of unsocialized male adolescents made norms—physical violence, immediate gratification, and predatory sex. That is the culture now taking over the black inner city.

But the black story, however dismaying, is old news. The new trend that threatens the United States is white illegitimacy. Matters have not yet quite gotten out of hand, but they are on the brink. If we want to act, now is the time.

In 1991, 707,502 babies were born to sin-

gle white women, representing 22 percent of white births. The elite wisdom holds that this phenomenon cuts across social classes, as if the increase in Murphy Browns were pushing the trendline. Thus, a few months ago, a Census Bureau study of fertility among all American women got headlines for a few days because it showed that births to single women with college degrees doubled in the last decade to 6 percent from 3 percent. This is an interesting trend, but of minor social importance. The real news of that study is that the proportion of single mothers with less than a high school education jumped to 48 percent from 35 percent in a single decade.

Class Differences

These numbers are dominated by whites. Breaking down the numbers by race (using data not available in the published version), women with college degrees contribute only 4 percent of white illegitimate babies, while women with a high school education or less contribute 82 percent. Women with family incomes of \$75,000 or more contribute 1 percent of white illegitimate babies, while women with family incomes under \$20,000 contribute 69 percent.

The National Longitudinal Study of Youth, a Labor Department study that has tracked more than 10,000 youths since 1979, shows an even more dramatic picture. For white women below the poverty line in the year prior to giving birth, 44 percent of births have been illegitimate, compared with only 6 percent for women above the poverty line. White illegitimacy is overwhelmingly a lower-

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class phenomenon.

This brings us to the emergence of a white underclass. In raw numbers, European-American whites are the ethnic group with the most people in poverty, most illegitimate children, most women on welfare, most unemployed men, and most arrests for serious crimes. And yet whites have not had an "underclass" as such, because the whites who might qualify have been scattered among the working class. Instead, whites have had "white trash" concentrated in a few streets on the outskirts of town, sometimes a Skid Row of unattached white men in the large cities. But these scatterings have seldom been large enough to make up a neighborhood. An underclass needs a critical mass, and white America has not had one.

But now the overall white illegitimacy rate is 22 percent. The figure in low-income, working-class communities may be twice that. How much illegitimacy can a community tolerate? Nobody knows, but the historical fact is that the trendlines on black crime, dropout from the labor force, and illegitimacy all shifted sharply upward as the overall black illegitimacy rate passed 25 percent.

The causal connection is murky—I blame the revolution in social policy during that period, while others blame the sexual revolution, broad shifts in cultural norms, or structural changes in the economy. But the white illegitimacy rate is approaching that same problematic 25 percent region at a time when social policy is more comprehensively wrongheaded than it was in the mid-1960s, and the cultural and sexual norms are still more degraded.

The white underclass will begin to show its face in isolated ways. Look for certain schools in white neighborhoods to get a reputation as being unteachable, with large numbers of disruptive students and indifferent parents. Talk to the police; listen for stories about white neighborhoods where the incidence of domestic disputes and casual violence has been shooting up. Look for white neighborhoods with high concentrations of drug activity and large numbers of men who have dropped out of the labor force. Some readers will recall reading the occasional

news story about such places already. As the spatial concentration of illegitimacy reaches critical mass, we should expect the deterioration to be as fast among low-income whites in the 1990s as it was among low-income blacks in the 1960s.

My proposition is that illegitimacy is the single most important social problem of our time—more important than crime, drugs, poverty, illiteracy, welfare, or homelessness because it drives everything else. Doing something about it is not just one more item on the American policy agenda, but should be at the top. Here is what to do:

In the calculus of illegitimacy, the constants are that boys like to sleep with girls and that girls think babies are endearing. Human societies have historically channeled these elemental forces of human behavior via thick walls of rewards and penalties that constrained the overwhelming majority of births to take place within marriage. The past thirty years have seen those walls cave in. It is time to rebuild them.

The ethical underpinning for the policies I am about to describe is this: Bringing a child into the world is the most important thing that most human beings ever do. Bringing a child into the world when one is not emotionally or financially prepared to be a parent is wrong. The child deserves society's support. The parent does not.

The social justification is this: A society with broad legal freedoms depends crucially on strong nongovernmental institutions to temper and restrain behavior. Of these, marriage is paramount. Either we reverse the current trends in illegitimacy—especially white illegitimacy—or America must, willy-nilly, become an unrecognizably authoritarian, socially segregated, centralized state.

To restore the rewards and penalties of marriage does not require social engineering. Rather, it requires that the state stop interfering with the natural forces that have done the job quite effectively for millennia. Some of the changes I will describe can occur at the federal level; others would involve state laws. For now, the important thing is to agree on what should be done.

I begin with the penalties, of which the most obvious are economic. Throughout human history, a single woman with a small child has not been a viable economic unit. Not being a viable economic unit, neither have the single woman and child been a legitimate social unit. In small numbers, they must be a net drain on the community's resources. In large numbers, they must destroy the community's capacity to sustain itself. *Mirabile dictu*, communities everywhere have augmented the economic penalties of single parenthood with severe social stigma.

Restoring economic penalties translates into the first and central policy prescription: to end all economic support for single mothers. The AFDC (Aid to Families with Dependent Children) payment goes to zero. Single mothers are not eligible for subsidized housing or for food stamps. An assortment of other subsidies and in-kind benefits disappear. Since universal medical coverage appears to be an idea whose time has come, I will stipulate that all children have medical coverage. But with that exception, the signal is loud and unmistakable: From society's perspective, to have a baby that you cannot care for yourself is profoundly irresponsible, and the government will no longer subsidize it.

How does a poor young mother survive without government support? The same way she has since time immemorial. If she wants to keep a child, she must enlist support from her parents, boyfriend, siblings, neighbors, church, or philanthropies. She must get support from somewhere, anywhere, other than the government. The objectives are threefold.

First, enlisting the support of others raises the probability that other mature adults are going to be involved with the upbringing of the child, and this is a great good in itself.

Second, the need to find support forces a self-selection process. One of the most shortsighted excuses made for current behavior is that an adolescent who is utterly unprepared to be a mother "needs someone to love." Childish yearning isn't a good enough selection device. We need to raise the probability that a young single woman who keeps her child is doing so volitionally and thoughtfully.

Forcing her to find a way of supporting the child does this. It will lead many young women who shouldn't be mothers to place their babies for adoption. This is good. It will lead others, watching what happens to their sisters, to take steps not to get pregnant. This is also good. Many others will get abortions. Whether this is good depends on what one thinks of abortion.

Third, stigma will regenerate. The pressure on relatives and communities to pay for the folly of their children will make an illegitimate birth the socially horrific act it used to be, and getting a girl pregnant something boys do at the risk of facing a shotgun. Stigma and shotgun marriages may or may not be good for those on the receiving end, but their deterrent effect on others is wonderful—and indispensable.

What about women who can find no support but keep the baby anyway? There are laws already on the books about the right of the state to take a child from a neglectful parent. We have some 360,000 children in foster care because of them. Those laws would still apply. Society's main response, however, should be to make it as easy as possible for those mothers to place their children for adoption at infancy. To that end, state governments must strip adoption of the nonsense that has encumbered it in recent decades.

The first step is to make adoption easy for any married couple who can show reasonable evidence of having the resources and stability to raise a child. Lift all restrictions on interracial adoption. Ease age limitations for adoptive parents.

The second step is to restore the traditional legal principle that placing a child for adoption means irrevocably relinquishing all legal rights to the child. The adoptive parents are parents without qualification. Records are sealed until the child reaches adulthood, at which time they may be unsealed only with the consent of biological child and parent.

Given these straightforward changes—going back to the old way, which worked—there is reason to believe that some extremely large proportion of infants given up by their mothers will be adopted into good homes.

This is true not just for flawless blue-eyed blond infants but for babies of all colors and conditions. The demand for infants to adopt is huge.

Some small proportion of infants and larger proportion of older children will not be adopted. For them, the government should spend lavishly on orphanages. I am not recommending Dickensian barracks. In 1993, we know a lot about how to provide a warm, nurturing environment for children, and getting rid of the welfare system frees up lots of money to do it. Those who find the word "orphanages" objectionable may think of them as 24-hour-a-day preschools. Those who prattle about the importance of keeping children with their biological mothers may wish to spend some time in a patrol car or with a social worker seeing what the reality of life with welfare-dependent biological mothers can be like.

Finally, there is the matter of restoring the rewards of marriage. Here, I am pessimistic about how much government can do and optimistic about how little it needs to do. The rewards of raising children within marriage are real and deep. The main task is to shepherd children through adolescence so that they can reach adulthood—when they are likely to recognize the value of those rewards—free to take on marriage and family. The main purpose of the penalties for single parenthood is to make that task easier.

One of the few concrete things that the government can do to increase the rewards of marriage is make the tax code favor marriage and children. Those of us who are nervous about using the tax code for social purposes can advocate making the tax code at least neutral.

A more abstract but ultimately crucial step in raising the rewards of marriage is to make marriage once again the sole legal institution through which parental rights and responsibilities are defined and exercised.

Little boys should grow up knowing from their earliest memories that if they want to have any rights whatsoever regarding a child that they sire—more vividly, if they want to grow up to be a daddy—they must marry.

Little girls should grow up knowing from their earliest memories that if they want to have any legal claims whatsoever on the father of their children, they must marry. A marriage certificate should establish that a man and a woman have entered into a unique legal relationship. The changes in recent years that have blurred the distinctiveness of marriage are subtly but importantly destructive.

Together, these measures add up to a set of signals, some with immediate and tangible consequences, others with long-term consequences, still others symbolic. They should be supplemented by others based on a reexamination of divorce law and its consequences.

Virtue and Temperance

That these policy changes seem drastic and unrealistic is a peculiarity of our age, not of the policies themselves. With embellishments, I have endorsed the policies that were the uncontroversial law of the land as recently as John Kennedy's presidency. Then, America's elites accepted as a matter of course that a free society such as America's can sustain itself only through virtue and temperance in the people, that virtue and temperance depend centrally on the socialization of each new generation, and that the socialization of each generation depends on the matrix of care and resources fostered by marriage.

Three decades after that consensus disappeared, we face an emerging crisis. The long, steep climb in black illegitimacy has been calamitous for black communities and painful for the nation. The reforms I have described will work for blacks as for whites, and have been needed for years. But the brutal truth is that American society as a whole could survive when illegitimacy became epidemic within a comparatively small ethnic minority. It cannot survive the same epidemic among whites.

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STATEMENT OF GARY J. STANGLER, DIRECTOR, MISSOURI DEPARTMENT OF SOCIAL SERVICES

INTRODUCTION & SUMMARY

Nearly everyone agrees that welfare is a burdensome system that undermines family strength and discourages work. But much of the current debate on welfare reform would leave the system in place. Many reformers assume that there exists a precise mixture of incentives and disincentives—or carrots and sticks—that will push recipients off the welfare rolls and into the work force. This approach to welfare reform supposes there is something wrong with welfare recipients, and so it adds additional restrictions and regulations to an already complicated and contradictory system.

Our approach to welfare reform in Missouri starts with the knowledge that there is something terribly wrong with the welfare system. The current system penalizes parents who try to do the very things society expects. It discourages parents who want to:

- Marry and form stable families.
- Save money for their children's future.
- Work.

In December, Missouri Governor Mel Carnahan launched his welfare reform initiative, *BEYOND WELFARE*. His proposal is a comprehensive package with a single focus—replacing welfare with wages. It addresses the fundamental causes of welfare dependency: lack of family support; lack of job skills and work habits; and the intergenerational cycle of welfare reliance.

BEYOND WELFARE will:

Prevent Welfare by targeting children and young adults who are at risk of entering the welfare system. It will wrap a comprehensive educational and job-training package around them to prepare them for work and self-sufficiency as adults.

Reduce Welfare by strengthening families' abilities to be self-sufficient. The state will provide job training, education, and parenting skills, while parents will be held accountable for their actions and responsible for their children.

End Welfare by putting recipients to work, creating new jobs, and limiting the time they can rely on welfare. Recipients will work for wages, and transition gradually off welfare. They will be given the tools necessary to lift their families off the welfare rolls and develop a time-limited plan for self-sufficiency.

BEYOND WELFARE is built on an understanding of who makes up the welfare population in Missouri and the success of *JOBS*, which in Missouri is called *FUTURES*. *BEYOND WELFARE* is unique in its:

- Front-end concentration on prevention, rather than a narrow focus on moving recipients off the welfare rolls once they apply.
- Use of AFDC and human service funding streams to create real jobs in low-income communities.
- Efforts to connect non-custodial fathers with their children.

CHARACTERISTICS OF MISSOURI'S WELFARE RECIPIENTS

While many find it easy to broadly condemn the welfare population, it is exceedingly difficult to specifically tailor the details of a welfare program to truly help low-income families in need while accommodating desires many Americans have for radical change. For example, polling and focus group data show that Americans want welfare recipients to earn their benefits through mandatory work. But we have to look at who we are talking about. In Missouri two out of every three people receiving AFDC are children in their parents' or guardians' homes. Of all welfare recipients—parents and their children, two-thirds are under seventeen years old. (Table 1) Fifty-five percent are under twelve, and one-third are under six.

Table 1.—MISSOURI AFDC CASH RECIPIENTS, PARENTS & CHILDREN
(August, 1993)

Age	No. of recipients	Percent
<6 years	75,000	30.7%
<12 years	134,000	55.0
<17 years	160,000	65.6
All ages	244,000	100.0

When talking about the welfare population, we are essentially talking about children, and mothers with young children. When we look at the families, we see that two out of every five parents receiving welfare in Missouri have toddlers and children at home under three years old; one out of every five have infants under eighteen months old. (Table 2)

Table 2.—MISSOURI AFDC FAMILIES WITH CHILDREN
(December, 1993)

Age of youngest child	No. of cases	Percent
18 months & younger	20,700	23.5%
3 years & younger	36,400	41.4
6 years & younger	55,000	62.5
6 years & older	33,000	37.5
Total	88,000	100.0

The issue is: How to support these families and help them achieve self sufficiency while also allowing them to care for their children.

SUCCESS OF FUTURES/JOBS IN MISSOURI

We know that when given the opportunity, welfare recipients would rather receive education and job training than simply collect a monthly check. Our FUTURES Program has a voluntary waiting list of over 6,000. This number represents about 20 percent of the targeted FUTURES population. Looking at the waiting list another way, we see as many people waiting for FUTURES as we have the resources to serve. In 1993 we funded about 7,500 FUTURES slots. As the number of available slots increases this year, we expect demand to continue to grow.

Preliminary data indicates the welfare reform approach established in JOBS does work. FUTURES, which targets those most at risk of long-term welfare receipt, has the potential to break the cycle of welfare dependency. It has resulted in decreased AFDC payments and increased earnings for families who have completed the program. A group of FUTURES participants who were tracked for two years saw their quarterly earnings increase by 50% while a group in the standard AFDC program saw their earnings remain flat.

We have also seen a benefit reduction ranging from 6 percent to 14 percent for FUTURES graduates. FUTURES shows us that with job-training, case management, and adequate support services, welfare recipients can put themselves on the road to self-sufficiency.

Governor Mel Carnahan's welfare reform package, *BEYOND WELFARE*, builds on the success of FUTURES and forms a comprehensive package to prevent welfare, reduce it and end it. To achieve these objectives, *BEYOND WELFARE* includes measures aimed at:

Wages not Welfare—AFDC grants will be used as wage supplements for up to four years to create jobs, reward work, and promote economic development. AFDC recipients and community residents will be trained to provide some neighborhood services that are often assigned to professionals from outside the community. Work will be rewarded by allowing families to keep a greater share of the money they earn without experiencing a sudden loss of resources.

Family Self-Sufficiency—Families will negotiate a time-limited Family Self-Sufficiency Pact. The Pact will lay out steps a family will take to achieve self-sufficiency within a time period tailored to the needs of the family with the maximum time being four years. In return, the state will provide needed support services.

Fathers and Their Children—Fathers who owe the state child support can earn credit against their debt by becoming more involved in their communities and their children's lives. Also, fathers paying child support will have a larger role in their children's lives by establishing savings accounts for their children with child support payments.

Educare—Child care funding will be used to increase the educational quality of day care. Schools will either establish Educare programs at sites away from schools, or provide support services and educational enhancements to child care providers that offer Educare. The proposal includes other educational measures to help young people at risk of becoming welfare dependent be self-sufficient.

PREVENTION

By emphasizing prevention, Gov. Carnahan is looking at the front end of welfare dependence and the causes of long-term welfare receipt and persistent poverty. Rather than concentrate resources to move people off of welfare, *BEYOND WELFARE* proposes a number of services for at risk families, children, and teenagers to prevent them from ever needing to turn to the state for income support.

Children in State Custody

We know that about fifteen percent of children in state custody become welfare dependent as adults. (Table 3) This gives them a risk about three times greater of becoming a welfare recipient than the similarly-aged adult population of Missouri, of which about five percent receive welfare. (Table 4)

This tells us that we are failing to adequately prepare foster care children for self-sufficiency as adults. *BEYOND WELFARE* includes a proposal called Independent Living which will provide transitional support services to young adults to help them make the adjustments needed to become productive adults.

Table 3.—ADULTS FORMERLY IN STATE CUSTODY AND WELFARE RECEIPT 1993

Time since state custody	Percent receiving welfare
1 year	9.0%
3 years	17.2
5 years	15.5

Table 4.—RATE OF WELFARE RECEIPT FOR MISSOURI RESIDENTS, 18-24—1993

Population	Total	Welfare recipients	Percent welfare
Adults, 18-24	517,200	24,700	4.7%

At-Risk Children

BEYOND WELFARE also will provide special services to at-risk children to make sure that all Missouri children begin school ready to learn. The Department of Social Services will work collaboratively with the Department of Elementary and Secondary Education to extend to low-income families a nationally recognized, early childhood and parenting education program that had its beginnings in Missouri—Parents as Teachers. While Parents as Teachers is currently well utilized by the middle-class, reaching low-income families has been difficult.

The program has been enormously successful. An independent evaluation found that children whose families participate in Parents as Teachers begin school with substantially higher levels of language, problem-solving, and social skills than children who do not. Perhaps more importantly, the parents were more likely to become active in their local schools and involved in their children's education. These results held true regardless of socioeconomic status.

Quality Child Care

Our EDUCARE initiative will tie child care funding to school-linked sites to increase the educational quality of day care. Currently, child care money may go to high-quality centers that provide educational opportunities for children. Other children end up with little to none. While Head Start provides educational enrichment for children once they reach three years old, younger children also can benefit from enhanced learning opportunities. Schools could either establish EDUCARE centers in facilities away from schools, or develop curriculum materials—such as those used in Parents as Teachers—to enrich the learning environment of day care providers.

Teenagers in AFDC Families

A behavior that is encouraged and looked forward to in most American families—a teenager's first job—can be a source of tension and conflict in many AFDC families. The money a teenager brings home from an after-school job can disqualify a family for AFDC and lead to family disruption because the teenager has a disproportionate amount of influence on the family's income. Here, the welfare system sends a message to young adults that work doesn't pay. We are proposing that the government should disregard the wages of teenagers in AFDC families if the teenager remains in school and does not become a parent. This rewards responsible and productive behavior and reinforces the work ethic for a critical population—young people whose values and behaviors are in the process of being shaped into life-long habits.

High School Graduates not Attending College

We know that in Missouri four out of ten high school graduates will not go on to college. They have a distinct disadvantage when competing in the job market. So BEYOND WELFARE includes a plan for developing school-to-work initiatives in disadvantaged communities. In addition to reaching those who do not receive a college education, this initiative also targets a substantial portion of the Missouri AFDC population—minor children. Currently they are virtually unserved and receive no support to help them prepare for self-sufficiency as adults.

JOB CREATION

One of the most frequently heard criticisms of our efforts to train welfare recipients for work is that there are no jobs available for them in their neighborhoods after they complete the programs. Job training without job creation engenders despair rather than hope. But creating public jobs and mandating work would be costly and create more bureaucracy rather than productivity.

Wage Supplementation

Our approach combines AFDC and Food Stamps into a wage supplement for up to four years. We will need federal waivers for this. Current regulations allow AFDC to be used as a wage supplement for a maximum of nine months, which is not a substantial enough period to attract employers or motivate recipients. Using Food Stamps as a wage supplement also requires a waiver which we are currently pursuing. Once these waivers are obtained, we will put welfare recipients to work in private jobs, rather than add to the public payroll. Public assistance will become an economic development tool to attract businesses to low-income communities. Combining Food Stamps and AFDC with the minimum wage translates into an hourly wage of \$7.65 per hour in Missouri, which is a wage sufficient to attract employers and employees. Along with using AFDC and Food Stamp funding streams for job creation, we also want to implement an alternative delivery system of these services through Electronic Benefits Transfer. With EBT, we would eliminate cash disbursements and Food-Stamp mailings, cutting down on fraud and shifting a greater responsibility to recipients to budget their monthly resources. Please note that in trying to establish these innovative uses and methods of delivery for welfare, we are constrained by federal regulations and the cumbersome process of federal control and approval.

Neighborhood Job Creation

In another proposal we will join job creation with neighborhood revitalization. Government programs often create dependency and exacerbate family and community breakdown by filling needs with institutions and professionals from outside local neighborhoods. So we want to shift some of the money we spend on the professional class to allow neighbors to help each other. Community residents and welfare recipients, with adequate training, will be hired to provide a variety of support services that are provided by outsiders to low-income communities, services such as:

- Parenting classes;
- Child-care;
- Elderly home-care; and
- Foster care.

FATHERS AND THEIR CHILDREN

Another area that challenges policy makers is getting non-custodial parents to both economically and emotionally support their children. BEYOND WELFARE includes proposals for increased paternity establishment and tougher requirements for

welfare mothers to identify fathers. But also, we will remove the barriers non-custodial parents face that often discourage them from supporting their children.

Alternative Payment of State Debt

Some young, low-income fathers face huge debts totaling thousands of dollars, even tens of thousands, owed to the state for AFDC payments. Confronted with a seemingly impossible debt to pay, they would rather not pay even a modest amount and avoid being located and hauled into court. We will give them an alternative. We will allow them to earn credit against their debt by becoming more active in their children's lives and their communities. We will let them pay their debt by participating in education and job-training programs, community work projects, volunteering their time to help charitable organizations, and spending more time with their families and children. They can then start paying a realistic amount of child-support.

FUTURES Connection

The current system erects the state as a barrier between fathers and their children. The father writes a check to the government. The government then writes a check to the child. There is little incentive for fathers to work harder and improve their job prospects. We have indications in Missouri that if given a fair chance, fathers of children receiving AFDC will do what is right for their children. FUTURES Connection works with non-custodial parents of children receiving AFDC to improve their employment opportunities, increase their child support payments, and resolve visitation issues so that fathers are assured a presence in their children's lives. FUTURES Connection was once part of a national demonstration project called Parents' Fair Share, but when we established it in Kansas City, we let a local governing board adapt the program to their community.

The local community made it a voluntary program. No targeted population was forced to participate. The local governing board felt that this voluntary nature of FUTURES Connection was so critical, it declined continued financial support from the federal government rather than change the program.

Throughout 1993, caseloads were full. We had about three hundred participants and turned away three times that many. FUTURES Connection offers peer support and concentrates on career development, rather than just job training. In the words of one participant: "They help you find a job that you want to do, instead of going out there and getting a job at McDonald's or Burger King or something like that." In focus group discussions, the fathers reveal that they are deeply motivated by love for their children. But until they joined FUTURES Connection, they were frustrated and discouraged by a system that labeled them as "Dead-Beat Dads" and treated them accordingly. Of course there are irresponsible parents in the world, but as happens all too often, the systems we build to deal with one problem population can create problems for another.

CONCLUSION

BEYOND WELFARE includes a variety of other proposals, (see Attachment A for more description) that taken together create a new welfare system that encourages work and family responsibility. It is tailored to the needs of Missouri's welfare recipients, and many of our proposals will require federal waivers. We need federal support for our plan, but we also need flexibility to deliver services that help Missouri welfare recipients while holding them accountable for their actions and responsible to their communities. For example, there is discussion these days of a two-year time limit for welfare benefits. *BEYOND WELFARE* includes time limits, but they will be negotiated on a case-by-case basis. While the concept of time limits may be beneficial, one size will not fit everyone.

Our proposal is based on the evidence we have that most welfare recipients, like the vast majority of Missourians, want to do what is best for their children and families. But the system of supports we know as welfare, too often blocks them from taking the same roads to self-sufficiency that most Missourians travel.

ATTACHMENT A

PREVENTING WELFARE

Educare: Tie child care funding to school-linked sites, helping to ensure that all children begin their schooling ready to learn.

Parents as Teachers: Extend Parents as Teachers to meet the needs of low-income families and communities, increasing their access to the program.

Independent Living: Because former foster and juvenile-justice children have a much greater chance of becoming welfare dependent, increased employment op-

portunities and mentoring programs will stabilize their futures and help them move to work upon leaving state care, rather than depend on welfare.

Mentoring: Establish a volunteer program for business leaders, teachers, and neighbors to become mentors for adults, teens, and children who receive welfare.

School-to-Work: Because 40 percent of high-school graduates do not go on to college, begin an initiative that prepares secondary-school students to obtain jobs upon graduation.

Decentralization/Integration of Services: Increase access to needed services and avoid duplication and waste by integrating human services and job-training programs at common sites.

REDUCING WELFARE

Expanding FUTURES: Because of the success of FUTURES, the availability of the program should be expanded.

Mo. Parents' Fair Share: Expand this program in Kansas City and St. Louis City, and expand it into other communities in the state. The program improves the job prospects of non-custodial fathers whose families receive welfare.

Child Support Credit: Allow fathers to earn credit against child support debt for responsible behavior exhibited through activities such as participation in community work programs and attending job-training or educational programs.

Mediation: Give parents greater voice in resolving disputes by increasing the availability of mediation services when visitation issues become barriers to child support payment.

Paternity Establishment: Expand programs that establish paternity in hospitals following birth and obtain a waiver to deny benefits until the father has been identified.

Reward Work: Create a more gradual transition to self-sufficiency by allowing families to keep a greater share of the money they earn without experiencing a sudden cut in aid and loss of monthly income.

Family Stability: (1) Create more flexible eligibility requirements for adolescent parents so they are not forced to leave home to qualify for benefits.

(2) Disregard wages of teenagers who remain in school, live with their families, and do not have children of their own.

ENDING WELFARE

Wages not Welfare: Work works, not welfare. Use AFDC grants as wage supplements to create jobs and economic development in low-income neighborhoods.

Missouri EITC: Enter into a partnership with the Treasurer's office to advance a portion of Earned Income Tax Credits to AFDC clients. The Treasurer would then be reimbursed by the federal government.

Family Development Accounts: Allow AFDC families to open savings accounts for a specific purpose, such as education or home purchase, and disregard the money invested from their eligibility calculation.

Savings Connection: Create a savings program for children whose parents participate in FUTURES or FUTURES Connection. The money would be saved for an agreed-upon item and available to the children when parents graduate from FUTURES.

Family Self-Sufficiency Pact: Upon application, each family member would agree to a plan that will lead to self-sufficiency within a time limit tailored to the needs of the family. The Pact would establish mutual obligations on the state and each family member.

In addition, the Pact would include a Parent and Child Development Plan that would improve the parents' skills as caregivers and identify special needs of children.

Neighborhood Job Creation: Train AFDC recipients and neighborhood residents to work as:

- Parent educators in Parents as Teachers.
- Day-care providers.
- Elderly home-care givers.
- Foster parents.
- Mediators in child-support and custody disputes.

STATEMENT OF WELFARE RIGHTS & REFORM UNION, INC., AND COALITION OF CALIFORNIA WELFARE RIGHTS ORGANIZATIONS

The Honorable Senator John Breaux:

We thank you for this opportunity to present our written statement for the consideration of your Committee.

As representatives of the consumers/participants of the AFDC program, the issue of welfare reform is crucial to us. Yet, our requests for meetings with the Clinton Administration have been ignored.

Policy makers are rarely willing to listen to those who are personally affected by welfare reform policy. Moreover, representatives of the poor lack financial clout and economic resources to provide meaningful input to welfare reform policies.

Senator, welfare recipients want paychecks which support their families, not welfare checks. We opposed the JOBS program during the 1988 debate. The recent MDRC report shows that we were correct. According to the 1993 MDRC report on the California GAIN program, JOBS bureaucrats received a profit of \$6.45 per day of taxpayer money, while GAIN participants received only 21¢ increased net earnings per day. If this is not waste and abuse, what is?

Welfare recipients want paychecks which support their families, not welfare checks.

In recent articles, Riverside County has been painted as a successful program. The same MDRC report shows that while the Riverside GAIN bureaucrats received \$8 a day of taxpayer funds, GAIN participants realized a net benefit of only 98¢ a day. Senator, 98¢ a day does not make AFDC families independent, nor does not it get them out of poverty. In fact, it makes them more dependent on welfare.

Riverside County now wants taxpayers to spend billions of dollars to make AFDC families take any job, even if that job pays less than welfare. The AFDC data shows that during a 2 year period over 50% of the AFDC families have some earned income. We do not want the federal government to spend billions of dollars and have welfare/workfare bureaucrats take credit for what we do on our own.

In California, JOBS bureaucrats received \$6.45 per day of taxpayer money, while GAIN participants received only 21¢ increased net income per day. If this is not waste and abuse, what is?

Riverside County also proposes recipient accountability but fails to propose any kind of workfare bureaucrat accountability. We believe workfare bureaucrats would vehemently oppose any effort to tie their funding to "outcomes" where they were paid, based on the number of clients who got jobs that paid 150% of the poverty level for that family size.

Recipients want to get off of welfare. They want jobs that adequately support their

Workfare bureaucrats would vehemently oppose any efforts to tie their funding to "outcomes" where they were paid based on the number of clients who got jobs that paid 150% of the poverty level for that family size.

children. GAIN participation has, in part, resulted in parents not being able to "parent" their children. Their children find alternative families in the GANGS. Bureaucrats and academics do not understand this; the recipients whose children end up in gangs understand it and they are mad as hell about what is happening.

We have severe problems with the 2-year limit and we ask:

- WOULD PRESIDENT CLINTON BE WILLING TO GIVE UP HIS PUBLIC HOUSING (White House) BENEFITS AFTER TWO YEARS?
- WOULD SOCIAL SECURITY RECIPIENTS BE WILLING TO GIVE UP THEIR SSA BENEFITS AFTER TWO YEARS, OR AFTER THEY RECEIVE WHAT THEY ACTUALLY CONTRIBUTED?
- WOULD AMERICANS AGREE TO LIMIT THEIR MORTGAGE TAX DEDUCTIONS TO A TWO-YEAR PERIOD?
- WOULD AMERICANS AGREE TO LIMIT THEIR MEDICARE BENEFITS TO A TWO-YEAR PERIOD?

Rather than pouring billions of dollars into the wallets of welfare bureaucrats, we urge you to consider using that money to make two types of reforms: (1) Change the laws to make work pay, and (2) Change the laws to prevent the break-up of two-parent families.

1. CHANGE THE LAWS TO MAKE WORK PAY.

Under current law, if a person works, they are faced with serious options. Either they spend their food money for work-related expenses, or they spend money to feed their children. When one is faced with the option of working or feeding his/her child, naturally they feed their child. This can be remedied by making the following changes in the law:

- a. Remove the time limitations on the \$30 and 1/3 work incentives.
- b. Deduct the work incentives from the actual net income, less actual work-related expenses.

c. Repeal the law which denies work-related and child care deductions to persons who submit a late monthly income report (CA-7). Under current law, if a person fails to submit a complete monthly income report by the State specified date (in California, that is the 11th day of the month), the family does not receive any work-related deductions, including child care. Such a person would have to stop working or face hunger and homelessness.

d. Disallow the recoupment of an overpayment from the work incentives.

2. CHANGE THE LAWS TO PREVENT THE BREAK-UP OF TWO-PARENT FAMILIES.

a. Under current law, in order to be eligible for AFDC-U (Unemployed Parent), the principal wage earner must show that he has worked during the prior three year period. Many teen fathers are not able to "parent" their children since the system penalizes the father for living with the mother of their children making the family ineligible for AFDC. This is anti-family because the father is forced to leave the home so the mother and child can receive aid.

b. Currently, some states limit AFDC-U to a six-month period. This means after six (6) months, a parent must leave the home so the family can receive assistance to provide for their basic human needs.

c. Stepparents' income is deemed to be available to AFDC children because the welfare bureaucrats have failed to carry out their responsibilities by collecting child support. Often children are deprived of a two-parent setting because of this law.

These are some suggestions that strengthen the family and make work pay. The JOBS program and similar programs only strengthen the bureaucrats paychecks. There is no evidence these bureaucratic suggestions make any meaningful change in the low income community.

TARGETING GENERATIONAL RECIPIENTS

We do believe in targeting JOBS funds to the truly generational welfare recipients. Positive reinforcements can be productive. Under the JOBS program, a person who has been on aid for 36 months is considered a member of a target group. Three years can hardly be considered "generational dependency". A generation is generally an 18-20 year period.

We would support a revised JOBS program targeting generational welfare recipients who have been on aid continuously for more than 6 years and have a child over the age of 12 years.

Under the current JOBS program, which is allegedly designed to make AFDC recipients independent, the participants become dependent upon the wishes and commands of the JOBS bureaucrats. Senator, you cannot learn independence by being dependent. The program should use positive reinforcements by giving clients maximum choices regarding the way they want to get out of poverty with the least amount of bureaucrats involvement.

Some argue that AFDC makes people dependent on government. AFDC merely provides minimal economic assistance to help keep families together. Ending

Rather than pouring billions of dollars into the wallets of welfare bureaucrats, we would urge you consider using that money to make two types of reforms (1) Change the law to make work pay; and (2) Change the laws to prevent the break-up of the two-parent family.

welfare would make the family economically unable to provide for themselves. The children would either be placed in foster care, at a cost of \$25,000 per child per year, in California, while it costs \$4,000 a year to keep a child on AFDC. As a last resort, the parents would be forced to use illegal means to meet the economic needs of the family. These are expensive solutions

Currently, there are skilled workers with college degrees looking for the same jobs we are. Until the jobs are delivered, should American families be destroyed? We say no. Help us save our families and feed our children. WE NEED JOBS.

Thank you for your consideration of our comments about welfare reform. We would be glad to testify before your subcommittee in the future so the Committee can hear the views of the consumers of "welfare reform" in addition to that of the

bureaucrats, academics of the welfare industry.

Some argue that AFDC makes people dependent on government. AFDC merely provides minimal economic assistance to help keep families together. The children would either end up in foster care at a cost of \$25,000 per child per year in California, while it costs \$4,000 a year to keep a child on AFDC. As a last resort, the parents would be forced to use illegal means to meet the economic needs of the family. These are expensive solutions.

Respectfully submitted,



Kevin M. Aslanian