

WELFARE REFORM WRAP-UP

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

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WELFARE REFORM WRAP-UP

THURSDAY, APRIL 27, 1995

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

The hearing was convened, pursuant to recess, at 9:30 a.m., in room SD-215, Dirksen Senate Office Building, Hon. Bob Packwood (chairman of the committee) presiding.

Also present: Senators Chafee, Grassley, Simpson, D'Amato, Nickles, Moynihan, Bradley, Breaux, Conrad, Graham, and Moseley-Braun.

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

The CHAIRMAN. The Committee will come to order, please. This is the tenth hearing that we have had on welfare reform. It is the tenth, and the last one, I hope, we are going to have.

We had asked Secretary Shalala to testify, and she said she could not meet our schedule yesterday morning; she was at a Democratic fundraiser in Milwaukee. There was a conflict of schedules. We will be meeting with her privately next week. She is going to meet with us in the back room.

We have had over 50 witnesses testify already, and I think Senator Moynihan and I both agree they have been extraordinary panels; conservatives, liberals; and interestingly, much agreement among many of them as to what the problems were.

Everyone says the system needs to be changed and it is broken, that incremental changes will not fix it. Whether or not they talk in support of or against block grants, they all come down to that same conclusion, that whatever we have tried in the past has not exactly worked. I have indicated that I hope we can block grant much of this.

Whether or not I have faith that the States will perform, the States will at least experiment and innovate. What North Carolina tries might be different than what Colorado or Kansas tries, and they might all be different from what New York tries, and with that we might learn.

I might congratulate Senator Moynihan. I think we were all surprised by the Supreme Court's ERISA decision yesterday. I do not know if any of you had followed it. New York has a particular way of taxing. Health carriers and commercial carriers have to pay 12 percent more than non-commercial carriers to the hospitals, and have been attacked as violating the ERISA preemption by the State.

And everyone said, well, that case is going to be lost in the Supreme Court, there's no hope New York is going to win, and once we are past that we can then consider the ERISA. New York won at nine to nothing in the Supreme Court yesterday, so it needs no further action from the Finance Committee.

Senator CHAFEE. I must say, when you win anything in this Supreme Court nine to nothing, that is a solid win. [Laughter.]

The CHAIRMAN. Well, noticing, especially, their interesting school yards and gun decision, and the commerce clause, and the extent of it in the 10th amendment was only a five to four decision, but I thought it was a most interesting decision. There is a limit to the commerce clause, and this went beyond it.

Senator MOYNIHAN. This will be the first time since 1934, I believe.

The CHAIRMAN. Is that the sick chicken case?

Senator MOYNIHAN. Yes. They overturned a statute.

The CHAIRMAN. Senator Moynihan.

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

Senator MOYNIHAN. Mr. Chairman, with the great respect that I have always held for your views, can I say that I do not know that everyone who has come before us has said that what we speak of as the welfare system is broken and has to be fixed.

I think some, certainly, have done so, but just a parallel view has been that, what we call the welfare system is simply a fall-out of the change in family structure in our country. It is not at all clear why this has come about, and even less clear what we might do to change it.

In 1960, the proportion of children born out of wedlock in the Nation was 5.3 percent. It is now over 30 percent.

Senator CHAFEE. Mr. Chairman, I think these statistics that Senator Moynihan are giving are the heart of the problems we are dealing with in this country today and they are very, very important.

Could you repeat that? In 1960 in the Nation, the children born out of wedlock—

Senator MOYNIHAN. Was 5.3 percent.

Senator CHAFEE. Of all births.

Senator MOYNIHAN. Of all births. In 1970, 10.7; 1980, 18.4, and in 1992, 30.1

The CHAIRMAN. And not geographically distributed. I believe you have given us St. Louis County of over 60 percent, and the woman from Wayne County yesterday said in excess of 60 percent in the Detroit area.

Senator MOYNIHAN. It is 69 percent in the District of Columbia.

James Q. Wilson, who is a dear friend and colleague, a friend of Dr. Nathan, who will be testifying here and would associate himself with conservative thinking in most matters said, in testimony before the House, "We are told that ending AFDC will reduce illegitimacy, but we do not know that. It is, at best, an informed guess."

Dr. O'Neill, who is our new head of the Congressional Budget Office, suggests that "If things are difficult, the demography i

against us." The percentage of women aged 15–24 accounted for 65 percent of all out-of-wedlock births in 1992.

The share of all women of childbearing in that age group rises from 29 percent in 1996 to 33 percent in the year 2005. So, the demographics are running against us. I only want to make that point. I cannot demonstrate it, but I think that has been a parallel presentation we have heard.

The CHAIRMAN. Senator Chafee.

Senator CHAFEE. I have no comment, Mr. Chairman. I just want to reiterate what Senator Moynihan said about those statistics, not only the existing ones, but the demographics, as he said, are against us. I know the problem but I do not know the solution.

The CHAIRMAN. Senator Grassley.

Senator GRASSLEY. I have no opening statement.

The CHAIRMAN. We will take our witnesses in order of seniority today. We will take Senator Kassebaum, first, and then Senator Harkin. Then I have got to check the list because I cannot quite remember. It is between Senator Brown and Senator Conrad who comes next. But Senator Conrad, I assume, is going to be with us some portion of the morning.

Senator Kassebaum.

**STATEMENT OF HON. NANCY LANDON KASSEBAUM, A U.S.
SENATOR FROM KANSAS**

Senator KASSEBAUM. Thank you, Mr. Chairman. I will not be long, because there are a lot of witnesses to be heard from.

I am very appreciative of Senator Brown, who is a co-sponsor of the SWAP legislation that we introduced in the 103rd Congress and in this Congress. I think you all are basically familiar with it, so I will not go into any great detail, except perhaps to explain the Medicaid portion of it.

I value the expertise on this committee. Senator Moynihan has worked with these issues for years and understands them well. He is a caring, concerned person, as is every member of the committee. The reason, Mr. Chairman, I came to this conclusion is, after looking at it over the last 2 years, I was not convinced we could really fix welfare from Washington.

It seemed to me that this was an opportunity to really make a difference. Not that I thought that necessarily we could do it any better or worse than the States, or the States could do it any better or worse than we could. The programs included in this swap proposal, basically, AFDC, food stamps, WIC, and Medicaid, are programs where State and Federal monies are commingled and State and Federal regulations are commingled making it very hard to know where accountability lies.

In my SWAP proposal, AFDC, food stamps, and WIC would be totally terminated from Washington, both in monies and in regulations, I believe, this offers great accountability.

Those three programs cost about \$45 billion in Federal funds. Add to that the AFDC portion of Medicaid, which I think should be totally the responsibility of the State. In exchange, the Federal Government would take responsibility for the SSI portion of Medicaid.

Now, that is a balance of about \$70 billion that the States would assume, counting the \$30 billion that is currently spent on AFDC Medicaid in addition to the \$40 billion spent in the other programs. The Federal government would pick up about \$40 billion in SSI related Medicaid costs. I believe there are reforms that we can make in the Medicaid program for the aged, blind and disabled.

Mr. Chairman, this is not designed to be an enormous budget saver. It is designed to be, I would hope, a program that would give us an opportunity to instill greater sense of accountability and responsibility. I believe that if a State legislature has responsibility for the money, they are going to have a greater sense of commitment to making sure that it is working successfully.

I am concerned, to a certain extent, with block grants. Although I believe that is certainly a step forward, it is still money going through Washington—with administrative responsibilities here, and increased administrative responsibilities in the States.

I think you know, Mr. Chairman, that States, will soon want more money, and pretty soon Congress is going to want to add more regulations, and we will be back to a categorical approach to providing assistance to low-income families.

I would like to take a couple of States that might interest the members of the committee and point out what would happen to those States if my SWAP proposal became law. New York, of course, Mr. Chairman, is a big winner. By the year 2005, New York would essentially be ahead by about \$10 billion. This is because of the mix of benefits and current spending levels both from the SSI-related Medicaid side, and the welfare side, including AFDC-Medicaid.

On the other hand, Oregon would not fare well. During the 5-year transition, everybody is held harmless—it is designed to be a phase-in period. At the end of the 5 years, the Federal savings would be used to assist those States that still have to meet a significant shortfall, such as Oregon. Oregon, in 1993, would lose about \$444 million; by 2005 there still is a projected loss of about \$394 million.

I think that each of you understand the changes which would occur in your own States. Most of the eastern States tend to be winners. It is more the southern and the western States that would have adjustments to make.

Thank you, Mr. Chairman. I appreciate being able to talk about this. I am well aware there is not a lot of support. There is more interest than support. Maybe I could suggest, although I am not quite sure how it would work, that we could take a few States, both States that are winners and States that are losers, which could be used as demonstrations of my proposal. Now, whether that fits into the present scenario, I am not sure. But I would suggest that we should try to fit a demonstration into the Senate proposal. I think it is an opportunity for us to really be innovative.

Thank you.

The CHAIRMAN. Thank you very much.

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

The CHAIRMAN. Senator Harkin.

STATEMENT OF HON. TOM HARKIN, A U.S. SENATOR FROM IOWA

Senator HARKIN. Thank you very much, Mr. Chairman. I thank my colleagues for permitting me to go out of order. Mr. Chairman, while I do not begin to compare my knowledge and expertise on welfare with those of you on this panel who have wrestled with it for so many years, I do believe that what has happened in Iowa over the last few years, can point the way towards meaningful welfare reform for the rest of this country.

Watching what has happen in Iowa over the last few years has led me to some conclusions.

Conclusion #1. I think we must fundamentally change the conceptual framework of how we think about welfare.

Welfare is not a government giving away money for nothing. We must think about welfare as a contract between an individual and the government which involves mutual responsibility, that the recipient will contract to do certain things, and the government will contract to do certain things.

Receipt of AFDC benefits must be conditioned on a signed contract between the recipient, which outlines steps that the recipient will take to become self-sufficient, and outlines what the State will do to ensure that this will happen. Additionally, the contract must state when cash benefits will end. Responsibility should start on day one, rather than after a couple of years.

Conclusion #2. A second conceptual change in the welfare debate is how we think about work. I think we have to change our concept of trying to get someone off of welfare into a job and to think about getting people from welfare into self-sufficiency.

The average person changes jobs eight times during his or her lifetime. To prepare someone for a job means that they may have that job for a short period of time, that job is lost, and they are right back into the welfare system. We have got to prepare people to be self-sufficient so that when they lose a job they have the wherewithal to go out and be marketable in the private sector and get another job.

The third conclusion I have reached, is that one size does not fit all. That includes individuals, as well as States, and rigid time limits will not work. I believe if you set a 2-year maximum, I think that, in many cases, will become the minimum. People will just stay on welfare for 2 years.

And then if, at the end of that, you say, if you do not have job there will be a government job, well, people will stay on it for 2 years and then they will get a government job. I do not believe that will work. Most people do not need to be on welfare for 2 years; they may need a short period of time, 3 months, five, six, eight, ten months.

But then there are those tough cases. I have always pointed out the 18-year-old girl who has two young children, both below the age of two, she has an eighth grade education. She may have a disability, or one of her children has a severe disability. I am sorry, it is going to take more than 2 years to get that person self-sufficient.

So I do not think that a one-size fits all, but I do believe that we need a basic national framework that assures that children are

protected and demands responsibility from our recipients. We do not want to trade one failed dependency-inducing system for 50 varieties of the same thing.

My fourth conclusion is, the private sector has to be involved from the beginning. In the past, we have thought of people on welfare, they get off of welfare and they get into the private sector.

Our experience in Iowa is, it is better if you get the private sector involved up front, right from the beginning, with mentoring programs and working with people on welfare right from the beginning so people know what is expected of them once they do get off of welfare.

My fifth conclusion is, welfare reform must be bipartisan. Neither party has a corner on the market of good ideas. Today, Senator Kit Bond of Missouri and I are introducing legislation, the Welfare to Self-Sufficiency Act, that I believe meets these tests, and I have attached a summary of our bill for the committee's consideration. The bill is modeled, Mr. Chairman, on what we did in Iowa and Missouri.

I might just say this, I mentioned to a number of people, how would you like to have a welfare reform bill that could meet certain tests, it could pass with the support of Pat Robertson conservative Republicans and Jesse Jackson liberal Democrats?

That is what happened in Iowa. It was signed into law by a conservative Republican Governor, Governor Branstad, and only had one dissenting vote in the legislature. It went through, and the Iowa legislators are pretty smart people, I would hasten to add. They are no dummies.

But this was not based upon some shot in the dark. Mr. Chairman, this was based upon several years of experimentation in Iowa on how best to deliver welfare and get people from welfare to self-sufficiency. Based upon those experiments, the Iowa plan was passed.

Well, what has happened? We had to get waivers, as you know, to put it into effect. Well, what has happened? Well, I have some charts here to kind of show what has happened now in Iowa.

The number of families who are on welfare and working has more than doubled. We now have the distinction, Mr. Chairman, of having the highest percentage of people on welfare working than any State in the Nation. It has more than doubled.

Now, the next chart will show what has happened on the case load. Now, obviously, initially the case load went up because a lot of people who were working now could get welfare. We knew that was going to happen.

As some people have said before, we knew we were not going to save a lot of money in the beginning, but we knew we were going to save money later on. So, the initial case load went up, and then it dropped precipitously down, so we are right back down where we started from after that initial bump in the case load.

But the most important telling feature is the next chart, which is the cost. What has happened here, total expenditure, you can see the yellow line is 1994, the green line is fiscal 1993, the blue line is fiscal year 1992. The red line is fiscal 1995, and that is where our total expenditures have gone down and it is dropping precipitously.

So, the number of welfare recipients who are working went up 82 percent, the average size of the welfare grant declined from \$373 to \$343 a month, and the number of Iowa families on welfare has been declining.

So, again, Mr. Chairman, I have often said that Iowa is kind of the Rodney Dangerfield of welfare reform. I think we did it right, we did the experimentation, we took the best of what we saw worked, we implemented it, we got it through the legislature, it is working by any yardstick of measurement. It is working and working well, yet, no one seems to be paying attention to what we did in Iowa.

But it is based upon these concepts that I talked about, about a contract. I would refer to the New York Times article of Friday, April 7, 1995. This is the lead paragraph. "Iowa Plan Tries to Cut Off Cash. For all the tough talk around the country about cutting the Gordian knot of welfare dependency, Iowa is the only State that has cut off cash benefits to families because a parent refused to go to work or take other steps to get off of welfare."

So we have got the carrot and we have got the stick, and it is working. It is cutting money and it is getting people into self-sufficiency. Again, I recommend it highly for your consideration. I think States ought to have maximum flexibility, but I believe there ought to be some basic assurances out there and I think the conceptual framework ought to be one like we've done in Iowa.

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

The CHAIRMAN. Just a quick question, and I will let the rest of the panel go on. Do you know, or can you tell, if it is having any effect on illegitimacy?

Senator HARKIN. I do not know the answer to that question.

The CHAIRMAN. What I am curious about is whether there is a relationship between jobs and job availability and legitimacy or illegitimacy. I do not know either.

Senator HARKIN. I do not know the answer.

The CHAIRMAN. All right.

Senator HARKIN. We do not have the research on that. We did have a control group. We got the waivers. We had to have a five percent control group that we set aside that is not involved with this that is still under the old system because there are those who say, well, sure, you have more people working. The unemployment rate is low in Iowa, and that kind of stuff.

But the control group that was set aside under the old system, their employment and everything else has remained the same. They are not working. So I think, with that control group, we have shown that this program is getting people to work.

On the answer of illegitimacy, I am sorry, I do not know the answer to that question.

The CHAIRMAN. Thank you very much.

Senator HARKIN. Thank you very much.

The CHAIRMAN. If any of you have to leave, why, go ahead. You do not have to wait for the entire panel if you do not want.

Senator HARKIN. Thank you, Mr. Chairman. I thank my colleagues.

The CHAIRMAN. Senator Conrad.

**OPENING STATEMENT OF HON. KENT CONRAD, A U.S.
SENATOR FROM NORTH DAKOTA**

Senator CONRAD. Thank you, Mr. Chairman, and thank the other members of the panel as well. I wanted to appear before you today to tell you that I will introduce very shortly two significant welfare reform measures.

The first one will focus on SSI because I think this committee has heard very clear and compelling testimony that the SSI program needs to be dramatically reformed, and my legislation will do that.

At the same time, I think all of us have a clear obligation to recognize that this program protects 850,000 disabled children in this country, and we want to fix the problem and, at the same time, protect those kids.

Mr. Chairman and members of the committee, I think we should be very up front. If we are serious about reform, children will be taken off the rolls. Frankly, that is appropriate because we have got children on the SSI rolls that never should have been there. The current definition needs change. I think virtually everyone that has examined this question is in agreement on that matter.

So, Mr. Chairman, members of the committee, I think this is something that could be done on a bipartisan basis in terms of SSI reform. I hope that is the case. I welcome your reactions to the draft that I present.

The second measure that I will be introducing is the Work Accountability and Gainful Employment Act, what we call the Wage Act, which I think is, perhaps, the most comprehensive Senate proposal that dramatically reforms welfare while retaining an element of entitlement to protect children, as well as States, from an economic downturn.

The Wage Act I will be introducing abolishes welfare as we know it. In its place, States will be given substantial flexibility to design work programs that move parents into the work force.

The Wage Act will encompass four themes. One, work. From the day that a parent sets foot in a welfare office, we will expect that person to demonstrate progress towards self-sufficiency.

Second, State flexibility. There is one thing that we have heard over and over, and that is, give the States the chance to devise their own programs. We do that in the Wage Act. States will have unprecedented flexibility to design effective work programs under a new Work Accountability and Gainful Employment block grant. The Wage block grant will also provide incentive payments to States for moving parents into the work force.

Three, it is pro-family. Families that stay together and play by the rules will be supported in their efforts to be self-sufficient. For children in divorced or never-married families, both parents will be expected to provide financial assistance through extensive and tough new child support enforcement measures.

Fourth, the Wage Act protects children. A transitional aid program will provide wages and cash assistance to families with children. States will have substantial flexibility to determine eligibility and to set benefit levels and time limits. Teen parents will be required to stay in school and to live with their parents, or in adult-supervised living arrangements.

My bill will save money and reform the welfare system without resorting to a free-for-all AFDC block grant approach that does little to hold States accountable and that puts America's children at risk.

While there are savings to be realized in ending welfare inefficiency, I hope the Senate's deliberations will emphasize, first and foremost, that welfare reform is not an experiment to be tested on America's poor children. The House bill allows States to count people as working who are kicked off the rolls. I do not think that is appropriate.

The persons most affected by our deliberations are America's children, and I hope that our efforts will focus on supporting and enabling their parents to become self-sufficient. The Congress must confront head-on the reality that children are the poorest group in American society. We all know the numbers.

The Casey Foundation reports that children who grow up without fathers are five times more likely to be poor, twice as likely to drop out of high school, and much more likely to end up in foster care or juvenile justice facilities.

We talked about the statistics earlier, that currently 30 percent of all births in the United States are out of wedlock. That is a national scandal. Those trends must be reversed if we are to prepare children for the future.

Mr. Chairman, members of the committee, I believe the American people want a welfare system that emphasizes work. I think they want one with substantial flexibility for States to determine their own policy. Let them be the laboratory, let them experiment. They want a system that provides transitional assistance for people who have fallen on hard times.

In return for short-term assistance, I think they expect parents who receive help to work. That is at the heart of the proposal that I am making.

I thank the Chair.

The CHAIRMAN. Thank you.

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

The CHAIRMAN. Senator Brown.

STATEMENT OF HON. HANK BROWN, A U.S. SENATOR FROM COLORADO

Senator BROWN. Thank you, Mr. Chairman. I appreciate the chance to be here, and I most particularly appreciate this committee's focus on this issue. I think it is the single most important issue we have before Congress.

It is a fascinating issue because it is an issue in which the rules of the game get all mixed up. Everyone who comes to this problem wants to solve it, liberal or conservative, Democratic or Republican, from the east or the west, or the north or the south.

In that way, it is fascinating, because everyone, with this issue unlike some other that we have, starts with roughly the same goals in mind. What makes the difference and makes the debate, I am convinced after watching this for awhile, is our own personal background.

As I have watched people debate this over the years, both in the House and the Senate, what I find so often is that people draw on their own experiences in life to decide how you help someone get off of welfare and out of poverty. They base it on their own experiences. That does not surprise anyone. But what has formed the debate is the kind of experience legislators have and how they differ sometimes.

What I have found, at least in the past, as someone who did not come from a very wealthy family, is that I view work differently than someone who came from a rich family. For me, and I think for others here, work has a different meaning than it does for others. For me, work was the way that I got to go to high school and to college. For me, work was the way that I prepared for a better job.

For me, work was a way that I built personal self-confidence that let me make my way in the world. For me, work was a way out of poverty. For others, work was a penalty that their father might impose on them if they did not get good grades in school. It was not that one view was wrong or right, but people had different views of what the words meant and what the right solution was.

But I am convinced that for most people who grow up poor, the key, the passport, the opportunity, is a job. It is a way they can become independent. It is the way that they build self-confidence that may not be there in other aspects of their life.

Growing up without a parent is tough, but growing up without a parent without a mechanism that builds self-confidence is devastating. Work is one way to build self-confidence, self-esteem, and self-reliance.

I understand you are thinking of block granting a lot of this, and passing it to the States. That may well be the way to do it, but I hope you would keep these things in mind.

One, if you block grant it, I hope you would consider language that I will send to your staffs, but makes it clear that the block grant money is allocated by the normal means that a State appropriates money.

There are a few States in the Nation that have a problem that, when you give Federal monies to States in block grants, the funds bypass the legislature. It is a problem, and I hope you would consider language that simply makes it clear that the block grants monies are handled in the same way that the State normally appropriates money.

The CHAIRMAN. Is Colorado one of those States?

Senator BROWN. Colorado is one of the few.

Second, I hope you would consider the limitations on administrative overhead that the House has put in its bill. I do not know that there is any magic to the numbers. In one area they use a five percent administrative limitation, in another, a 2 percent.

But what could happen is that a State administration that runs the program would take a huge share of the money just for their bureaucracy, and little, or a limited amount, would get to the area where the action and the needs are.

States vary, as you well know. Some run their welfare programs at the State levels, some at the county levels. But I would hope you would consider some limitation on the administrative costs—for

staff who only provide administrative services and do not provide services under the programs.

Third, I hope if you do not block grant the AFDC JOBS Program, that you would consider the Breaux-Brown bill. And if you consider programs in your bill that are normally thought to be in Senator Kassebaum's job training consolidation bill, or Senator Kassebaum's committee's jurisdiction, that you would consider the Breaux-Brown approach.

What Breaux-Brown does, is basically this: it allows States to privatize the job placement function. It is an option for the State to say, look, we will either have the State agency get involved in job placement, or we have the option to allow a privatization of the job placement function. What it is is simply a voucher, that the beneficiary can take to a private employment agency to help them get a job.

The way we suggest this work is, the private employment agency only gets 25 percent of the fee up front, and they get the other 75 percent later on if the person has held the job for 6 months. But it is a way to privatize the job search function that I think can be helpful.

Last, let me simply suggest this. I know we focus a lot on requiring work, but the key thing here, is to eliminate the prohibitions on work. In the Family Support Act, there are three major prohibitions on work that sabotaged our efforts.

Let me just quote a number to you that I think may shock you. From the 1984 Ways and Means Green book, 61 percent of JOBS participants were in education and training programs, and only four percent were in some other type of work program.

There are three specific legislative prohibitions on work that I am concerned about, and I will submit that in a memo to your staffs, if I may. I would hope those would be repealed.

[The information appears in the appendix.]

Senator GRASSLEY. You might as well let him mention those, because I was going to ask about those anyway.

Senator CHAFEE. Yes. I am interested, too. What are the three disincentives to work, just briefly?

Senator BROWN. Number one, in 42 USC, 684(c)(3), "No participant may be assigned under Section 482(e)," that is the work supplement program, "or Community Work Experience," the CWEP program, "to fill any established unfilled vacancies."

In other words, you cannot refer someone, a welfare recipient, to a job unless it is an entirely new job under the CWEP or the Work Supplement program. If there is simply an unfilled vacancy that comes up that the person is qualified for, under our laws we have prohibited referring him to that position program. That is devastating, because it is a great opportunity to get people to work right away.

The second one is that, in effect, CWEP assignments are effectively limited to 9 months because of the way you calculate minimum pay and calculate the hours worked. I think it is simply a matter of making sure you calculate it correctly. But that needs to be changed, and I will submit that.

Last, States can only require eight weeks of job search for AFDC applicants, and then eight weeks a year thereafter. My hope is that

you would remove that restriction as well because, for some, it may take more than eight weeks to find a job. Obviously it is going to vary, but those three, I think, are the critical ones.

One thing I might mention, though, that I think is so important, the State bureaucracy in Colorado is focused on education and training, and if you do not show up for the education and training they do not sanction you.

All this stuff we put in the 1988 Act did not work, because we thought, you are either going to work, or you are going to get training, or you are going to get educated, and if you do not do one of those three, you are going to get sanctioned.

The way it works in Colorado, and I suspect around the country, is they get assigned to an education program or assigned to a training program, and when they do not show up, there are no sanctions. Frankly, our bureaucracy is focused solely in the training and education areas and there is almost no focus in most of our communities on job referrals. It just simply has not worked.

The CHAIRMAN. Just a question. Do either you or Senator Conrad know, and I ask this out of ignorance, is there any relation between whether or not you have a job and legitimate versus illegitimate births? I do not know.

Senator BROWN. I do not either.

Senator CONRAD. I do not know either, but I suspect there is. I mean, in talking to people who, in the D.C. area, are deeply involved in trying to assist this community, you find a tangled thicket that leads to this kind of behavior. People do not have anything to do, they have got all kinds of time on their hands, and they have got, unfortunately—

The CHAIRMAN. I am not sure what you are leading to right now.

Senator CONRAD. Well, I am not going to go any further than that, Mr. Chairman. But I think you create an environment that really is conducive to that kind of behavior. And if people are working and they have some self-respect, it helps change behavior.

I mean, every single person I have talked to who has dealt with this community—and I have talked to dozens who are welfare workers, outreach workers—and you say to them, what is the single most important thing you can do, without reservation, it is a job. I think it would go a long way toward dealing with a lot of these problems.

The CHAIRMAN. Senator Faircloth.

STATEMENT OF HON. LAUCH FAIRCLOTH, A U.S. SENATOR FROM NORTH CAROLINA

Senator FAIRCLOTH. Thank you, Mr. Chairman.

I agree with Senator Brown on how we approach this, and our work ethic and where we come from at work. Work was a way of life for me, and I have never known anything else. I do not know when I began, and I do not plan to quit.

Before coming to the Senate I spent 45 years in the private sector and met a payroll every Friday as a businessman and a farmer. Every year I watched as the Congress convened and adjourned and left it more difficult for working taxpayers to make ends meet because of the out-of-control government spending programs that had put the country on the path to a fiscal disaster.

We could not have gotten a clearer warning than the dollar's steep decline which has followed the defeat of the Balanced Budget Amendment. Of all the spending programs implemented by the Federal Government, I do not know of a group that has been a bigger and more complete failure than those collectively known as welfare.

The problem is not a lack of spending. Since 1965 when the War on Poverty began, welfare programs have cost taxpayers \$5.3 trillion in constant 1993 dollars. \$5.3 trillion.

Currently, the Federal Government runs approximately 76 means-tested welfare programs at a cost, in 1994, of \$350 billion, and this amount is projected to reach \$538 billion by 1999, if current trends continue.

Ignoring a simple principle has gotten this Nation and the poor included into the present fix. That is, you get more of what you pay for in this country. For the past 30 years we have subsidized, and thus promoted, self-destructive behavior, like illegitimacy and family disintegration.

Today, as we have heard previously, almost one in three American children are born out of wedlock, and in many communities the illegitimacy rate is almost 80 percent. A dramatic change is needed, and a complete reversal of what we have done in the last 30 years.

In a few days I intend to reintroduce a welfare bill similar to the one which I introduced last year with Senator Brown and Senator Grassley. The bill has three goals: to reduce illegitimacy, promote work, and control the growth of welfare cost.

The bill will convert 67 means-tested welfare programs into a single block grant to the States. Spending increases for this block grant and several other Federal welfare-related programs will all be subject to an aggregate cap of 3 percent growth per year, no more than.

The single block grant will give States the flexibility to design programs which meet the specific needs of their poorest citizens. If one State has a particularly successful program of its own, or if the State wants to double its Head Start or WIC budget, it could do so using the block grants or State funds.

My proposal will require able-bodied welfare recipients to work in return for their benefits. By 1997, the second year after enactment, half of all welfare beneficiaries will be required to do community service or work in public or private sector jobs for their benefits.

One of the most insidious aspects of the welfare system is its destructive effect on the family. Our welfare system tells a young woman, in effect, that she can collect up to \$15,000 per year in benefits as long as she does not work or marry an employed male.

Under such conditions, it makes more sense to remain unmarried. Welfare has transformed the low-income working husband from a necessary breadwinner into a financial liability.

When the Great Society for anti-poverty controls were instituted in 1965—this is a figure we have heard earlier today—the out-of-wedlock birth rate in the U.S. was seven percent. Thirty years later it has jumped to 30 percent. And, as President Clinton has said,

by 2015, 50 percent of the children born in this country will be born out of wedlock.

Real reform has to discourage destructive behavior and encourage constructive behavior. Starting prospectively, 1 year after enactment of my bill would eliminate direct welfare subsidies, except medical aid, to unmarried women under 21 who have children out of wedlock.

State governments may use the block grants to develop alternative programs and strategies for assisting children born out of wedlock. The bill also encourages marriage by providing a tax credit for low-income employed couples.

The block grant approach acknowledges that three decades of Federal welfare policy have failed, and the time has come to recognize the States' ability to lead. But, under any current block grant proposal, including my own, the Federal Government would still be the source of 75 percent of total welfare financing.

As long as that is the case, we, in Congress, should not abdicate our responsibility to the taxpayers in the name of welfare reform, or any other reform. I agree with the opinion of many Governors, that welfare block grants should be as flexible as possible to allow individual States to meet their unique needs.

Block grants and State flexibility are necessary steps in welfare reform, but they are not solutions in themselves. Our welfare reform goal must be a welfare system that truly will require work from all recipients, reduce illegitimate births, and operate efficiently.

Mr. Chairman, I strongly disagree with those who advocate a block grant program that resembles little more than a blank check to the States from the U.S. Treasury, no questions asked. Such a no-strings approach would reduce the Federal role in welfare to little more than a tax collection agency for the States. States would get the money without accountability.

I am disappointed that the same Governors who have shown so much vision have now embraced the blank check concept. In doing so, they are asking us to continue an old, big government approach: throw more money at a problem and hope it goes away. This has not worked in the past and it will not in the future.

I say to the Governors proposing a no-strings block grant, if you do not want strings attached to the money you receive from the Federal Government, simply do not take it; raise your own money from the taxpayers in your own State and then you are free to spend it just as you please.

Finally, as the Senate now takes up welfare reform, we must be willing to make the kinds of tough decisions necessary to reduce illegitimacy and promote work or we will condemn yet another generation to the crippling effect of welfare dependency. The state of our welfare system demands that we take immediate action, but we must do so with a clear purpose in mind.

I thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

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

The CHAIRMAN. Senator Santorum.

STATEMENT OF HON. RICK SANTORUM, A U.S. SENATOR FROM PENNSYLVANIA

Senator SANTORUM. Thank you, Mr. Chairman. I appreciate the opportunity to come and testify before the committee.

For the committee's edification, I just wanted to provide you a little bit of my background on this issue. I served on the Ways and Means Committee and was the Ranking Republican on the Human Resources Subcommittee last session of Congress, and was asked by the leader then to Chair a task force on welfare.

We did, and we came up with a bill, H.R. 3500, which I had a big hand in writing, which became the basis for the Personal Responsibility Act in the Contract and, subsequently, H.R. 4.

So, I come here, not with my own bill, but, in fact, to talk about the House bill, which is really a product of some of the work that I had put in over the past couple of years.

I will tell you, from the task force work, we did not sit down and look at welfare as how we can cut money from the welfare program or how we can save money to reduce or balance the budget, we came with the idea of not reforming welfare. I do not think this committee should look at this process as a reform of the current welfare state.

What we should look at is an action plan to eliminate or alleviate poverty in this country, that I do not think we should be bound by the existing system. We have the opportunity to create any system we want, and I hope that we do not look shackled at all these little programs we have put together, and put blinders on, that all we can do is rearrange the deck chairs within these little programs.

We have an opportunity to do much more, and to be much more progressive, because I think, as everyone said, and Senators have commented in their comments, the system does not work. Why try to rearrange a system that does not work; let us create one that does, with all the right incentives.

I am going to talk about some of the provisions of H.R. 4 that is before you, and I will do so and talk about some of the more controversial elements, and certainly would be free to answer questions on anything else.

One element that the President has criticized the most is, H.R. 4 is weak on work. All I can tell you is, H.R. 4 is a product of, as I said before, H.R. 3500 of the last session, of which the President used as a model for his bill. I do not say that; Secretary Shalala, who came and testified before the Ways and Means Committee last year, said she used this as a model for their bill.

The work provisions in H.R. 4 are almost identical to what was in the previous House bill, which the President, in his recent press conference, said that the previous House Republican bill was a good bill and it was one that we could work together on.

So, I do not understand where he has found that, all of a sudden, this bill is now weak on work. It is very strong on work. It has a 2-year limitation that everyone must get into, and have training and education, et cetera. But, after that 2 years, you must work.

Fifty percent of the entire case load, when it is fully phased in, will have to be in a work program. They will have to work for a period up to 3 years. At the end of that two plus 3 years, which is a total of 5 years, we have the ultimate work program. You have

got to go find a job because welfare ends. Now, I do not know how that is soft on work. I think it is a very strong work program.

No, we do not, in the bill, prescribe exactly what the work program will look like. We do have a requirement of hours, 20 hours for the first year, and phase it in to require a higher percentage of work. But we allow the States the flexibility to design that program, which I think is appropriate.

The second big criticism that I have heard, is the question in legal immigrants. I know there are members of this committee who have problems with the provision dealing with eliminating benefits for legal immigrants, as do the Governors. I will tell you, when we made that decision to put the legal immigrant provision in the bill it was not because we knew how much money we were going to get out of it.

It turns out that it's \$21 billion over 5 years. It is not inconsequential. The reason for that is, there are a lot of legal immigrants on these programs. But we did not have any idea of what the number was. We had no CBO estimates. We put it in because we thought, on policy, it was a good decision. Policy-wise, this was the right thing to do.

I know the Senator from Wyoming knows these issues very well. But we can go back to the Massachusetts Bay Colony and every immigration act ever passed which says that people who are likely to be public charges or paupers are not allowed to be admitted to this country, and being a public charge is grounds for deportation.

I am the son of an immigrant who came through Ellis Island and who was not a wealthy person when he came to this country, so I understand this issue very well.

But to suggest that we have some special obligation, we are the only country in the world that does this. I think we have a right to look at where we should focus our resources.

I think the legal immigrant provision, which, by the way, is not just in H.R. 4, it was in the previous Republican bill, it has been in both Democratic bills, the one introduced last year and this year, it was in the Clinton bill.

It was not as extensive; President Clinton did not eliminate it, but he extended the deeming provision from 5 years to 10, which virtually eliminates it. So, this is not a radical idea of the fringe of one side or the other.

Finally, the other point that I wanted to make that I know has gotten a lot of controversy, and I will end, is the SSI program. I have not seen Senator Conrad's bill, but I appreciate his comments on the SSI program. The SSI reform that happened in the House bill that we put in our bill was not a partisan bill. Jerry Klechka, from Wisconsin, worked hand-in-hand in developing this legislation, as I think will be the case.

I have looked at a lot of welfare programs over the past few years, and there was no program that cries out for reform more than the SSI program, whether it's the drug and alcohol program, where we have had testimony before Senator Cohen's Committee on Aging, and I am sure before this committee.

We were killing people with this SSI program for drug addicts and alcoholics. We are giving them money to do what? To stay drug-addicted and alcoholic for the rest of their life.

That is not me talking, that is the Administrator of the Social Security Administration, who testified before the Ways and Means Committee that, in the history of this program, not one drug addict or alcoholic has ever proven to come off that program through rehabilitation.

Now, if that is the record, that is certainly not a program that helps people. So I would suggest that eliminating that program, which the House bill does, is a very progressive idea, not one that should be criticized. And I know my time is up, so I will end there.

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

The CHAIRMAN. Any questions of the Senators?

Senator BRADLEY. Mr. Chairman, this is an important issue and it is important for the committee to look at it carefully. I appreciate the contribution from all of the Senators who came here today to offer their suggestions on Aid to Families with Dependent Children, which is a \$14 billion program.

I hope that we will have an equal number of Senators when we get into Medicare and try to figure out how we are going to reduce expenditures for Medicare. I hope that we will have the same kind of suggestions.

The CHAIRMAN. Senator Breaux.

Senator BREAUX. I thank all of our colleagues. Senator Brown has had to leave, but has joined with me. I understand he made a comment about the voucher program that we were trying to work on together.

Senator MOYNIHAN. Yes, he did.

Senator BREAUX. Senator Conrad, thank you.

Senator Faircloth, I liked your comment about, if we are just going to turn everything over to the States, perhaps we should consider letting them raise all the money.

Senator FAIRCLOTH. I think if they want no strings attached then they should raise it within the State, and then they do not have strings.

Senator BREAUX. Of course, that is not what they want.

Senator Santorum, let me ask you, the approach you are advocating today seems like it is different from what you were advocating last year, in the sense that H.R. 3500, as I remember it, really had an individual entitlement, it was not a block grant last year.

This year the proposal, in fact, is a block grant. Last year's proposal had pretty specific prescriptions on the type of work that was required. This year's approach says, let the States decide what they want to do with that.

Last year's bill had about \$10 billion in extra funding for training and education, this year's approach cuts about \$60 billion out over a 5-year period. Those are some major differences that have occurred in just a matter of a couple of months. Can you tell me why?

Senator SANTORUM. The bill has obviously been moved to a more flexible bill, and it has really been through the influence of the Governors. Those ideas that you just reflected were differences were all things that we debated in our task force, and we determined that we wanted to give States a lot of flexibility, but we did not want to turn the whole ball of wax over to them.

I can tell you that I have some concerns about some of the block granting that was done in the bill, and I do believe that we have a role—Senator Faircloth is right—that if we are going to be raising these dollars, that we have a right—in fact, I think an obligation—to set forth the parameters of who is entitled, who is not, who qualifies, and who should not.

I think a lot of the open-endedness in the House should be worked on over here, but I think the general direction of where the House has gone in the prescriptions they have put forward—I mean, the under-18 provision with no cash assistance was in H.R. 3500. I know it has been roundly criticized by the administration, but that was something they said was not such a bad idea last year. So, there are some differences, you are right.

I have some concerns about some of the daycare funding that was reduced because we did have more money for job training and for daycare. I think, if we are going to require people to work, that we need to look at providing some assistance and transitioning people off into the workplace.

Those are ideas that I hope this committee will grapple with, but I guess my point was, the fundamental underpinnings of this bill and the direction it takes is the right one, and I think it is just really a matter of degree, not direction, at this point.

Senator BREAUX. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Graham was here first, then Senator Simpson.

Senator CONRAD. Mr. Chairman, might I just comment on what Senator Santorum mentioned just moments ago? I would really urge colleagues to take a look at the bill that I will be introducing because I think it does strike a balance.

It provides for block granting of what we have termed a Wage program, which is a replacement for the JOBS program and all of those programs that are supportive of getting people to work.

We also have block granted child care assistance but with requirements. It is not the no-strings attached approach, although it has enormous flexibility for States; they can decide benefit levels, they can decide sanctions, they can decide time limits.

They have got enormous flexibility here to address the questions and to experiment, but we do retain the element of an entitlement with respect to a transitional aid program which replaces AFDC, again, with enormous flexibility to the States. But it is not no strings attached.

I, frankly, agree with Senator Faircloth. I mean, if the States want to make all of the decisions, no strings attached, let them raise the money. As long as we have got a responsibility for raising money, we have got some responsibility for how it is spent. But I do think we ought to give enormous flexibility.

The CHAIRMAN. But that assumes we have the knowledge to know how it should be spent. If we do not, we might be better off to have fewer strings.

Senator CONRAD. What my legislation provides is dramatically reduced strings, but you do not clip the connection between an obligation to serve kids that are eligible. I mean, I just think that crosses the line.

Senator FAIRCLOTH. Mr. Chairman.

The CHAIRMAN. Senator Faircloth.

Senator FAIRCLOTH. If we know how to raise it, if we know how to take it away from the people, we ought to know how to spend it. If we do not know how to spend it, we ought to leave it with them.

The CHAIRMAN. I would say that our expertise in taking the money is a lot better than giving it.

Senator FAIRCLOTH. Well, we have certainly had more practice in it. [Laughter.]

The CHAIRMAN. Senator Graham.

Senator GRAHAM. I would like to ask Senator Santorum, on the issue of legal aliens question. Immigration is a constitutional responsibility of the Federal Government. The Federal Government has chosen to operate the program in the manner that you have described, including having relatively weak requirements upon sponsors of legal aliens, and even weaker enforcement of those standards.

My concern is that, at least in the experience in my State, most of the people who are legal aliens and receiving benefits fall into two categories. They are people who are either elderly, they have grown old while they have been in this country, or they are people who are disabled, they have suffered some health or accidental circumstance that has caused them to be unable to work or be fully functional.

If the Federal Government is to say, we are not going to provide any support for those people, they are still going to require some form of assistance. That is likely to then become another form of unfunded mandates on the communities in which these people live, starting with the failure of the Federal Government to have an adequate immigration policy.

Is that fair on those communities? Does that not run contrary to one of the most significant bills that this Congress has already passed on unfunded mandates, and would you not consider that if we are going to adopt this position of cutting legal aliens from their benefits, that we ought to do it prospectively and in conjunction with strengthening some of our immigration standards and not do it retroactively?

Senator SANTORUM. Well, we do not do a retroactive. There is a 1-year phase-in under all the bills that have been considered, so the 1-year phase-in is given for people who have been in this country the amount of time necessary to qualify for naturalization, to go through the naturalization process. On average, it takes about that long for someone to go through that process, so it is not a retroactive phase-in. In fact, we give folks the opportunity to do so.

But you do talk about something I think is very important. Whether this committee comes out in favor or reducing or eliminating benefits, H.R. 4 does not go as far as H.R. 3500 in eliminating benefits. H.R. 3500 eliminated all means-tested benefits for illegal aliens; H.R. 4 only eliminates five. It is five big programs, but it leaves in place a lot of the job training programs, and everything else.

What we hopefully can agree on is the provision of H.R. 4 which strengthens the sponsorship agreements. H.R. 4, as all the previous bills, only eliminates benefits for sponsored immigrants. It does not

eliminate benefits for refugees or asylees, it does not eliminate benefits for people over 75. So, you are right, a lot of the concerns are elderly, and we took the number 75 as probably too old to work or provide for yourself, and said anyone over that age.

Sponsorship agreements are not legally binding today. People sign sponsorship agreements saying they will take responsibility for the person who comes in, but that is not a legally binding agreement, it is not enforceable anywhere, and so it is a joke. We use it as a way to get people into this country, but there is no force of law on the sponsor to really follow through.

Now, under this bill, sponsorship agreements would be legally binding and you could actually haul someone in and garnish their wages or take money to make sure that they provide for the person they sponsored to come into this country. That is an important change that we have to make, irrespective of whether we eliminate or reduce benefits to legal aliens.

The point I wanted to make is, we are talking about sponsored immigrants who come to this country because someone in this country of means signs a document that says that they will provide for them.

So we are not cutting them loose and saying it is a public charge on the State now, we have someone who said that they would take responsibility. In rare cases it is not, but it is almost always a family member.

In that case, why should the government step in and relieve that person of a responsibility they said they would assume? That is what, really, this bill does.

The CHAIRMAN. Senator Simpson.

Senator SIMPSON. Thank you, Mr. Chairman. Thank you all. I find this very intriguing. We must try to, I think, differentiate between immigration reform and welfare reform, although they certainly should be receiving our attention.

But the Senator from Pennsylvania is absolutely correct, we have had laws on our books since the late 1800's which say that a person cannot come to the United States and be a public charge.

The courts, in their wisdom, chose to make it so difficult, and then the administration of it, that it means nothing; you can be a public charge and you will not be deported. We are going to change that, I hope.

One of the ways to do it is here, where we will deem that the person is going to be supported by the sponsoring relative and make the deeming period. We will see where that goes. But, nevertheless, we have to strengthen the sponsorship role here. If they do not sponsor as they pledge to do, then the subject will be deportable. Now, that is going to be part of this new legislation. I think it will come to pass.

This will be a bipartisan immigration bill, and we will have a mark-up starting in subcommittee May 17th. We are going to use all the good wisdom of a lot of bipartisan effort—yours, Senator Santorum, Senator Feinstein, Senator Shelby, Senator Bradley, Senator Dole, Senator Reid—and we are going to put out a tough piece of legislation which will go to the floor and get tougher, which is a curious thing that will happen this year that has never happened before, and we must be very careful. But I would just say

one thing, I cannot see how you can punish permanent resident aliens, because if there are more people per capita who are permanent resident aliens getting welfare than those who are American citizens, I would like to see that statistic, because I do not believe that is true. There are about 11 million permanent resident aliens in the United States. They have been here 20 or 30 years with their green cards, they are in the Rotary Club, they are in the Chamber, they go to work. The only thing they do not have that we do is the right to vote.

I cannot understand yet how they got singled out, unless it is just a failure to understand the difference between an undocumented alien, a permanent resident alien, an aslyee, or refugee. But permanent resident aliens have never been singled out like this, except one other time, and that was during World War II when they were picked up in California and removed to Wyoming.

I just think this is not an appropriate thing to do. But we did not do that with the Germans, we did not do that with the Italians, we did it to the Japanese. That is, I think, one that leaves a real mark on all of us who of an age to remember it, anyway.

So, I have trouble with that. Everything else you are doing, sponsorship, deeming periods, I am with you. But that one, we can talk about. Do you have any further thought on that?

Senator SANTORUM. What the intention was, was to make sponsorship of someone who comes to this country a real responsibility. We found such horrible enforcement of the sponsorship provisions that we believe that the best way to do it was to not even require, in a sense, the enforcement for purposes of determining a welfare benefit, so we just did a carte blanche removal of sponsored immigrants who, as you suggest, in some cases may be permanent resident aliens in this country who have been here for 20 years, whose sponsor may be dead. I mean, there are certainly facets.

All I would suggest is, there is nothing prohibiting any of those people from applying for citizenship if they want to do so. In fact, having a provision like this, some would suggest, encourages citizenship. Now, I know that may not be the most altruistic way of encouraging citizenship, but I am not too sure that is necessarily a bad thing.

Senator SIMPSON. We are finding that there are huge increases in citizenship applications among those permanent resident aliens who have been here over 5 years because of the national debate at this time, big time.

Senator SANTORUM. I am not too sure that is a bad thing.

Senator FAIRCLOTH. Mr. Chairman, may I ask Senator Simpson a question?

Senator SIMPSON. Yes, sir.

Senator FAIRCLOTH. Why not put a law requiring them to become citizens after 5 years, or leave?

Senator SIMPSON. There are considerations of that nature, or maybe 10 years. But that will be discussed, too.

Senator FAIRCLOTH. I think after 5 years they have had long enough to look at the country; they ought to decide whether they want to stay or leave.

Senator SIMPSON. Well, oddly enough, you always cut right to the quick in the most extraordinary way. There is no one that can do

it like the old Scotsman from North Carolina, and I admire that greatly. But, remember, about 80–85 percent of the people from Mexico who are eligible to go to citizenship never do—

Senator FAIRCLOTH. That is right. That is exactly my point.

Senator SIMPSON. [continuing]. Even though they have been here 20-30 years, because they like the dual aspects and advantages of both countries.

Senator FAIRCLOTH. That is exactly my point.

Senator SIMPSON. Thank you.

The CHAIRMAN. I would like to ask, because we have more witnesses, if the Senators could restrain themselves a bit.

Bill?

Senator BRADLEY. Yes. I just want to clarify one thing with Senator Santorum. You said that the bill saves \$21 billion over 5 years.

Senator SANTORUM. I said that the provision dealing with legal immigrants has been scored by CBO as a savings of \$21 billion over 5 years.

The CHAIRMAN. That is in all of the programs.

Senator BRADLEY. That is my point.

Senator SANTORUM. That is correct.

Senator BRADLEY. So how much of that would be savings in the Aid to Families with Dependent Children?

Senator SANTORUM. I do not have it broken out program by program, but I am sure we can get the CBO break-out.

The CHAIRMAN. It is a smaller amount.

Senator BRADLEY. My sense is, it is a minuscule number.

The CHAIRMAN. Yes, it is.

Senator SANTORUM. Yes. I am sure it is not a big number. The big number is Medicaid. I know that is the big number.

Senator BRADLEY. The big number is Medicaid.

Are you suggesting that in the 2- and 5-year limits, apply only to Aid to Families with Dependent Children, or to Medicaid and to SSI as well?

Senator SANTORUM. The 5-year work requirement period, all that applies to AFDC cases. SSI cases, by virtue of the fact they are SSI, they are disabled. There is no work requirement there. People who exhaust the five-year period would still be eligible for food stamps and Medicaid, so there is no limitation on AFDC case load, people on Medicaid and food stamps.

Senator BRADLEY. So it only applies to AFDC.

Senator SANTORUM. It only applies to the cash assistance program.

Senator BRADLEY. What happens if, at the end of five years, there is somebody who cannot work? What happens?

Senator SANTORUM. The State has discretion to set aside 10 percent of the case load that could continue to be on welfare because they have designated them as not being able to work, or whatever the case is, so there is some flexibility.

By the way, I was just handed the numbers, so if you want the numbers, I can give them. AFDC is \$1.15 billion. That is the 1-year, 1993 cost for legal immigrants on AFDC, \$1.15 billion. So, it is a substantial amount. I mean, about five or 6 percent of the entire AFDC case load are legal immigrants. The Medicaid number

is the big number for a 1-year cost, which is about \$7 billion a year.

Senator BRADLEY. Well, how does that get to \$21 billion over 5 years?

Senator SANTORUM. That is a 1-year cost.

The CHAIRMAN. The \$21 billion is a 5-year cost.

Senator SANTORUM. The \$21 billion is a 5-year cost.

The CHAIRMAN. That includes Medicaid.

Senator BRADLEY. But if \$7 billion is 1 year for Medicaid, and \$1.15 billion is AFDC, they are already at \$9 billion in 1 year and you have said it is \$21 billion savings over 5 years. Something does not work out.

Senator SANTORUM. Again, I apologize. They are using all legal immigrants. That is not just sponsored immigrants.

Senator BRADLEY. I think that your 1.3 is over five years, not over 1 year. I think that is where your error is. I think if you will check, you will find that—

Senator SANTORUM. My note says 1 year.

Senator BRADLEY. I know. But it does not add up.

Senator SANTORUM. I hear you. Well, it does add up if you consider the fact that these are all legal immigrants, whether they are sponsored, refugees, asylees. That is the cost for all legal immigrants. The bill refers to just sponsored immigrants, so it would be a portion of that.

Senator BRADLEY. Right. So it is much less.

Senator SANTORUM. Right.

Senator BRADLEY. Thank you.

The CHAIRMAN. Senator Nickles.

Senator NICKLES. Mr. Chairman, one, I want to thank you and Senator Moynihan for having this hearing, and thank our witnesses. Senator Bradley, talking about figures, I think I heard you say something about AFDC being \$14 billion. I was thinking it was about \$20 billion.

I was shocked the other day when we had a hearing in one of the committees—I think it was the Government Affairs Committee—that the cost of the Earned Income Tax Credit will exceed AFDC in a few years if we do not reform it. It is exploding in cost.

A program that cost \$4 billion a few years ago was \$11 billion last year, \$17 billion next year, and going up to \$24-25 billion in a couple of years will pass AFDC, becoming a major welfare program. I would just make that comment because I think it is growing out of control, but it shows you something.

Another thing, Senator Santorum, on page three of your statement you mention—and I want to make sure the figures are correct because they are staggering figures—under the SSI program, that the Social Security Commissioner testified before the Senate Judiciary Committee that the growth in legal non-citizens receiving SSI alone has reached 738,000 in 1994, and it was only 110,000 in 1982.

Senator SANTORUM. That is correct.

Senator NICKLES. So in a period of 12 years it has gone up by a multiple of six or seven times?

Senator SANTORUM. That is correct.

Senator NICKLES. Those are the kinds of growth rates, Mr. Chairman, that we cannot afford.

Is that because we are now including children? What is the primarily culprit for the explosion in this number?

Senator SANTORUM. That is the non-citizens receiving SSI. Children have had a similar kind of growth. Since 1989, the number of children on SSI has tripled. Now, the number you referred to is non-citizens on SSI, and that number has gone up about five times since 1982. So, the SSI program is the fastest growing welfare program in the Federal Government.

Senator NICKLES. Well, I will contest that; I think Earned Income Tax Credit is the fastest growing—

Senator SANTORUM. It depends on whether you consider that a welfare program or not.

Senator NICKLES. [continuing]. If you consider percentage rates of growth. But, still, for that to go from 110,000 to 738,000 in a period of 12 years is a multiple of at least six plus. It is about six and a half times. That is an unbelievable rate of growth.

Senator SANTORUM. There are several reasons. I do know if this committee had hearings, but we did in Ways and Means, about the fraud of interpreters for people who come to this country. There was a ring that was broken in California, where they come in and they basically come before the SSI person and tell the SSI person what they want to hear, and the person sits there, does not understand a word of this, and just goes along with it.

There was a ring broken, where literally thousands of people got on the program through these fraud schemes, where people went around and recruited new immigrants to come in and apply for these benefits. We also have a lot more elderly that are coming over, applying, and receiving benefits.

The other thing, which I mentioned before, is no one enforces the sponsorship agreements. I mean, they are just not enforced, and, as a result, a lot of people end up on the program.

Senator NICKLES. Now, the House bill would make the sponsorship a legal contract. The sponsor would be liable for 5 years?

Senator SANTORUM. Under current law, it is five years.

Senator NICKLES. And you would make them liable for 5 years. I think I also heard you say that the President's proposal would extend that to 10 years.

Senator SANTORUM. The President has not introduced a welfare bill this year, which I found fascinating, but his last year's bill was a 10-year bill.

Senator NICKLES. But he did not have it legally enforceable.

Senator SANTORUM. He did not change any of the contractual relationship, to my knowledge.

Senator NICKLES. Well, Mr. Chairman, I will just make an editorial comment. I think the provision that does require an enforceable contract or liability on the sponsor is an excellent idea, and it is one that I think we should aggressively pursue.

I also think, Mr. Chairman, we are going to have to do something to reduce the rate of growth of SSI recipients for legal non-citizens. That is a growth rate that is clearly not sustainable.

The CHAIRMAN. Gentlemen, thank you very much.

Senator CHAFEE. Could I just ask one question before they leave?

Senator MOSELEY-BRAUN. Mr. Chairman, I have been waiting. I wanted to ask a question.

The CHAIRMAN. I am sorry. I was hoping we could get on to our next panel. Let me take a look at our list of order here then.

Senator Chafee.

Senator CHAFEE. This will be brief. Gentlemen, I apologize for not being here through all the statements. Would you guarantee child care along with your work requirement, Senator Santorum?

Senator SANTORUM. In the original House bill that I was more responsible for, we did have additional money for child care. I think that is a necessary element. It is not in H.R. 4 as much as it was in the previous bill, and I would provide more money. I do not know if I would go as far as saying guaranteeing, but I would make it more available.

Senator CHAFEE. Well, let me just point this out. Like you, I have visited welfare State daycare centers, or child care centers, or welfare mothers at home. This child care problem is a mammoth one.

I wonder if everybody here would write down what they thought the weekly cost was for a 3-year-old right here in the Senate child care center. Just write down what you think it would be, and then I will tell you what it is.

Senator CONRAD. For how long?

Senator CHAFEE. One week, a 3-year-old. Just write it down. Think of it. The answer is, a 3-year-old, right here where this center, I suppose, receives some subsidy—I bet they did not pay for the land, and they had a drive which we all contributed to a couple of years ago—it is \$160 a week.

Now, I do not know about you. But let us say you have two children, a 3-year-old and a 5-year-old. That is not so astonishing. So, what is that? \$320 a week. That astonished me.

At home, we looked at a child care center was more the traditional one, a mother with her daughter and mother helping her in the basement of their house, where they had eight youngsters. I think that was in the neighborhood of \$60 a week per child.

Now, let us take the easiest case, the one child. Well, let us not make it \$160 a week, let us make it \$100 a week. That is some job when you are going to earn \$100 a week just to care for that child.

What do you think a welfare mother, not having graduated from high school, not with the greatest work ethics in the world, can earn in the world? What do you think, Senator Santorum, just out of curiosity?

Senator SANTORUM. Well, I do not know the answer to that. But if I can address the underlying question.

Senator CHAFEE. Sure.

Senator SANTORUM. One of the things that we had talked about in the debate on H.R. 3500 was to actually, with the work requirement, to have mothers who are on AFDC who have to work to work in daycare centers for the other people who are working, so it would be a self-supporting system within that welfare work system so there would be a network.

Senator CHAFEE. But she would have to have a place to do it.

Senator SANTORUM. Well, it is not a no-coster; that is why there is money in the bill to do it. But we do believe that it would be an efficient way of getting people necessary training, in many cases, for that job experience and, at the same time, providing for a service that needs to be provided.

Senator CHAFEE. I will not speak too much longer.

Senator Faircloth?

Senator FAIRCLOTH. Senator Chafee, you have addressed exactly the problem that my bill encompasses, and I am delighted you are going to be supporting it. [Laughter.]

That the last people that we are going to require to go into the work force are the mothers with pre-school children, and yet we are going to have 50 percent of the welfare recipients working, not 20 years from now, but by 1997, and we will require no women with pre-school children to work. If you get into this daycare thing, the cost is astronomical. So the simple answer is, put those people most eligible to work and leave the mothers of pre-school children out of the work requirement.

Senator CHAFEE. Well, I am interested in that. I will not take any longer. But in my study, if you want to call this, at home over the last recess, I spent some time on this visiting around, this daycare situation was the one that hit me the hardest. It is a mammoth problem.

The CHAIRMAN. Senator Moseley-Braun.

Senator MOSELEY-BRAUN. Thank you, Mr. Chairman. I thought you had forgotten I was sitting down here.

I have a statement that I would actually file for the record, but I would like to ask the panel a couple of questions.

[The prepared statement of Senator Moseley-Braun appears in the appendix.]

Senator MOSELEY-BRAUN. I want to applaud Senator Santorum for his emphasis on the issue of poverty as we address this whole issue of welfare reform.

I am convinced, and I think many of us have reached the conclusion, that really what you are dealing with here is not just a system that stands alone, it really is a function of poverty, it is a response of poverty, it is a system that clearly is broken and we want to fix it and we want to try to address what is required for that fix.

In this country right now, there are almost 40 million people who are poor, five million families are on AFDC, and that breaks down to about 14 million persons, including nine million kids.

So I have two questions. In the first instance, what about the children? I mean, what happens if someone is time limited, someone is poor and no longer able to provide for themselves? Those nine million children cannot go to work. Those nine million children cannot be responsible for themselves. What happens when the time limits run out and the kids are there without any support of all? If we get rid of the safety net for kids, where do we go?

Senator SANTORUM. Well, I will answer that in three ways. Number one, I think it is the fundamental question of why we are here. What happens to the children now? I mean, children now are not better off. I mean, the systems that we have created that were supposed to help children, well-intentioned as it may be—

Senator MOSELEY-BRAUN. No one wants to defend the current system. The programs do not work well.

Senator SANTORUM. Right.

Senator MOSELEY-BRAUN. I think we have got consensus on that. We are all looking for answers. You are here testifying, so I am saying, all right, Senator Santorum, what is the answer with regard to what we do for children.

Senator SANTORUM. The answer I would have, the second answer, is that if what we find is that everybody who goes on the welfare system now, and if you look at the welfare system today, 50 percent of the people on the program today will be on that AFDC program for more than 5 years. If you look at the program today and look at the recipients, the average amount of time that a person will spend on AFDC, of the people on the program today, is 13 years. Now, that is not a program that I think is successful. What has to change, is the expectation of what the welfare program is. It should not be one that you are on for a lifetime, or even the lifetime of your child being a minor, it should be a program that says you are in transition.

The reason for the time limitation is to send the message that it is a temporary program, and it will be a failure in my mind if those numbers today do not change when we implement this program, that we do not see more people finding jobs who do not get jobs today, more people getting the work experience they need to be successful. You have to change the psychology of welfare.

As long as there is a safety net, as long as there is a chance to go back, you will never change the psychology, you will always have dependency. I am making the President's argument for a time limitation. You have to put an end to the system if you want to change behavior, and, in fact, that is what we do. I think that is much more positive for children.

Senator MOSELEY-BRAUN. I am asking another question altogether, Senator Santorum. I do not disagree that we should encourage responsibility, and I do not disagree that people who can work should work. We have no argument with that aspect of your testimony. My question to you specifically is, what about the children; what happens to them?

Senator SANTORUM. Again, I think under the program that we have put forward, you will see a lot more people out of transition a lot quicker, and I think the children in those situations will be much better off. Will there be people who do not find jobs, who refuse to work, who will exhaust their 5 years on the welfare system? Yes.

What will they lose? They will lose their cash assistance, which means they will continue to receive Medicaid. If they were receiving housing, they would continue to receive housing, and they would continue to receive food stamps, depending on what we do with food stamps here. They may even get more benefits, which is usually the case if you reduce a cash benefit.

But what will happen is, mom will have to work. And, if mom does not work, then she has to deal with the consequences of what she is going to do with her children if she refuses to work. To me, that is a problem with the mother as being the head of that household in dealing how she is going to provide for her children, not

any longer society who has given that mother the opportunity to do that, to provide for her children.

Senator MOSELEY-BRAUN. Again, I think we are kind of talking apples and oranges. You keep talking about mother, and I would add the father, because it is the dad's responsibility also.

Senator SANTORUM. 98 percent of the people on AFDC are moms. That is why I used the term mother.

Senator MOSELEY-BRAUN. I understand that. But they did not get to be moms by themselves. [Laughter.]

Senator SANTORUM. I am not arguing that. In fact, there are very good provisions in this bill that deal with paternity establishment and child support enforcement that are not talked about because I think there is general agreement on them.

Senator MOSELEY-BRAUN. Right. Right. But we are just going through. I come back, what about the children? Now, I hope that you are right. If anything, we are all going to work toward transitioning people into the work force who can work, but we have nine million children in this country right now whose only subsistence is what this society provides for them, not just to AFDC, but also nutrition, health care, and the like. What about those children; what do we do for them? Or do we just have Calcutta and have kids on the corner begging for food?

Senator SANTORUM. Well, all I would suggest is, the change in the system that we have put in place will reduce the number of children on welfare, which I think should be an objective, number one.

Senator MOSELEY-BRAUN. So we will have fewer children on the corners.

Senator SANTORUM. Will, you will have fewer people who are on welfare, more moms working that should be out there working. Again, you still have a safety net of food stamps and Medicaid, but at some point it is going to be the responsibility of the parent to provide. I guess that is where the rubber meets the road and where we may have differences of opinion.

The CHAIRMAN. I am going to have to ask that we terminate this so we can get to our next panel. Gentlemen, thank you very much.

We now have Dr. Charles Murray, the Bradley Fellow from the American Enterprise Institute, and Dr. Richard Nathan, the director of the Nelson Rockefeller Institute of Government, State University of New York.

Welcome, gentlemen. You are both well-known and experienced in this committee.

Dr. Murray, go right ahead.

STATEMENT OF CHARLES A. MURRAY, PH.D., BRADLEY FELLOW, AMERICAN ENTERPRISE INSTITUTE FOR PUBLIC POLICY RESEARCH, WASHINGTON, DC

Dr. MURRAY. Thank you, Mr. Chairman. I have attached a longer article from Commentary Magazine which describes at more length what I think ought to be done about welfare, and that is actually the best single statement I think I have ever had.

This morning I would like to just emphasize very briefly five points that have occurred to me as I have watched the welfare debate unfold this spring.

Point number one, is the problem facing low-income communities is, in my view, is not that too many women are on welfare, but that too many children in those communities are being born to single women and absent fathers.

I identify strongly with the position that reducing illegitimacy is not one of many desirable things to do, it is a prerequisite for rebuilding civic life in low-income black communities, and for preventing a slide into social chaos in low-income white America.

Furthermore, the debate, I think, this spring has kept veering back to an idealized view of the welfare problem. As mothers who are striving hard under difficult circumstances and of children whose primary problem is poverty, of course such women and such children exist.

But I think the dominant reality that should be shaping the welfare debate is that the Nation's low-income communities, black and white alike, are increasingly peopled by grown-up children of unmarried young women and men who are utterly unequipped to be parents.

As we move into the second, third, and fourth generations of this problem, we also foresee the increasing disappearance of the other networks that used to step in. Extended families are all very well. The problem is, the grandfathers, aunts, and uncles become scarce in the next generation of marriages not occurred in this one.

Point number two is, the debate about job training and job placement for welfare mothers has taken on far more importance in the welfare debate than I think it warrants. The debate about jobs is peripheral, first, because putting welfare mothers to work does nothing to reduce illegitimacy and the problems it causes.

The CHAIRMAN. Is there evidence on that?

Dr. MURRAY. Well, we have one of the leading experts on job programs here, and we can talk more about that.

I do not know of any program anywhere, and Dick Nathan will correct me if I am wrong, which has demonstrated a deterrence effect on pregnancy from a job program. I just do not know of any.

The CHAIRMAN. Is there any evidence at all one way or the other? That is what I am curious about.

Dr. MURRAY. Not to my knowledge. But I will offer this logic. To the extent that you are emphasizing job training and job placement, then that makes the welfare system more attractive, not less. Young women do not say at the age of 14, I think I would like to become a chronic welfare recipient.

I mean, they have ambitions and desires and want a life, just like everybody else. And, to the extent that you have attractive job training and placement options going on for those women who are in the welfare system, you have achieved an effect you really did not want to achieve.

Now, if you turn, instead, to the question of the very much harsher Republican prescriptions, among some Republicans, for just a flat-out work requirement and what that is going to do, here is where I propose there is an immutable law of welfare reform. That immutable law is, carrots drive out sticks.

As the debate moves from the rhetoric to the actual implementation in the bill, what invariable happens is that you end up with so many loopholes, so many exemptions, such a slow phase-in, that

it is impossible to pass the kind of tough work requirement that is being proposed by some parties.

A second point that Professor Nathan is eminently qualified to argue with me about, is I would say that the record on job programs is pretty dismal. This is glass half full, glass half empty in some respects, because you certainly find, with the excellent work that Dick Nathan's group, the Manpower Demonstration Research Corporation, has conducted. You certainly find, generally speaking, differences between the experimental and control groups when you have work programs.

But these differences, while they are statistically significant in many cases and maybe could pass a test of cost benefit analysis in other cases—that is more arguable—I would say, overall, that if you are trying to project the effects of a national job program that you implement, you are looking at rather small effects.

The next point that I would like to emphasize, point number three, is that illegitimacy is going to be reduced only by a radical change in the current system, but no one quite knows what that radical change should be, even though a lot of us have ideas. The States are the only way to find out.

Governor Weld, in Massachusetts, may be on the right track. I would not have designed a program the same way he did, but what he is doing is authentically different from things we have done before, and it is going to be very useful to watch what Massachusetts does.

Does the yellow light mean I have no time, or one minute?

The CHAIRMAN. You are the last two, and you are both experts in this. Go ahead and finish up.

Dr. MURRAY. It is not going to take me much longer.

We also know how often the experts can be wrong. I mean, who among the experts predicted that this \$64 cut-off for the second child in New Jersey would have the effects on second births that June O'Neill, the Congressional Budget Office Director, found in her work. I did not predict it.

The CHAIRMAN. What did they find out?

Dr. MURRAY. 15–20 percent, roughly, reduction.

The CHAIRMAN. Reduction if you have a second child.

Dr. MURRAY. Of second children. As with all numbers when you have a program that has only been going a couple of years, you have problems with it, but June O'Neill's work is usually quite sound, and I think so in this case.

In any case, I did not predict it, and certainly all the people who say that welfare does not contribute to illegitimacy failed to predict it. So, in that sense, you have got to go to the States.

The fourth point, the indispensable content of any act, as far as I am concerned, is simply giving discretion to the States. If you want to do it through block grants, fine; I am not a big fan of block grants. But it is not so much block grants as such, nor relying on the wisdom of the States, that I think ought to motivate this. I do not think you are going to get 50 sparkling new welfare plans if you give block grants. I think you will get a couple of interesting new ideas that will teach the rest of the country a lot.

A final point, and I guess the one I feel most deeply about. The choice before the Senate is not whether to be tough on the parents

or compassionate toward their children. Massive suffering among children is already among us, despite a labyrinth of programs that are supposed to prevent it, and you can double the spending on all those programs and not get rid of the suffering.

If you doubt that, go back to the year in which we spent half as much on all these programs as we do now and compare the plight of children then and the plight of children now.

What the Senate has to be engaged in is a necessarily brutal calculation, trying to estimate what strategy will result in the least net suffering. I sympathize with people who find this to be a painful process, but I will also say to you that I feel a certain degree of contempt for those who want to pretend that this hard choice is avoidable, who want to have a bill that only does good and does no harm. It is not in the cards.

Those who say we should not punish the children for the mistakes of their parents must come to grips with the fact that millions of children alive today are being punished for the mistakes of their parents beyond Congress' power to do much about it.

Promoting the nurturing of children and diminishing their suffering must ultimately depend on a wise answer to this question: how can government policy in a free society make it as likely as possible that children will be born to two mature adults committed to their care? A Senate debate over welfare legislation that avoids that question or tries to pretend that it is not central has failed.

Thank you very much.

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

The CHAIRMAN. Dr. Nathan.

STATEMENT OF RICHARD P. NATHAN, PH.D., DIRECTOR, THE NELSON A. ROCKEFELLER INSTITUTE OF GOVERNMENT, STATE UNIVERSITY OF NEW YORK, ALBANY, NY

Dr. NATHAN. Thank you very much, Mr. Chairman. I have been looking forward to this, and I have prepared carefully and consulted with a lot of people. I think the main thing Charles Murray and I have in common is, we both want to make five points. [Laughter.]

Beyond that, there is not a lot of agreement.

Personally—and I say this in my testimony—I have misgivings about block granting entitlement programs. But the message of my testimony, and I have spent a lot of time working on welfare issues and block grant issues over a long time as Senator Moynihan knows, if you are going to do it, do it right.

So, what I present today, as someone who has watched welfare reform and worked on block grant issues, some ideas. I call it a system of ideas. It is flexible, it is preliminary, but hopefully it can be of assistance to this committee as you work on H.R. 4, which I think has a lot of very deep, serious problems.

I am going to go through my five points. They are in bold type in the testimony. I will briefly comment on them, and that will probably use my time, hopefully, to the best advantage.

First, there is no such thing as a pure block grant. There are, by the way, in H.R. 4, unfunded mandates that go beyond what most block grants do in the requirements that are contained in H.R. 4.

I am a member now of the U.S. Advisory Commission on Intergovernmental Relations, and I think that is a big problem that you have to wrestle with; what is a block grant, how do you strike that balance?

The second point that I make is, a new system of block grants for welfare should combine streams of Federal aid funding for the States for major welfare purposes on a basis that gives them increased policy making discretion—I agree with the Governors; I do not think H.R. 4 works very well in this respect—and at the same time permits them to merge programs administratively and to deal with families and family needs on a holistic basis.

Senator Moseley-Braun was getting at this earlier, and I have this point which I make: real life is not separated into Federal aid categories. I think there is a two block grant system that can give the States the opportunity to pull together programs in useful ways.

The third point that I make, is that my testimony—and I hope you will take a look at it because it develops these five points—makes the point that there is a basic difference which I do not think has been recognized sufficiently between two types of Federal grants, those for entitlements to individuals and those for services, activities that are performed by State governments and local governments and non-profit groups.

So my testimony, what it does, is propose not six block grants, which is what H.R. 4 has, but a two-block approach which is built on this distinction between entitlement type activities or programs and service type programs.

The fourth point in my testimony, and I say it right out, is what I regard as the most important point in the testimony that goes to something that Charlie has been talking about and has come up a lot this morning.

It is that the task of preventing unwanted pregnancies, especially out-of-wedlock births, and saving welfare families by getting people into work and into community/public service work experiences, those are big, hard, administrative jobs.

They cannot be accomplished by requirements and prohibitions and preachments, which is really the H.R. 4 approach, just go and do it. It actually eliminates the money, H.R. 4 does, for the JOBS Program that President Reagan signed with a great flourish, and many of you worked on in 1988.

I think we should reform the JOBS Program, emphasize work and workfare much more strongly. I say that in my testimony. But that is why I think there needs to be a second block, because otherwise the transfer-type, entitlement-type of programs will eat up the money that has to be spent by people who are going to save families, save children.

Charlie, you cannot prevent all unwanted births. I mean, I have trouble by this phrase of yours, “necessarily brutal calculation.” I just think that is too strong. We have to recognize—I wrote a book on this called Turning Promises Into Performance—that we never give enough attention in American government to how you get the job done, and H.R. 4 is a giant backwards step in this respect. I would like to speak in this connection about our MDRC experience

because it sheds a lot of light on, and picks up on something, that Charles Murray said.

The fifth and final point, also highlighted, is that you have to have in this system of ideas, I think, some way to respond to emergencies. We have precedents for counter-cyclical aid that is triggered automatically. President Ford had a bill called the Anti-Recession Fiscal Assistance Act. We all called it ARFA. I was around then. It would have had the worst acronym ever if it had been called the Budgetary Anti-Recession Fiscal Assistance Act, but we were spared that.

Anyway, I draw on that experience in my testimony to suggest ways to deal with emergencies and to have some kind of automatic increase. People are talking about capping Medicaid, and I think the AFDC categorically eligible for Medicaid could be in this block one, school meals could be in block one, and AFDC, of course, in block one.

But, in block two, I would put things like the successor to the JOBS Program, child care, Senator Chafee, if it is going to be in a block grant for welfare family heads and foster care/child welfare services, which you also referred to.

The final sentence on point five is, the rainy day loan fund in H.R. 4 is a very small umbrella. It is just a loan program and it does not deal with the fact that a recession would have a huge effect on families and State treasuries.

I think you could do a much better job than H.R. 4. I would love to be involved in whatever way I could be helpful, since I have lived with this all of my life, to present ideas which I hope are laid out in an understandable way in my testimony.

The testimony also contains an attachment which is a note, a sort of history, of block grants, how they have been used before, and how you think about that in relation to where we are today.

Mr. Chairman, I thank you very much for the chance to appear before the committee.

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

The CHAIRMAN. Dr. Murray, let me ask you again about this New Jersey experiment. For one child you get X amount of money, two children, \$64 less?

Dr. MURRAY. You do not get the extra \$64 you used to get.

The CHAIRMAN. All right. You get \$64 less than you used to get.

Dr. MURRAY. Yes. Right.

The CHAIRMAN. And what happens if there is a third, is it three tykes and you are out?

Dr. MURRAY. No, I think it is simply cut off.

The CHAIRMAN. What?

Dr. MURRAY. I will turn to Senator Moynihan, but it is my understanding—

Senator MOYNIHAN. \$64 happens to be the grant for a child, and you get one such grant.

The CHAIRMAN. Oh. That is it?

Senator MOYNIHAN. Yes.

The CHAIRMAN. And you get nothing for the second child, nothing for the third.

Senator MOSELEY-BRAUN. Senator Packwood, did you make up three tykes and you are out?

The CHAIRMAN. Yes.

Senator MOSELEY-BRAUN. Did you just make that up?

The CHAIRMAN. Yes. It just popped into my mind, yes. [Laughter.]

Dr. NATHAN. I would like to make a comment on the New Jersey study. What the June O'Neill study found—and this is preliminary, we need to be cautious about—is a one percentage point reduction in births. And when people talk about more than that, it is because they are projecting forward in ways that I think we have not really thought through hard enough yet.

So I think we need to be careful about that evidence, although, myself, I think that a lot of the waivers that States have—almost 30 States have waivers now—do contain that New Jersey provision.

The CHAIRMAN. I want to ask you both this question because almost every witness we have had has talked about jobs, jobs, jobs, jobs, jobs. I want to know what the correlation is between jobs, if you have them, and out-of-wedlock births, and no one seems to know.

Dr. Nathan, do you know?

Dr. Nathan. We do not have good evidence on that. I would like to dispute, and I will wait for, and hope for, a chance to do that, Charles Murray's, I think, unduly pessimistic interpretation of what we have found with demonstration studies of job and work programs.

But the linkage between the effects of job and work programs, and whether there are further illegitimate births, children born out-of-wedlock, the evidence we have just does not show that. It does not show that.

The CHAIRMAN. The reason I ask is, regardless of whether you and Dr. Murray disagree about whether the JOBS Programs work, if the problem is out-of-wedlock births, and if there is no particular correlation with jobs, then the emphasis is wrong on jobs if out-of-wedlock births is the problem.

Dr. MURRAY. With the JOBS Program you are talking about now, it is after the child is born. I mean, that is the main focus, is women who are on the welfare system and how to get them off.

You are asking a somewhat different question, I think. Let me see if I am understanding the question correctly. What about young women who have graduated from high school, they have jobs, as opposed to young women who do not have jobs, what is the relationship there?

The CHAIRMAN. Yes. That is correct.

Dr. NATHAN. I would not want to go to the wall on this. I think it is safe to say that you have a smaller incidence of births out-of-wedlock to employed women than you have to unemployed women, but the magnitude of that, I cannot tell you off the top of my head.

The CHAIRMAN. Now, let me ask you this, Dr. Murray. You are not overly optimistic that the States, if we block grant this, are going to do much, but you think three or four States might come up with something imaginative that works. I mean, you mentioned New Jersey. You do not know what may happen in Massachusetts, but it is certainly different, you said.

If we were to block grant it, in theory, the social services block grant we have is about as broad a block grant as you get; there are very few limits on what the State can do with that money.

But if we were to block grant it, do we put sort of a contra-philosophy into it that says, but this money must be used somehow to try to reduce out-of-wedlock births, or do we say to the States, you are on your own, see what you can come up with; we are not smart enough to know how to reach that conclusion?

Dr. MURRAY. More toward the latter than the former.

The CHAIRMAN. All right.

Dr. MURRAY. Here is what I want a State to be able to do. And when I think of it, I think in terms of a State like Utah, Montana, or South Dakota, because I think it is going to happen in a State with a small case load to begin with.

I want a State to be able to say, we are going to take all the money that we currently spend on AFDC, and preferably food stamps and public housing as well, and we are going to take all of that money and instead we are going to devote it to adoption services, and we are going to devote it to a variety of other things; maybe it will be group living for pregnant teenagers, maybe it would even be group living for young women after they have had the baby, but we are no longer going to provide any kind of direct payment to the mother.

I want a State to be able to do that because, if there is one thing that I am absolutely convinced of, it is that incremental reforms are not going to change this problem, but we do not know enough to legislate a radical national reform.

The CHAIRMAN. I was looking at the out-of-wedlock statistics. Utah is far and away the lowest State in the union; whether that is a religious influence of the Mormon church or not, I do not know. But would Utah be a laboratory in that case, or are they already halfway there? Their figures are 100 percent below the norm.

Dr. MURRAY. This raises a question that many other Senators have raised in the previous panel; what are you going to do about the children? This is a valid question. What you need is a situation in which we start out small and we start out with the easy cases, we start out with the Utahs, the Montanas, or whatever.

It is my fervent belief that you are not going to have babies starving in the streets, you are not going to have a Calcutta, that you are going to see a couple of very important phenomena.

You are going to see a very large behavioral change in women having children, you are going to see a lot more kids being given up for adoption at birth, which I think is a good thing, and you are also going to have demonstration of an historical truth in this country that there is no greater object of sympathy than small children, and you are going to see the kinds of very effective local efforts to deal with that. But, until we see that, we are not going to be able to try anything like that in the States with the more severe problems.

Dr. NATHAN. I wonder if I could comment, if I could piggyback on that. I do not entirely disagree. I think a block grant has to be a real block grant. And if you look at the system that is in the testimony I presented, I suggest that there be basically two block grants; one that deals with the payment stream, and one that puts

together the services on a basis that gives States flexibility to try new ways to package services for families so that job services and services to prevent unwanted pregnancies, and possibly also foster care, child care, and other services, can be put together.

I put in the testimony, on page seven, a point that does come from the Riverside, California, MDRC demonstration, and that is the most cited demonstration of the Put People to Work Program in Riverside California, a county of about a million people, that has been studied as part of the California GAIN program.

There they have a system, and you had Larry Thompson, the head of that program, testify. I saw that, actually, on C-SPAN. I saw that hearing and it was very good. There they actually have an arrangement where each case manager only has 100 cases.

Now, I think if you are going to get at the roots of this problem in a way that is not as brutal, if I can use Charlie's same words, we have got to have service systems that have some comprehension, that can deal with jobs, and putting people to work, and child care, and the services that a case manager can give to somebody, who says, if you have another child you are just never going to get out of this rut you are in.

So, I think that there is some agreement here between what Charles is saying and what I am suggesting, that if you are going to use H.R. 4 as the basis for developing some new, and I hope better, ideas for a Senate alternative to H.R. 4, that a two-block approach that combines entitlement streams and service streams is going to push us, if we work on it and think hard about it, in a direction that will enable States—here I agree with Charles—that really want to, to push hard on what everyone in the panel before talked about, and all of us are very concerned about. Senator Moynihan presented the frightening numbers about teenaged out-of-wedlock pregnancies.

But you cannot do it, I do not think you should do it, by just cutting off children and welfare families. I do not think you can do it with H.R. 4 by just saying, it ain't allowed anymore.

The CHAIRMAN. Senator Moynihan.

Senator MOYNIHAN. Mr. Chairman, we have had two extraordinary persons before this committee. We are honored by your testimony, and chilled by it.

May I say a kind word for Calcutta? The last time I saw Calcutta, the social structure was quite intact. There were no children begging on the streets. There were men sleeping on the streets, saving money for a dowry for their daughter who was back in their village. If you get behind what the appearances are, you find a social structure still very much intact, as it is not intact in our society.

Senator MOSELEY-BRAUN. Mr. Chairman, Senator, would you take Rio?

Senator MOYNIHAN. No, I will not. You take Rio. [Laughter.]

I could not more agree that it is reducing illegitimacy that is our problem. I think Dr. Murray makes a very important point that, when you get into the second, third, and fourth generation of this sort of social system, the aunts, the uncles, and the grandparents have disappeared. There is nobody to turn to. Society becomes a dust of individuals, as that Frenchman once said, Durkheim.

You have mentioned New Jersey. Those numbers are very preliminary, they are very small, and they may just be a reporting error. If you are not going to get any payment for an additional child, you might not report that you had one. We will know something in 5 years. But, in any event, it is very small. The overall ratio of children born out of wedlock in New Jersey is what, 26 percent, and in New York it is 35 percent.

How do we deal with this? This phenomenon has appeared all across the North Atlantic. In 1960, 6 percent of the children born in France were out-of-wedlock; in 1992 it is 33 percent.

Senator CHAFEE. Wait a minute. 33 percent of the children born in France are born out-of-wedlock?

Senator MOYNIHAN. Yes, sir. In 1960 it was five percent in the United Kingdom; in 1992 it was 31 percent. It was 5 percent for us, and in 1992, 30 percent. We have gone up again. Every year since 1970, without exception, it goes up. We have the reports, from 1993 on 10 States, that it is up.

Canada was four percent; it is now 27 percent. We get over and we find that it is not everywhere this is the case. Italy was two; it is now only seven. Switzerland was four; it is now only six. We had a hypothesis that looked like an absolute winner. The explanatory variable was distance from the Vatican. [Laughter.]

Senator MOYNIHAN. Then we got to Japan, and we found in Japan it was 1 percent in 1960 and 1 percent today. That is another hypothesis shot to hell.

Dr. MURRAY. Could I do a little exegesis on those numbers?

Senator MOYNIHAN. Please.

Dr. MURRAY. Because, whereas it is true the 1960 to 1990 figures go exactly as you have said, the timing is somewhat different. And Britain, which I know more about than any of the other countries—

The CHAIRMAN. The timing?

Dr. MURRAY. The timing. The sexual revolution, I mean, Britain in the swinging 1960's was right there with the United States in terms of changes in mores and so forth. But if you look at the timing and the change of the ratio, it is quite different from the United States.

It suddenly takes a very sharp swing up in the last half of the 1970's, coinciding with—as I am sure you know, I have written on this—the same kinds of changes in the welfare system which, in the United States, took place in the early 1960's. Similarly, if you go to Australia, you have had a large increase, but, once again, the timing coincides.

Well, these are things that you and I would argue about until 3:00 in the morning, given the chance. I am not saying it is a simple explanation.

Senator MOYNIHAN. Not argue, just trying to work through.

Dr. MURRAY. Yes. Trying to work through. I am not saying there is simple unidimensional explanation for all of this. I think that is the quantitative evidence of an implication of the welfare system, and this is getting stronger and stronger.

Senator MOYNIHAN. Do you agree?

Dr. NATHAN. I would like to propose a thought experiment which Charles Murray is famous for, and it goes to this idea of a second

block grant that is broader for dealing with family needs and situations and really enable some States to dramatically and intensively across a State really work with this population. I made a comment at a hearing that you Chaired, Senator Moynihan, where we were talking about how we want to change the behavior of people on welfare. So we are all sitting around Washington, talking about how to change their behavior.

The comment I made, and I later put it in the book I mentioned, is that the behavior we have got to change is the behavior of the bureaucracies. We have got to work on ways that will enable the States to transmit. Economists have a concept for this called signaling.

The government signals all the time with all kinds of laws and regulations. If we want to signal to this population, teenagers, rich and poor, that this is not smart, you cannot do it without having States positioned so that they can have bureaucracies functioning that do this.

So I think Charles and I, on this, are maybe not so far apart. But I would say, I do not want to achieve this by having his notion of Calcutta-ization, which is, you see these starving children so you stop having children. I have trouble with that.

I would like to try to do it by really positioning the States. That is the block grant idea. I think you could do some intriguing new things. H.R. 4 is just terrible. It takes away all of the money for really doing the things that bureaucracies have to do to deal with these awful problems.

The CHAIRMAN. I will make you a bet, though. Utah has the lowest out-of-wedlock birthrate by far in the Nation, and I will bet it is not due to a large bureaucracy. I have no idea, but I will bet that is not it.

Dr. NATHAN. Well, I would not take that bet, Senator, because, yes, I think values are what it is all about. Values in Utah, the Mormon church—I have been out there and I have talked to people.

I have been out to lots of welfare offices all around the country for years and years, and if you could change values and have values that predominate in Utah, you would be the winner, so I am not going to bet with you. But my point is, really, about changing values. If you cannot put Utah in the South Bronx, we had better put something in there. H.R. 4 does not put anything in there.

Senator MOYNIHAN. The ratio in Utah today is three times what the national ratio was 30 years ago. I would just say, thank you very much. I have to say to Dr. Nathan, if we have to change, our hope has to reside in changing the bureaucracy, you have really spoiled my day.

Dr. NATHAN. I am sorry. I apologize.

Senator MOYNIHAN. No. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Grassley.

Senator GRASSLEY. Why do we get overly concerned when discussing a change in policy of moving people from welfare to work and saving the taxpayers dollars with specific jobs, opportunities, and specific child care necessities we feel we ought to provide when, at the same time, there are a lot of working poor who are paying some tax, at least Social Security tax, and have to get up

in the morning, take their kids to child care centers, go to work, and then come back. First of all, they have to find a job, then pick their kids up at daycare and take them home, and do what everybody else has to do if they are working.

Now, it seems one or two things is true. Either we have to have the same concern about child care and job opportunities for the working poor, and I do not see anybody in this Congress trying to think up programs for them or we are being very unfair to them vis-a-vis our attention to welfare recipients.

Dr. MURRAY. Well, I will briefly say that my own view is, one of the things policy ought to do is start treating everybody alike. I want to return to a situation where having a baby is understood to be one of the most deeply important moral acts that any human being engages in, and that when someone takes a baby home from the hospital they are in the process of engaging in a huge set of responsibilities, and the responsibilities are essentially the same, whether you are taking the baby home from a hospital as an unmarried woman or you and your husband are taking the baby home from the hospital together. However, I think probably Professor Nathan has more to say about this issue than I do.

Dr. NATHAN. Well, horizontal equity, you are right. The working poor and equity between the welfare population—like I think the Medicaid benefits. I put Medicaid in this first block grant because I think some States ought to be able to reduce their Medicaid benefits for this population.

So, I think you are pointing to something that is a serious issue. The working poor person who is doing everything they can to get by looks across the street and sees somebody living off of these welfare systems. That is where we are. The question is, how do we get away from it? What do you do now? It does seem to me that, I am sorry to ruin Senator Moynihan's day, but I think this is a role for State bureaucracies.

You are here to talk about block grants, I think, and this is something that States have got to have the commitment to and the resources to deal with, and we have worried a lot about these incentive problems. We wrestled in the 1970's with so called negative income tax to get at exactly what you are saying. There are all kinds of reasons why I think we should not go back to that.

I would like to just segue quickly into one issue that H.R. 4 has got a problem in, that is on this point about incentives. That is, under H.R. 4, if a State raises its AFDC benefits by a dollar, the welfare family loses 30 cents and the State loses 30 cents because of the interplay with the food stamp program when you cap an entitlement.

There is an easy way to solve that which I did not put in my testimony, but I called it the 50-cent solution. You say, for every dollar a State raises of benefit, they get 50 cents; the feds would get 30 of those cents, and the States would get 20 cents.

You would get away from, I think, without probably a big expense, one of the problems that a lot of the analysts who have been scrubbing H.R. 4 to give you a sense of what the issues are have come up with as one of the issues. It goes to Senator Grassley's point about incentives. In this case, the incentive is to the States.

Senator GRASSLEY. I want to make a statement rather than ask a question. It seems to me like you worry so much about having the resources for daycare and the resources for creating jobs or job training that it becomes such an insurmountable obstacle to do anything about the basic problem that we never get there.

I do not know whether it is an excuse by people that do not want to change the system or what, but I think we have got to start showing some appreciation to the people who are working and who are very low-income and trying to advance, and who are starting up the ladder by working, because people who are in poverty, according to our Census Bureau, are in poverty for 2 years.

So we have a dynamic society where people are moving up the ladder to middle class, and there are a lot of higher income people that are moving down to middle class as well. And we ought to give some attention to the people who are doing it; government can be an obstacle to these things being accomplished, to some degree, because we are worried about a lot of things for some segments of the population that we are not worried about for others.

Dr. NATHAN. The Earned Income Tax Credit, which really does help with what you are saying because it helps people who earn on welfare and are working poor. Senator Nickles was saying earlier, that has grown too fast and he is worried about it. It has grown fast, and I think it is part of the solution to the problem you appropriately point to.

Dr. MURRAY. I guess I would just like to add one thing, particularly since we have Dick Nathan here. It is a good time to get it out on the table. My assertion is that, when you are talking about jobs programs, an awful lot of this stuff is irrelevant because, even though there are a few out of the table of the distribution of the results which look better, like Riverside, if you take that whole pile of evaluations and you form that distribution and you look at the median outcome, you are looking at very small outcomes.

I have watched David Elwood at a presentation, with a transparency and a screen, just listing all of the evaluated jobs programs and their outcomes and showing this in detail. So I guess what I want to get across is, we know a lot about what the effects of job programs have been. And if the Congress is going to pin its hopes on jobs programs or jobs requirements to deal with the welfare problem, it is a triumph of hope over experience.

Dr. NATHAN. Two things. One, Charles does cite Riverside. And, while we do have a lot of evidence about education and training programs—and frankly I think education and training programs are not the right answer—what we are moving to now and what we should move to under a successor program to the JOBS Program is very work-focused placement, and then workfare. I am for workfare. I am a good, card-carrying workfare proponent.

We do not have as much evidence as we do about training and education programs, for programs like the Riverside program, which raised earnings 50 percent over 3 years and got 25 percent more people into the work force. I think we have not got enough evidence for the kind of programs I would like you to write into this second block. That is my view.

The CHAIRMAN. Let me ask a question. What Dr. Murray is saying, however, you say 25 percent, and he says, yes, we used to get

four out of 100 in, now we get five out of 100 in. It is a 25 percent increase, but it is still 95 out of 100 that it is not working. Is that, Dr. Murray, roughly what you are saying? I mean, I realize those figures are wrong.

Dr. MURRAY. There are two points. One of them is the one you are making. One of the successful programs, for example, that MDRC evaluated showed an improvement for the people in the program whereby 42 percent of the women were employed 2 years after the program, compared to 36 percent of the control group. All right. That is an improvement, but it is not a solution to the welfare problem. Furthermore, (A) you are talking about one of the more successful programs; (B) you cannot go back to that well again.

You cannot say, well, we got 6 percentage points in the work force the first crack, now we will go back to that set of women, we will give them another cycle of training, and we will get another bunch in there. You have pretty much creamed off those that you are going to help. This is an elephant; we are all describing different parts of it.

What I am saying to you now is, if you are talking about fundamentally changing what we call the welfare problem, we have no reason to believe that is going to happen through job training programs. If you want to say, can job programs be cost effective, we could argue about that answer.

Dr. NATHAN. Charles, I want a Utah solution. I am not saying that JOBS, or a successor to the JOBS Program, although I favor workfare and I think there is evidence that if we were tougher and really meant it—in my testimony I say, have requirements that, after 2 years, a young welfare family head who is under 22 and not in school would have to go into workfare.

I am trying to strike a balance that might politically enable the Senate to think about some ways to strike the right cords and give the States flexibility and not break the bank. I think that my testimony leads in that direction.

And it is not based on the JOBS Program, it is based on my notion that the States have got to have ways of dealing with family problems. If we could take the Utah solution and do it without bureaucracy, Senator Moynihan, I am for that. But, unfortunately, it is these bureaucracies, these community development companies.

There are a lot of brave, wonderful people out there, in Brooklyn. I have been out there talking to a lot of these people who are counseling, pushing, cajoling these young women, do not get into that trap. We have got to have that kind of capability. It disturbs me that we are going to say, everybody has to go to work, and we are going to cut the budget. That is what H.R. 4 does.

I think that Charles' notion of a necessary brutal calculation that says, then people will see children suffering and maybe they will stop having children, I just do not think we have to do it that way, but I do agree we have to do it.

Illegitimacy is at the core of this problem, and it does involve values, and it does involve changing behavior, and the people who change behavior are not State bureaucrats and Department of Social Services in New York. I know how you think about that.

But there are a lot of CDCs out there, a lot of community groups. Willie Wren, Miracle Makers in Brooklyn. You know, he is as tough on welfare as anybody in the room. He says it is terrible that we have this problem of illegitimacy and he has got a big staff of hundreds of people working all over Brooklyn, telling these kids, do not do it.

Now, if we shut Willie Wren out, a wonderful man—he is a real hero, in my opinion—then I just do not think we are going to advance. So I think the money is in the wrong pots, and that you ought to fix that.

The CHAIRMAN. Senator Chafee.

Senator CHAFEE. Mr. Chairman, I believe, after this testimony—I have believed, but this has reinforced it—to repeat what Dr. Nathan said, that the core of the problem is—you cannot use the word “illegitimate” anymore, I guess—children born out of wedlock.

I was astonished that it was such an international situation, as Senator Moynihan pointed out. I did not know that. The Swiss must be on to something; they are at six percent. But the Swiss have—well, I will not get into that.

We have got a terrible problem here. I must say, I am not sure what you have told us. I think you said, Dr. Nathan, that education and training programs are the wrong way to go, or something to that effect.

Dr. MURRAY. No, I had said that.

Senator CHAFEE. If I am quoting you wrong, say so.

Dr. NATHAN. Not the only way to go.

Senator CHAFEE. And Dr. Murray said the JOBS Program is a triumph of hope over experience. I might plagiarize that statement. That is a good one.

Dr. MURRAY. I did already plagiarize it.

Senator CHAFEE. Did you? All right.

Senator MOYNIHAN. It describes second marriages.

Senator CHAFEE. Let me just tell you an experience I had recently. I met during the past recess with a group of teenaged mothers in Rhode Island. They had one, two, and one had had three children.

They all said that they would have their children, even if there were no AFDC program. I mean, the cut-off of AFDC did not seem to bother them. I think the most striking part of the program was, I asked them what we should do about the problem of teenaged pregnancy, parenthood, and I could not get them to admit there was a problem.

They were not frightened that their children are going to end up as these statistics show, twice as likely to drop out of high school, five times more likely to be poor, much more likely to end up in foster care or juvenile justice facilities.

Dr. Nathan, could you briefly sum up, and then I am going to ask the same of Dr. Murray—and I know this is tough—what you would do if you were us sitting here to get at this, what you call, the core problem.

Dr. NATHAN. I would sic Willie Wren on them. You do not know Willie Wren, but he has got a big, non-profit children’s program, 4,000-5,000 kids in foster care and child care in Central Brooklyn,

and all over Brooklyn. Willie Wren has religion. That is what it is. His workers tell these kids, this is stupid.

Senator CHAFEE. You mean, to have children?

Dr. NATHAN. Yes. Yes.

Senator CHAFEE. And can they persuade them?

Dr. NATHAN. Well, you get him in here and ask him about his experience. I have been out there and I have talked to him. He sounds more conservative than some of the Senators on the panel you just had, yet he cares about the children. He does not want these kids to have children. He knows it is not good for them. But what I am saying is, unless you give some attention to funding the people—I do not want to call them bureaucrats because—

Senator CHAFEE. Can you call it preventive lectures warning of the problems that we talk about here?

Dr. NATHAN. Well, it is like Utah. The biggest thing that has happened in the country is the non-profitization of social services in America. Most social services are not provided by government, they are provided by non-profit groups. And some of these non-profit groups, particularly some of the children's organizations, are very committed. Their religion is, this is dumb.

I just do not think you can solve the welfare problem by having teenagers see hungry children. At least, I do not want to solve it that way. I want to think about how you can solve it by shaping this legislation so that you get the people who can carry this message—economists call it signaling—to change behavior about education, about work, about marriage, and about having kids before you are ready to have kids.

Senator CHAFEE. All right. Now, what do you say, Dr. Murray? What is your solution.

Dr. MURRAY. First, a quick comment. The next time you go back to where you talk to the five, or however many it was, unmarried mothers, go talk to a randomly chosen panel of older married people in those same low-income communities and ask them the question, does anybody around here think the welfare system has any role in producing out-of-wedlock children, and I will tell you what the answer you are going to get is, they are going to be saying, are you crazy? Of course it does. So, a lot depends on who you ask.

But here is the main point. We will get at the illegitimacy problem—and I guess I will read from the way I put it in the commentary article—“a major change in the behavior of young women and the adults in their lives will occur only when the prospect of having a child out of wedlock is, once again, so immediately, tangibly punishing that it overrides everything else, the importuning of the male, the desire for sex, the thoughtlessness of the moment, the anticipated cuddliness of the baby.”

That is only going to take place when you drastically change the conversation about this problem. You do not think of this problem in terms of young women with calculators figuring out the inflation-discounted value of their welfare package 5 years down the road.

You think of it in terms of, what causes the people in a young woman's life to say to her, young women, you had better not have a baby because we cannot afford it, and also say to her, young woman, you had better not have a baby because it is wrong.

What causes a young woman to look at a man and judge her behavior with regard to him in terms of, how much can I count on this guy? What I am saying is, do you need social stigma, do you need social sanctions? Of course you do. But I am also saying that those social phenomena are underwritten by economics. We will not have a major change in illegitimacy until we, somewhere, get rid of the welfare system at large, not just AFDC, but that support structure, period.

Dr. NATHAN. I do not think we are that far apart.

Senator CHAFEE. Well, that reminds me of The Scarlet Letter we all read in high school.

Dr. MURRAY. Just if I could make one more sentence, Dick. When I said a necessarily brutal calculation, there is a lot about this issue which involves thinking about the role, not of carrots in people's lives, but of sticks. I do not want a government department to stigmatize single women. I am saying, human communities know how to do that very effectively. What I do want, is for the government to withdraw from this very, very complex social—

Dr. NATHAN. That is seven or eight sentences, Charles. But the problem is, the child has been born. Once the child is born, I just think that we have got to have foster care, Senator, we have got to have adoptions. I am for all of that.

We are not that far apart, except I think that you have got to work harder at preventing that child from being born in ways that are different from his brutal calculus. I think his brutal calculus is not the whole answer.

And the House bill is too much brutal calculus and not enough block grant positioning of the States to really put, what do you call, a full-court press on these kids, Willie Wren style, and tell them, this ain't smart. I think that is better than allowing some 20, 30 years of children being born and suffering and then finally, maybe, behavioral change.

Senator CHAFEE. All right. My time is up. Willie Wren, W-R-E-N, seems to me to suggest that you can talk these young people out of it. By the way, we are always talking about the woman; as Senator Moseley-Braun mentioned, there is a man involved in these things, too, and I hope he takes some of the penalties around here.

The CHAIRMAN. Senator Conrad.

Senator CONRAD. Mr. Chairman, this, in many ways, I think, has been one of the most interesting discussions we have had. I really applaud both panel members, and I applaud the Chairman for getting them here.

One of the things that strikes me as I listen to this conversation, is this whole question of signaling. I am not sure that we are not thinking we are dealing with something that has got much more of an effect than it really does. I mean, what do Italy, Utah, and Japan have in common? And let us throw in Switzerland, too.

Dr. MURRAY. West Germany, too.

Senator CONRAD. West Germany, they have a low rate. You have got homogenous populations and you have got a strong cultural ethic in each of those instances. Why do we not? Well, first of all, we are not very homogenous as a population; we are the melting pot.

Beyond that, we have had a signaling going on in this country for the last 30 years that says, everything goes. I attribute much of it to what comes over the media. In the last 30 years, if you want to look at something that has changed in this country dramatically in the last 30 or 40 years, it is the role of the media.

I mean, you turn on television any night, and you want to talk about signaling, kids are watching that five hours a day and they get all kinds of signals. You just channel surf and see what messages you are getting.

I will tell you, that is a lot different than the messages I got growing up in Bismarck, North Dakota with two TV stations, with Roy Rogers on, and a morning program that was encouraging kids to read.

I mean, it is a whole different thing that is going on in terms of signaling. That is so powerful. Mr. Wren does not have a chance. What are we talking about? Mr. Wren, he is going to have a chance when he has got the blast that is coming towards our society on television, in movies, in videos? I do not discount, by the way, the usefulness of a Mr. Wren, because, clearly, that is useful.

But I am saying, we have a cultural dynamic/societal dynamic that is going on here that just overwhelms all of these systems. And if we do not start addressing what is right at the core of what is happening in our country, I am not sure any welfare plan is going to make much difference, although I must say, I do believe right at the heart of it that people do, in the back of their minds, know, well, if I have this child the government is going to take care of the situation. I think there is an economic calculus that goes on. That is not to dismiss the notion that there are all kinds of other things going on.

There is a tremendous desire to have something in your life that is important, that makes you important. As I talk to young people, there is this sense out there that you do not matter very much, but if you have a child, all of a sudden, you do matter. At least, you matter to that child.

So, in terms of addressing something that is overwhelming our country, I have got a feeling that thinking that welfare reform is going to change this is probably very unrealistic. So I think it is a much broader issue that we have got to address.

I would just go back to the plan that I am about to put before my colleagues. It follows in some ways what you have talked about, Dr. Nathan. Number one, there are block grants for the successor to the JOBS Program, because I do not think you can discount the importance of jobs as a signal to people, look, if you are going to help, by God, you go to work, because the working poor are working. I think that is important as a signal.

Number two, we put child care assistance and child welfare in separate block grants. What we are doing is giving the States a lot of ability to experiment. I think both of you are telling us we ought to do that, that we ought to give States lots of room to experiment. We do that in the plan I am putting before my colleagues.

But we also have an entitlement left here. We have a transitional aid program that replaces AFDC. Again, tremendous flexibility to the State. They decide benefit levels, they decide sanctions,

they decide eligibility, but at least you do have that protection for kids, to the extent States want to exercise it.

Does that sound, Dr. Nathan, as something that is in line with what you are proposing here?

Dr. NATHAN. Very much so. That is a very good statement. Let me comment on the first part, and I fully agree with the second part.

You are right, we have gotten ourselves in a big hole. Both Charles Murray and I are saying, you have got to change the culture. We are both saying that, only there are different ways we think of to change the culture.

I want to change the culture in two ways, and I want the committee to hear this. I want to change the culture by having people out there who can deal with a small enough number of young women, kids, and young men, to influence them.

But the other thing I want to do—and it is in my testimony, and I would put it in your bill—is to say, this is my stick, because I am not just a carrot man. I am just not a carrot man, I am a carrot and a stick man. The stick is, any person under 22 or under who is not in school and is on assistance has to be put in a workfare job. Nip it in the bud.

Now, that does get into all of Senator Chafee's questions about child care. It is not easy, it is not cheap. But I am in favor of strong signaling, carrots and sticks in that way I just said. And I completely agree with you, Senator, about the way you are thinking about structuring grants. I think you are on the right track.

Dr. MURRAY. The only thing I would add is, there is a lot to be learned from looking at other welfare systems. Switzerland—I am not saying we could do it in the United States, but they have a very interesting, very hands-on, and very tough welfare system.

I mentioned West Germany; I have to distinguish between those in West Germany and East Germany. But they also have a system which, among other things, holds the parents of the young woman who has the baby responsible for a lot of the care. So I think there is a lot to be learned with a lot of these differing numbers from the systems they have had in place.

Dr. NATHAN. And the House bill is very strong about a register, and chasing after the father. I mean, it is a big subject. Nobody talks about it because everybody is for just doing the toughest things you can think about.

Senator CONRAD. Well, we have done that. In the proposal I am making it is just tough as nails.

Dr. NATHAN. Yes. Good.

Senator CONRAD. Frankly, I would go to the parents of the parents, too. I mean, I think they bear responsibility. That would help change the conversation in the home, too.

Dr. NATHAN. As a grandparent, I do not think about that.

The CHAIRMAN. Senator Moseley-Braun.

Senator MOSELEY-BRAUN. Thank you, Mr. Chairman. There is a French expression that is very popular, *plus ca change, plus c'est la meme-chose*; the more things change the more they remain the same. Quite frankly, the debate that we are having is not a new one, it is one that has gone on for centuries and for generations.

Even the division we hear on this panel, not to even comment on the panel previously, comes down between the kind of pessimistic view that there is nothing you can do about this, and kind of social Darwinism that says, poor people are that way because it is genetic, or their fault, and they are just going to stay that way, and there is nothing you can do to help them, versus the point of view that says, well, there are some things that you can do to help them.

It was funny. I was sitting here kind of looking for a quote from Thomas Malthus, and the Malthusian theories, and everything, that I think really sheds a little light on the debate that we are having. I would like to read it to you.

Malthus indicated—he was not for poverty laws, but he was talking about it—Every obstacle in the way of marriage must undoubtedly be considered as a species of unhappiness. But, as from the laws of our nature, some check to population must exist.

It is better that it should be checked from a foresight of the difficulties attending a family and the fear of dependent poverty than that it should be encouraged, only to be repressed afterwards by want and sickness.”

Now, we have had members on this panel say to us that want and sickness is the necessary result of the dismantlement of the safety net that we have now, and that that will be the only check that we can arrive at. I tend to think that Dr. Nathan is more on the point in saying that there are some things that we can do, and there are some things that are going on out there that are the, what Malthus called, foresight of the difficulties attending a family. That is the kind of effort that you refer to occurring when you visited in New York.

I suppose that kind of gets me to my question, Dr. Nathan, because it is one that has troubled me in this whole process. Assuming we want to try to fix this problem, how can we go about making the bureaucracy more efficient, less costly, more calculated to achieve the kinds of ends that we want to achieve with this revision of the system?

We want to encourage work, we want to encourage personal responsibility, we want to give teenagers a chance to have a full and happy life and not just cut themselves off from economic opportunity by having babies before they get educated and trained.

How can we move the bureaucracy in that direction? Now, you mentioned your two block grant proposal, the first one being an individual entitlement, as I hear it, and the second being support for the States in their efforts to provide services.

How does that second one work, in your mind, and what recommendations would you give us in terms of making the preventive approach more efficacious in this area?

Dr. NATHAN. In my testimony I go into that. I do believe in block grants. I believe in carrots, I believe in sticks, and I believe in block grants. I think this debate that you are having is happening in every State in the country. You are not the only ones talking about this awful problem. In every State people are trying to figure out what to do with this cultural, social, children's and family problem.

I guess I would say to you, Senator, that when it comes to where the rubber hits the road in dealing with what services should be

supported, and how they should be combined, and how States should be aided to provide these services and who should not, that that is where a block grant is the right answer. I am coming to the conclusion, which is a little bit new for me, that that block grant should be pretty broad. I would like to see States have the opportunity. I am a Charles Murray man in this.

I would like to see the States have an opportunity to put the job counselor and the child care counselor, and the family children's welfare service counselor all in the same place, all in the same person. I mean, I am a parent. That is what good parents do.

If there are not good parents, then we have to invent something, and it cannot be invented in Washington, much as we all care about this.

So, I think that is a good candidate area for block grants, and Senator Conrad's way of thinking about two block grants, or a system of differentiated block grants for family payments, assistance payments, and services, is where I come out.

I have to tell you, I spent weeks getting ready for this testimony because I read the House bill, I read every damn summary of the House bill, and I thought about what, in my experience, what I like to say to the committee. I thought about it this way, that, in a way, I thought I would rather fight than switch.

I would like to come down here and tell you, block granting entitlements is bad, and make all the arguments that I do not think are going to influence you, and you have all heard before. So, I decided that what I would do is try to think about a better mouse trap than H.R. 4.

I would hope that the Senate can do that. I still think it can be a better block grant than H.R. 4, and I think it can deal with the budget exigencies realistically in these conservative times.

Dr. MURRAY. Could I just add one thing, which is that, as the discussion goes on, I once again hear myself in the position of saying, it is all right if a few babies starve in the streets. That is not what I am saying. I am saying that the idea that we can deal with this problem and we can do so in a way which does only good and does not prevent anybody to fall between the cracks, is also bad.

All I am saying is, right now, this very day, we have a huge amount of suffering of children out there. And to pretend that we are debating about whether we shall have a change which causes suffering tends to avoid that point. We have got to keep very intensely in our minds the magnitude of the problem that exists and you must figure out a net effect as opposed to talking about ways in which any given solution are imperfect.

Dr. NATHAN. Workfare is not a nice thing. Workfare is a stick. It is a better stick than just cold turkey, sorry, but you should not have had that child. So, I think there is not a lot of distance between us, but—well, there is a lot of distance.

Dr. MURRAY. Yes, there is. [Laughter.]

Dr. NATHAN. I take that back. There is a lot of distance.

Dr. MURRAY. Right. We are friends, but even so.

Dr. NATHAN. Right. Right.

The CHAIRMAN. Senator Simpson.

Senator SIMPSON. Mr. Chairman, it is regrettable that all of our colleagues in the Senate could not have sat in on this one, in my

mind. I am very impressed by a very civil, respectful, and rational discourse by two people who have diametrically opposite thoughts in many areas, but a friendship and respect. I think that is great. It is a good lesson for us in our energy here. I know it is for me.

But I was thinking, too, of just a couple of odd things. The Close Up kids are in town. Boy, there is a great bunch of kids. You get in a room with them, and they ask you all sorts of hot questions, they pay attention. They are 16, 17. So, something is right down there in that group because that is a program that pays for the kids who cannot afford to come. It will put up the money, and the other kids do not know that they got the money. So something is still working out there.

But the jobs issue, just to comment on that. When I Chaired the Veterans Affairs Committee we did a veterans job program, and as long as the money was there the employers were there, and when the money ran out the employers were gone.

They did not care to hold the veteran on anymore, they just got rid of him. The money was gone and they said, well, wait a minute. The money is gone, but this was your employee. Well, I know, but there is no more money and he was not worth a wit, and I just hired him because the government was paying me.

So, I do not think those things work at all. I think Nancy Kassebaum is on the right track when she tries to consolidate those. I was appalled the other day. I cannot remember where it was. We are all like baboons here; they throw something into our cage and we'll look at it and throw it back out. So the staff will give you something and it pops into your brain.

But it was about a job opportunity at Christmas time for the disadvantaged and the underprivileged and everybody who was in tough shape to wrap packages. They were going to pay them. But they handed them a ruler and ribbon and said, here, cut a five-inch ribbon, they did not know what a five-inch ribbon was, or what to do with it, and tie it. They had no dexterity, they had no ability to do it, no savvy, no nothing. Now, that is what we have got to remember to start with. That is where we are.

Senator CONRAD. Was this largely in Wyoming?

Senator SIMPSON. No, it was not. It was North Dakota. It was a North Dakota shopping center. [Laughter.]

Senator SIMPSON. Apparently there were two stores there. [Laughter.]

All right, Conrad. I will talk to you later. Now, wait. You have used my time. I want 30 seconds more.

Just a couple of things. You said it very clearly, Dr. Murray, "two mature adults, committed to the care of a child," somewhere along in your testimony. Boy, that is a long way from where society is now.

What Kent Conrad was saying was absolutely so in his remarks. That is not the way we grew up in Cody, Wyoming with listening to Jack Armstrong, the all-American boy, and reading your Boy Scout manual to determine if you had any particular sensations created by those of the opposite sex you immediately took a cold shower, which never worked for me. But it was in the Boy Scout manual. The showers were not fun at all, but it did not seem to dull any of the glandular reactions that I had.

So you have this situation where people are really sitting today in the most depressing and dilapidated housing with a television blathering all day, some of the most banal and dim-witted programming that we can ever compose about booze, boredom, and bedlam. I am not a preacher type.

I have kind of seen lots of life that maybe some others have not. I would not want to go into much more of that. But the soaps, instant gratification, self-discipline, and self-esteem are illusory in this attitude. Young boys and girls, pawing boyfriends upon daughters. Jim Michener, I come back to him, said, "The greatest destructive force in this country is television. It destroys the root of society, which is the family." And Margaret Mead maybe had some right thoughts, too, back in her day.

But what you have right now, if you look on television all day long, is horny parents, horny kids, horny single parents, who can be the horniest, and who can be the rudest and the most smart-assed to the mother or the father in the family, and that is the fare today.

Senator Simon has been saying this and taking his lumps, amid a babble of the media about the first amendment and the chilling effect, and just turn off the switch. We have all heard that one.

So, to me, I have gone too long. But there is another one, and I am going to throw it out, because you can really be accused of being corny here. What ever happened to religion in society? I am not talking about the separation of church and State, and all the other struggles, and so on. I am not talking about that.

There is an interesting prayer which is, I believe, embraced by most faiths which begins with, Our Father, Who art in heaven. Now these people that we hear the statistics on do not even know what a father is. That was a revered figure in most faiths, most societies. That is just gone. Then you see something like Oklahoma City come along, and what is the emphasis? It is on prayer and religion, care and nurture. Somewhere in there that has failed.

Maybe we ought to give our money to guys like your friend in Brooklyn. Maybe we ought to just get the others out, give it to the non-profit groups like your friend, and say, you know better than we do, have a go at it.

What are your thoughts on that, if we were to do something like that, or some blend of that?

Dr. NATHAN. I think that the churches are a big force in the communities in which the welfare problem is most severe, and it is groups that either grew out of, or are still based in, churches that are very important to what I want this second block grant to do. I am sort of a mechanic, Senator.

I hear you when you talk about how the world has changed since I was a kid. I mean, I have all the same feelings and experiences, I think, in Albany, New York where I grew up, my wife grew up. We talk about this, the two of us, a good deal, about how the world around us has changed, and what is going to happen to our grandchildren.

But here you are having to operate on H.R. 4, and I think we have got to point in the right direction. We do need to reform welfare. The House has sent you over a very bad instrument. A better instrument will be better from the perspective and vantage point

of your very good, thoughtful comments that I am sure many would share. I guess that is all I would say about it.

Dr. MURRAY. I want to say, the one optimistic thing that occurs to me all day is, I think that maybe this pendulum you are talking about, the social pendulum, has gone out as far as it is going to go and is starting back. Their only straw is in the wind, but there are things, there are changes.

Unfortunately, they are mostly occurring in the middle class and up. I do not think Murphy Brown would be run again today. I do not think that story line would be done. Divorces are down in certain circles. I can tell this from my speaking engagements when I am speaking to colleges. There is just simply a much broader agreement now that growing up without a father is intrinsically a bad thing, whereas 10 years ago I had to fight that fight very hard.

So, I think that social mores and social sanctions—part of the reason we are debating this bill the way it is, is because so much has already changed in terms of the public perception of what is going on. So, in that domain, it may be that the years to come are going to bring better news. Whether that is going to touch the under-class or not, is another question.

Senator SIMPSON. Well, I would say that this committee, since my new presence here, will do something, I think, very constructive in this area based on, largely, what you are sharing with us. But we will do something. It will not be the same as the House bill, but it will be, I hope, something that was important. I thank you for the extra time, Mr. Chairman.

The CHAIRMAN. Senator Moynihan.

Senator MOYNIHAN. Mr. Chairman, I want to thank you for this opportunity, since it is a rare one. I would just make a point on behalf of Dr. Murray. What he has said is not that people would need some starving children in the streets to wake us up, he is saying we have starving children in the streets now. The present system brutalizes children. What might make it less so might be a brutal effort as well. Even though we are not proposing to do any harm, you are saying harm is being done.

I would like to thank Richard Nathan. Not many people would stay with this subject 14 years, as you have. The public never says its thanks very well to persons such as he. As a colleague and admirer all these years, I would like to say thanks.

The CHAIRMAN. Senator Conrad.

Senator CONRAD. I would just like to add my own voice to Senator Moynihan's. I think the two of you both have made a real contribution. This has been a very useful dialogue. I share Senator Simpson's thought. I very much hope that we do something significant, not just fiddle around the edges, because I do not think fiddling around the edges is going to do much.

I thank the Chairman for holding this hearing.

The CHAIRMAN. Senator Moseley-Braun.

Senator MOSELEY-BRAUN. I think I will say a closing remark. I just want to thank you, Mr. Chairman. It occurred to me again, sitting here thinking about this issue and the fact that this is really one of the major challenges, I think, of our time, to address this issue and to do so adequately so that there are not, Senator Moynihan, more children suffering, and that we have an obligation to

do no harm in what we do, and that is not what the House-passed bill does. That is what is frightening to me. I hope that we can, as a committee, undertake to address this issue in a way that will do no harm.

As Aristotle admonished us, the world refuses to be governed badly. I hope that we do not govern badly in the decisions that come out of this committee and that we do remain mindful of the fact that there are nine million children out there that are not responsible for the sins of their parents and that, as we fix the system, we do not want to leave them worse off and suffering more than they are today.

The CHAIRMAN. Gentlemen, thank you very, very much. We are adjourned.

[Whereupon, at 12:25 p.m., the hearing was concluded.]

APPENDIX

ADDITIONAL MATERIAL SUBMITTED

MEMORANDUM

TO: Senator Bob Packwood, Chairman, U.S. Senate Finance Committee

FROM: Hank Brown

DATE: May 1, 1995

SUBJECT: State Appropriation of Block Grant Funds and Barriers to Work

During my testimony before the Finance Committee, I promised to provide you with a memorandum on two subjects, as follows:

STATE APPROPRIATION OF BLOCK GRANT FUNDS

Colorado is one of a very few states in which the state Supreme Court has held that the legislative appropriation power includes only the authority to appropriate state funds. Effectively, this means such states' legislatures cannot exercise control over federal block grant funds in the absence of a federal statute requiring state appropriation of them.

To address this problem, I would respectfully request inclusion of language similar to the following in the Chairman's mark of welfare reform legislation:

Any amounts received by a state under the provisions of this title shall be expended only in accordance with the laws and procedures applicable to expenditures of the state's own revenues, including appropriation by the state legislature consistent with the terms and conditions prescribed by federal law.

PROHIBITIONS ON WORK IN CURRENT LAW

When the Family Support Act of 1988 was enacted, several provisions were included which constitute prohibitions on or barriers to referring or requiring AFDC beneficiaries to work. Among these barriers are:

1. The last sentence of 42 U.S.C. 684(c)(3) which provides:

No participant may be assigned under section 482(e) [work supplementation] or (f) [community work experience program] to fill any established unfilled vacancy.

2. 42 U.S.C. 482(f)(1)(B)(ii) provides that after an AFDC beneficiary has been assigned to a community work experience program [CWEP] position for 9 months, they may not be required to continue in the assignment unless the maximum hours they work is the amount of their AFDC benefit, less child support, divided by the greater of: (1) the federal or state minimum wage (whichever is greater); or (2) the rate of pay of other employees in the same job at the same site.

3. Under 42 U.S.C. 482(g)(2), no person applying for or receiving AFDC can be required to participate in job search for more than 8 weeks while their application is pending or for 8 weeks out of every 12 months while they are on AFDC.

While I appreciate that a "pure" block grant approach would obviate these barriers/prohibitions on work, we must ensure that these provisions are abolished and given no effect.

not, Americans overwhelmingly agree that the current welfare system is in shambles. Welfare undermines the basic values of our country—work, family, self-sufficiency, and personal responsibility—and sends a detrimental message to children that welfare can be a permanent way of life.

I am here today to describe two bills I plan to introduce in the near future. The first is the Childhood SSI Eligibility Reform Act, which is a more measured SSI reform alternative than the proposal passed by the House. The second is the Work Accountability and Gainful Employment Act, which is comprehensive welfare reform legislation that I have been developing for several months.

First, I want to say a few words about the Childhood SSI Eligibility Reform Act. Children's SSI presents issues that should be bipartisan. SSI is the program of last resort for 850,000 severely disabled children in low income families, but has been hobbled by criticisms about fraud and abuse. Congress can and should repair the defects in the SSI program, but do so in a way that protects children with severe disabilities. I have been talking with my colleagues on both sides of the aisle, and strongly believe a bipartisan approach is possible and desirable.

The House of Representatives out of frustration with repeated reports of abuse under the program passed a version that went too far. The House wiped out the Individualized Functional Assessment that was developed to protect children with disabilities after the Supreme Court's *Zebly* decision. And as a result, children who currently receive SSI by virtue of the assessment would lose all benefits—both SSI cash benefits and Medicaid.

My proposal takes a surgical approach to improving the SSI program, and is supported by the American Academy of Child and Adolescent Psychiatry, the American Psychiatric Association, The Association of Retarded Citizens, the National Mental Health Association and the Bazelon Center for Mental Health Law.

It targets the problems but not the kids.

None of us can pretend that SSI reform will not eliminate some children from the rolls. Obviously, it will. But our goal should be to eliminate those who should not be on the program in the first place.

I have provided the Committee with a summary and copies of the draft bill. I would welcome my colleagues' input on my proposal before it is introduced.

The Work Accountability and Gainful Employment Act—the WAGE Act—is perhaps the most comprehensive Senate proposal that significantly reforms welfare while retaining an entitlement that protects children as well as states from economic downturns.

The WAGE Act I will be introducing abolishes welfare as we know it. In its place, states will be given substantial flexibility to design work programs that do one thing—move parents into the workforce.

The WAGE Act will encompass four themes:

- Work—From the day that a parent sets foot in a welfare office, we will expect that person to work or to demonstrate progress towards self-sufficiency;
- State Flexibility—States will have unprecedented flexibility to design effective work programs under a new Work Accountability and Gainful Employment block grant. The WAGE block grant will also provide incentive payments to states for moving parents into the workforce.
- Pro-Family—Families that stay together and play by the rules will be supported in their efforts to be self-sufficient. For children in divorced or never married families, both parents will be expected to provide financial support through extensive and tough new child support enforcement measures.
- Protects Children—A Transitional Aid Program will provide wages and cash assistance to families with children. States will have substantial flexibility to determine eligibility and to set benefit levels and time limits. Teen parents will be required to stay in school and to live with their parents or in adult-supervised living arrangements.

My bill will save money and reform the welfare system, without resorting to a free-for-all AFDC block grant approach that does little to hold states accountable and that puts America's children at great risk. While there are savings to be realized in ending welfare inefficiencies, I hope that the Senate's deliberations will emphasize first and foremost that welfare reform is not an experiment to be tested on America's poor children.

The House bill allows states to count people as working who are kicked off the rolls. Real welfare reform is about solving the problem of transitioning parents into the workforce, not the streets. The persons most affected by our deliberations are America's children; I hope that our efforts will focus on supporting and enabling their parents to become self-sufficient. That is the only approach that will ensure that we are responsible to the next generation's health and prosperity.

The Congress must confront head-on the reality that children are the poorest group in American society. Much of this problem stems from family breakdown and out-of-wedlock childbearing. In 1994, 24% of the nation's children were living in families without fathers present in the home. The Casey Foundation reports that children who grow up without fathers are five times more likely to be poor, twice as likely to drop out of high school, and much more likely to end up in foster care or juvenile justice facilities. Currently, 30% of all births in the U.S. are out-of-wedlock. These trends must be reversed if we are to prepare children for the future and to maintain America's strength and prosperity.

Americans want a welfare system that emphasizes work. Americans want a pro-child approach that provides the basic necessities of shelter, economic support, and nutrition. They want a system that provides transitional assistance for people who have fallen on hard times. In return for short-term assistance, Americans expect parents to work for their benefits and to take steps toward moving off welfare. Americans do not want the status quo, which focuses on writing checks and does little to promote work and self-sufficiency.

States are overburdened by extensive federal regulations that impede their ability to enact innovative and creative approaches to moving individuals off of welfare. The worst part of welfare is the message sent to children—that if their parents do nothing, the government will send them a check. We have no choice but to revamp and reengineer welfare from the ground up.

PREPARED STATEMENT OF HON. LAUCH FAIRCLOTH

Thank you, Mr. Chairman. Before coming to the Senate I spent 45 years in the private sector meeting a payroll as a businessman and a farmer. Every year I watched as the Congress went into session and adjourned, leaving it more difficult for working taxpayers to make ends meet because of out-of-control government spending programs that have put our country on the path to a fiscal disaster.

Of all the spending programs implemented by the federal government, I do not know of a group that has been a bigger failure than those collectively known as welfare. President Johnson's War on Poverty, although launched with good intentions, has failed. In many ways, it has made the plight of the poor worse instead of better.

The problem is not a lack of spending. Since 1965 when the War on Poverty began, welfare programs have cost taxpayers \$5.3 trillion in constant 1993 dollars. Currently, the federal government runs approximately 76 means-tested welfare programs, at a cost in 1994 of \$350 billion. This amount is projected to reach \$538 billion by 1999 if current trends continue.

Ignoring a simple common-sense principle has gotten our nation and the poor into the present fix: You get more of what you pay for. For the past 30 years we have subsidized and thus promoted self-destructive behavior like illegitimacy and family disintegration. Today, almost one in three American children are born out-of-wedlock. In some communities, the illegitimacy rate is almost 80%.

Dramatic change is needed—a reversal of the trends of the last 30 years.

In a few days, I intend to re-introduce a welfare reform bill similar to one which I introduced last year with Senator Grassley and Senator Brown. The bill has three central goals: to reduce illegitimacy, promote work, and control the growth of welfare costs.

The bill will convert 67 means-tested welfare programs into a single block grant to the states. Spending increases for this block grant, and several other federal welfare-related programs, will be subject to an aggregate cap of 3% per year.

This single block grant will give states the flexibility to design programs which meet the specific needs of their poor citizens. For example, if one state has a particularly successful program of its own, or if the state wants to double its Head Start budget or triple its WIC budget, it could do so using its federal block grant funds or state funds.

Welfare should no longer be a one-way handout which destroys the desire of able-bodied people to work. Real reform would transform welfare into a system of mutual responsibility in which welfare recipients who can work, would be required to contribute something back to society in return for assistance given.

My proposal will require able-bodied welfare recipients to work in return for their benefits. By 1997, the second year after enactment, half of all welfare beneficiaries will be required to do community service or to work in public or private sector jobs in return for their benefits.

One of the most insidious aspects of the welfare system is its destructive effect on the family. Our welfare system tells a young woman, in effect, that she can collect up to \$15,000 per year in benefits as long as she does not work or marry an

employed male. Under such conditions, many recipients have decided that it makes more sense to remain unmarried. Welfare has transformed the low-income working husband from a necessary breadwinner into a financial liability.

When the Great Society anti-poverty programs were instituted in 1965, the out-of-wedlock birth rate in the U.S. was 7%. Thirty years later the rate has jumped to 30%. At this rate of growth it is projected to reach 50% by the year 2015, a prospect that President Clinton correctly pointed to with alarm.

The breakdown of the family contributes to a number of other social problems. Children raised in a single parent home are 6 times more likely to be poor than those raised by two parents. They are twice as likely to commit crimes and to end up in jail. Girls are 164% more likely to become teenage mothers themselves.

Real reform must discourage destructive behavior and encourage constructive behavior. Starting prospectively one year after enactment, my bill would eliminate direct welfare subsidies (except medical aid) to unmarried women under age 21 who have children out-of-wedlock. State governments may use the block grant to develop alternative strategies for assisting children born out-of-wedlock. The bill also encourages marriage by providing a tax credit to low income married couples with children where at least one parent is employed.

We all recognize the need to reverse the corrupting incentives in our current welfare system. Welfare recipients must work for their benefits, and must not have children that they cannot support. This is the foundation on which real welfare reform rests.

The block grant approach acknowledges that three decades of federal welfare policy have failed, and that the time has come to recognize the states' ability to lead. But, under any current block grant proposal, including my own, the federal government would still be the source of roughly 75 percent of total welfare financing. As long as that is the case, we in Congress should not abdicate our responsibility to the taxpayers in the name of welfare reform or any other reform.

I agree with the opinion of many governors that welfare block grants should be as flexible as possible to allow individual states to meet their unique needs.

Block grants and state flexibility are necessary steps in welfare reform, but they are not solutions in themselves. Our welfare reform goal must be a welfare system that truly will require work from all recipients, reduce illegitimate births, and operate more efficiently.

Finally, as the Senate now takes up welfare reform, we must be willing to make the kinds of tough decisions necessary to reduce illegitimacy and promote work, or we will condemn yet another generation to the crippling effects of welfare dependency. The state of our welfare system demands that we take immediate action, but we must do so with a clear purpose in mind.

PREPARED STATEMENT OF HON. CHARLES E. GRASSLEY

Mr. Chairman, I appreciate this final hearing to wrap up our formal discussions of welfare reform. In the 10 hearings we have held, we have considered the major topics of concern raised by various constituents and groups. I appreciate the concerns that have been raised and will continue to seriously consider those concerns.

In this debate we may disagree on many things but there is one thing on which we can all agree: welfare is a failed system.

We are dealing with a system that has failed the millions of women and children it was intended to serve. It has left them broken with no real hope of a future. It has left many of them more dependent than when they entered the system in the first place. It has contributed to the deterioration of the inner city.

This must change.

As we draft legislation in the Finance Committee, we must look to real change. Change that will be dramatic and genuine. Change that will empower individuals and families to embrace their own abilities and hope for their futures. Change that will contribute to the rebuilding of rural America and the inner city.

I am pleased with the current debate. During the 103rd Congress, I was promoting the idea of using a block grant approach for AFDC, AFDC JOBS, and food stamps for AFDC recipients. I took this approach because I believe we live in a nation of such vast geographic proportion and such heterogeneous constituencies that a one-size-fits-all approach from Washington, D.C. is doomed to fail.

That is what we have seen in our historic approach to welfare.

Well now we are looking to a new approach. We are recognizing that perhaps state leaders really are better equipped to address the concerns of their constituents. We are recognizing that there are as many ways to address these problems as there are States. That is a positive outcome.

Well now we are looking to a new approach. We are recognizing that perhaps state leaders really are better equipped to address the concerns of their constituents. We are recognizing that there are as many ways to address these problems as there are States. That is a positive outcome.

In the past, States have had to come hat in hand on bended knee asking permission of the Federal Government to test welfare reform. Under the House-passed proposal, States would receive a block grant to meet the needs of low-income citizens. They would not be required to seek Federal permission. They would have the right, and the responsibility to run their own programs.

This approach is like the proposal I introduced last year. I believe we should have a block grant with specific goals for the States without giving prescriptive Federal mandates on how to get to the goals.

I look forward to continuing this process through further discussions and the markup in this committee.

I am enclosing a summary of S. 209, the "Welfare to Work and Strong Families Act of 1995."

"WELFARE TO WORK AND STRONG FAMILIES ACT OF 1995"

Senator Grassley introduced a piece of legislation entitled the "Welfare to Work and Strong Families Act of 1995" (S. 209) on January 12, 1995. This legislation proposes changes that will reduce the size of the federal bureaucracy, give more flexibility to the states, cap welfare spending, discourage out of wedlock births and increase the number of welfare recipients working.

The bill outlined below gives the states the flexibility to address their individual needs. In return, states must follow two governing principles: first, increase the work participation rate; and second, decrease the out of wedlock births within the state.

An outline of the bill is as follows:

Eliminates the Federal Aid to Families with Dependent Children (AFDC), AFDC Job Opportunity and Basic Skills (JOBS) program, and Food Stamps for AFDC recipients program.

Takes the approximately \$37 billion from those programs and block grants the money to the states on a new national formula based on unemployment rates and per capita income.

Complete discretion is given to the states to operate as they wish as long as they move towards two goals. First, an increased number of welfare recipients working 20 hours/week. Second, a decreased number of out-of-wedlock births in the state.

If the state is doing better on these two goals than in the previous year, it will get an expedited review of the yearly plan and receive the block grant without further question. If, however, it is not doing better, the yearly plan must give an adequate explanation for why it is failing to meet the goals and must propose modifications in order to meet the objectives for the upcoming year.

The formula will go from where the state funding level is today to the new national formula over several years so that no state will go through unanticipated changes. In 1996, the funding level will be 100% of the 1995 amount. In 1997 and beyond, the basic funding level will be 96% of the 1995 level and the other 4% will go to a bonus for the states making the most improvement in their two goals. The bonus will reward states making the greatest contributions to dealing with welfare on their own.

1996—100% current formula
 1997— 80% current formula/20% new national formula
 1998— 60% current formula/40% new national formula
 1999— 40% current formula/60% new national formula
 2000— 20% current formula/80% new national formula
 2001—100% new national formula

**Statement of Senator Tom Harkin
Finance Committee Hearing on Welfare Reform
April 27, 1995**

Mr. Chairman, thank you for the opportunity to testify at this important hearing on welfare reform. I have been working actively on this issue for several years. While I don't begin to compare to the great experience and knowledge of Senator Moynihan, my many meetings with welfare recipients, case managers, business representatives, advocates and other experts in Iowa and elsewhere have led me to a number of conclusions about welfare reform. These conclusions should be helpful as we craft major changes to what is clearly a broken, dependency inducing system. I'd like to go over just a few with the Committee this morning.

Conclusion number one – Welfare must be changed from a hand out to a hand up. Receipt of AFDC benefits must be conditioned on a signed contract between the recipient and the state which outlines the steps the recipient will take to become self-sufficient and a date by which they will be off of welfare. Responsibility should start on day one and continued receipt of benefits is conditioned on compliance with the contract's requirements. From the beginning, every recipient must do something that will move them off of welfare and into self-sufficiency.

Conclusion number two – We have to make work pay more than welfare and provide recipients with the tools and incentives to become self-sufficient. The only way we will truly reduce welfare costs over the long run is to get recipients into jobs at liveable wages with the skills they need to become self-sufficient and stay off welfare. That means providing work incentives that allow welfare recipients to keep more of what they earn when they work and allow them to save more. Too often a seemingly minor setback sends families back onto the welfare rolls, like a dead car battery. It also means assisting them with child care and the education, job training and other skills they need to become good workers. Welfare reform's success should be measured not on the short term budget savings it may achieve, but on how many people it moves from welfare to self-sufficiency, from dependence to independence.

Conclusion number three – One-size-fits-all doesn't work. And I mean that in terms of individuals and states. A one-size-fits all two year time limit on benefits is unworkable and, I believe, too liberal. If put in place, it will become a minimum. Time limits should be based on the individual circumstances of the family. Many should require much less than two years. Also, states need much greater flexibility to design systems that fit their unique circumstances. What works in New Hampton, Iowa may not work in New York city. However, I believe we must be careful to maintain a basic national framework that assures that children are protected and demands responsibility from all recipients. We don't want to trade one failed, dependency-inducing system for 50 varieties of the same.

Conclusion number four – The private sector has to be actively involved if we are to have successful welfare reform. Businesses must get involved in job creation and mentoring programs that provide recipients with on the job training. And we must encourage, with the help of entrepreneurs, the creation of micro-enterprises – small businesses operated by recipients.

Conclusion number five – Welfare reform should be bipartisan. Neither party has a corner on the market of good ideas. We should come together on a plan that includes the best of both, providing a balanced approach with broad support.

In addition, we must do something to combat the unacceptable increase in births to unmarried teenagers. Between 1986 and 1991, the rate of births to teenagers increased by 11.9%, from 50.2 to 62.1 births per 1,000 females. Even more alarming is the fact that most of these teenagers are unmarried.

We must also crack down on deadbeat parents who do not pay child support. Each year, billions goes unpaid. Let there be no mistake about it, the children are the ones who pay the price when parents run from their obligations.

Today, Senator Kit Bond (R-Missouri) and I are introducing legislation, "Welfare to Self Sufficiency Act of 1995" that I believe meets these tests. I've attached a summary of our bill for the Committee's consideration.

The legislation is modeled largely on the Iowa welfare reform program which began October 1, 1993. By providing work incentives the number of Iowa welfare recipients who are working and earning a pay check has increased dramatically.

- The number of welfare recipients who are working and earning income has increased from 18% to 32.8% - an 82% increase.
- Since more welfare recipients are working and earning income, the average size of the welfare grant has declined by about 8% from \$373.75 to \$343.21.
- Since last May, the number of Iowa families on welfare has been declining. And for the past six months, the monthly pay out for cash grants is lower than for the corresponding months during the past three years.

Iowa is appropriately spending more on education and training activities, and child care in recognition that these are necessary investments that will promote self-sufficiency and reduce costs in the long run.

The centerpiece of our bill is the Family Investment Program which requires as a condition of receiving welfare recipients the negotiation and signing of individualized contracts which outline the steps each family will take to move off of welfare and into self-sufficient employment. The contracts are binding and include a time limit for welfare benefits and requires responsibility from day one. Refusing to sign a contract or failing to meet the terms of the contract at any time will lead to termination of benefits.

The Welfare to Self-Sufficiency Act provides states with a series of policy options that Senator Bond and I believe are necessary. Our proposal also cuts red tape by block granting the funds states use to administer welfare programs, a recommendation of the HHS Inspector General. Our bill does not block grant the benefit payments of these programs, preserving an important protection for vulnerable children and assuring state and local taxpayers aren't stuck with greater costs in times of economic downturns.

I believe the Harkin-Bond bill contains the elements for successful, bipartisan welfare reform and we look forward to working with this Committee and others in the very difficult task of fixing our broken welfare system. Thank you.

S.---, Welfare to Self-Sufficiency Act of 1995**A Bipartisan Approach to Welfare Reform**

Sponsored by Senator Tom Harkin (D-IA)
and Senator Kit Bond (R-MO)

The Welfare to Self-Sufficiency Act of 1995 is a common-sense, bipartisan plan that transforms welfare. It changes today's failed dependency-inducing system to one that demands responsibility from day one on the part of welfare recipients and provides them the helping hand they need to get off welfare and become self-sufficient. Unlike other reform plans it does not apply a one-size fits-all two year time limit, but sets individualized time limits (most of which should be well under two years) based on the particular circumstances of each family. It makes work more financially attractive than welfare by expanding work incentives. This plan also emphasizes moving recipients into private sector jobs, not government jobs created solely for placement purposes.

The legislation also provides much greater flexibility to the states so they can design welfare programs to fit their unique characteristics. It eliminates federal bureaucracy and red tape by consolidating the administrative costs of major welfare programs into a block grant, while maintaining uniform federal eligibility criteria for benefits.

In addition, the Welfare to Self-Sufficiency Act combats the unacceptable rise in teenage pregnancy by demanding responsibility from teens and providing them positive incentives, but without measures that primarily punish children who bear no responsibility for the conditions surrounding their birth. It also fundamentally overhauls our failed child support enforcement system, cracking down on deadbeat parents that escape their responsibilities by moving across state lines and failing to fulfill their obligations to their children.

The bill is paid for by reforming and ending the rapid growth in federal payments to states for the administration of welfare programs, requiring sponsors of immigrants to take greater financial responsibility for ensuring that immigrants don't fall onto welfare rolls and through other savings achieved in related welfare programs.

Title I -- Family Investment Agreement

The centerpiece of the legislation is the Family Investment Program which requires AFDC families to negotiate and sign individualized Family Investment

Agreements in order to receive benefits. This agreement is a contract between the state and family which outlines the steps each individual family must take to become self-sufficient and move off of welfare. The contract would outline activities such as job training, education, job search and work that family would have to participate in. States would have to provide necessary services, including child care, to keep their end of the contract. Unlike other proposals which set a one-size-fits-all two year time limit, this plan provides for time limits that will vary from family to family based on the unique circumstances of each family. In Iowa, where this plan has been put into effect, most contracts contain time limits shorter than two years.

Families who refuse to negotiate and sign a contract or fail at any time during the contract to meet the obligations outlined in the individual agreement would enter a limited benefit plan that leads to the termination of welfare benefits. Under the limited plan, families would continue to receive full benefits for three months, for the next three months benefits would be reduced to the children's portion of their benefits and benefits would be completely cut off at the end of this six month period. These families would be ineligible for AFDC benefits for six additional months.

Title II -- Increasing Work and Self-Sufficiency

The bill promotes work in private sector jobs that are needed to enable a family to become self-sufficient. States would be given the option of providing the following incentives that will encourage families to work and save:

- * The disregard for work expenses could be increased from \$90 a month to 20% of gross earnings.
- * Under current law, an individual has a 12 month work transition period. During the first 4 months, \$30 per month plus 1/3 of gross earnings are disregarded. For the following 8 months \$30 is disregarded. The bill permits state to disregard 50% of gross earnings until a family has reached self-sufficiency.
- * The resource limitation for families applying for AFDC could be increased from \$1000 to \$2000. To encourage saving by AFDC families, the resource limitation for recipients already on public assistance could be increased from \$1000 to \$5000. In order to assure more reliable transportation to and from work, recipients could be allowed to own a car worth \$3,000, rather than the current limit of \$1,500.

- * Families are also encouraged to save and plan for long-term expenses such as starting a small business, buying a first home or for job training or education programs. AFDC families could be allowed to save up to \$10,000 for these purposes. Training programs for small business development are also included.
- * At state option, earnings of teen-age members of the household would no longer be counted in determining a family's eligibility for AFDC.
- * In order to promote private sector job opportunities for welfare recipients, states would also be given the option to implement wage supplementation programs in which employers could add the value of AFDC and food stamp benefits to the wages earned by AFDC eligible workers.

Title III -- Improving State Flexibility

To help states implement education and training programs for welfare recipients, the federal contribution for the JOBS program is increased. This enhanced match is provided for funds that a state spends over their 1995 level.

States need more flexibility to design welfare programs that meet the individual characteristics of each state. The waiver authorization of the 1988 Family Support Act was a good start. However, too often the waiver process has been cumbersome and time-consuming.

To provide states with added flexibility, the bill authorizes several policy options which will not require federal waivers. The bill provides these additional state options:

- * Provides for the equivalent treatment of stepparent and parent income; and
- * To make children healthier, requiring AFDC parents to have their children receive appropriate preventive health care, including timely immunization.

In addition, considerable federal red tape would be cut by block granting the administrative costs associated with AFDC, Food Stamps and Medicaid. Payments to states would be frozen at the 1995 level. The HHS Inspector General has reported that such an approach would save approximately \$8 billion over 5 years.

Title IV -- Combatting Teenage Pregnancy

The rapid increase in out-of-wedlock births to young women must be

addressed in a logical manner. We must educate teenagers about the problems of becoming parents at an early age, stabilize young families, and require teen age parents to finish high school. The bill attacks teen pregnancy on a number of fronts.

- * Continues the state option requiring minor parents to live with their parents or another responsible adult.
- * Provides a state option that requires teenage parents to stay in school.
- * Authorizes an additional \$100 million for Title X Family Planning Grants targeted at combatting teen pregnancy.

Title V -- Improving Child Support Collection

Many families are forced onto the welfare rolls when an absent parent refuses to meet child support obligations. Only one-third of court ordered child support is paid today. This bill strengthens child support enforcement by referring collection of certain delinquent child support orders to the Internal Revenue Service. Cases in which less than 50% of ordered child support was collected by the state within a year (mostly involving out of state parents) would be referred to the IRS for collection. The IRS would be able to garnish wages of the deadbeat parents to recover ordered payments.

To encourage additional improvements in the collection of child support, the bill provides several new state options.

- * States may revoke the drivers, professional and occupational licenses of delinquent parents.
- * States may release the names of delinquent parents to the news media for publication.
- * Provides several new options to improve the process for establishment of paternity.

Title VI -- Financing

The Welfare to Self Sufficiency Act would be paid for through savings achieved in three major areas:

- * Welfare payments to immigrants would be reduced by requiring the sponsors

of these individuals to take greater responsibility for assuring that they don't become dependent on Federal assistance. The income of sponsors would be counted as available to the immigrant for purposes of determining eligibility for Food Stamps, SSI, AFDC and Medicaid until the immigrant becomes a U.S. citizen. Exceptions are made for non-citizens who are American veterans and those who have paid taxes for five or more years.

- * Payments to states for the administration of the AFDC, Food Stamps and Medicaid programs would be block granted and frozen at 1995 levels.
- * Payments from the AFDC Emergency Assistance program would be capped. This program has experienced rapid growth and has been used for purposes beyond that originally intended.

PREPARED STATEMENT OF HON. NANCY LANDON KASSEBAUM

Mr. Chairman, I am here today to discuss the "Welfare and Medicaid Responsibility Exchange Act of 1995," which I introduced earlier this month with my colleague Senator Brown. The basic principle embodied in both this and our earlier proposal is that true reform will occur only when there is a clear delineation of responsibilities between the federal and state governments.

Our legislation shifts to the states responsibility for the nation's largest welfare programs—Aid to Families with Dependent Children (AFDC), Supplemental Food Program for Women, Infants and Children (WIC), food stamps, and the AFDC portion of Medicaid. In exchange, the federal government will assume responsibility for that portion of the Medicaid program designed to provide acute care and long-term care to elderly and disabled Americans.

Currently, the overlapping regulation and dual administration of the AFDC and Medicaid programs, in particular, has resulted in a significant lack of accountability. In contrast, this legislation makes a clear-cut decision about who will run the welfare programs, who will finance them, who will make key decisions, and who will be responsible for the outcomes.

This legislation will allow both the states and the federal government to build a more cohesive safety net for the populations each sector is serving. At the end of a five-year transition period during which the states will be freed from the vast majority of restrictive federal regulations, the states will have complete autonomy for designing welfare and medical programs for low-income individuals—without federal mandates, but with their own money at stake.

The federal government will be able to improve the efficiency and effectiveness of the Supplemental Security Income (SSI) Medicaid program—a program which now consumes 70 percent of Medicaid costs yet serves only 30 percent of the Medicaid population—by better coordinating chronic care services for elderly and disabled Medicaid recipients, by promoting competition, and by allowing these individuals to have a broader choice of private health plans. To reduce the reliance on Medicaid, the revised legislation also includes tax incentives for the purchase of private long-term-care insurance and long-term care services, and standards for long-term care insurance. These provisions are similar to those contained in legislation which was introduced earlier this year by Senator Cohen.

I would like to highlight some of the other key components of this revised swap legislation:

State responsibilities: As in the earlier swap legislation (S. 140), the states will assume full costs for the AFDC, WIC, and food stamp programs. In addition, however, the states also will assume responsibility for providing health care for "AFDC-related" Medicaid recipients (non-elderly and non-disabled individuals). This population represents about 30 percent of current Medicaid expenditures.

Federal responsibilities: Instead of assuming the full costs of the Medicaid program, under the revised legislation the federal government will assume financial responsibility for the "SSI-related Medicaid" program (elderly and disabled individuals). This group represents the remaining 70 percent of Medicaid costs.

Five-year transition period: The revised legislation still contains a five-year transition period during which states will have freedom to design low-income assistance programs and time to build the infrastructure to support these programs. During this period, an independent commission will work with Congress to develop the specific provisions of the federal Medicaid program for elderly and disabled individuals. Also, the federal government will continue to provide funding to states during this period so that no state will suffer significant losses of funding.

State maintenance-of-effort: During the transition period, the states must spend the funds made available by the swap and any money previously used as a state match for AFDC, food stamps, WIC, and AFDC-related Medicaid, to provide cash and non-cash assistance to low-income individuals and families. Unlike S. 140, however, the states may direct up to 15 percent of these funds annually to savings or other uses.

Medicaid during the transition: Under the revised legislation, federal Medicaid benefit and coverage requirements for children will be frozen at 1995 levels during the transition. Beyond that, however, the states will be given significant freedom to redesign the AFDC-related Medicaid program without applying for federal waivers.

At the end of the transition period: Under the revised legislation, Congress must determine at the end of five years whether to continue this arrangement or, instead, to grant the states complete autonomy to design welfare and low-income medical care programs. If this complete swap goes into effect, states that experience a significant loss of federal funds and have the greatest need for public services will be eligible for a targeted grant program.

Mr. Chairman, I believe the basic goal of welfare reform must be to return substantial authority, autonomy, and responsibility to state and local governments. We must end the "one-size-fits-all" approach to income support programs which has frustrated those who have sought innovative solutions, and we must break the cycle of dependence that undermines families and is destroying support for a necessary but limited safety net.

I believe we must make systemic changes that will have a profound and long-lasting impact on the way services are delivered to needy Americans. We must cross the threshold from a Washington that simply shares power with the states to a Washington that actually surrenders power.

Attachments.

Kansas State Board of Education

120 S.E. 10th Avenue, Topeka, Kansas 66612-1182

**Jeannette Nobo, Coordinator
913-296-1978**

April 28, 1995

Senator Nancy Kassebaum
302 Russell Senate Office Building
Washington, D.C. 20510

Dear Senator Kassebaum:

Later this fall the Juvenile Justice and Delinquency Prevention Act of 1974 will be scheduled for reauthorization. Because leadership during reauthorization is critical for its success, I am writing to request your leadership and assistance.

In Kansas, we are just beginning to focus on improving local juvenile justice systems and building local continuums of sanctions to deal effectively with juvenile offenders. Your leadership efforts would be a tremendous asset for the Act and for Kansas.

Thank you.

Sincerely,



**Jeannette Nobo, Member
Advisory Committee on Juvenile
Offender Programs**

cc: Sue Lockett, ACJOP Chair



COMMONWEALTH of VIRGINIA

Donald S. Beyer, Jr.
Lieutenant Governor

Office of the Lieutenant Governor

Richmond 23219

Voice/TDD (804) 786-2078
FAX (804) 786-7514

1 May 1995

Senator Nancy Landon Kassebaum
SR-302, Russell Building
Washington, D.C. 20510-0003

Dear Senator Kassebaum,

Congratulations on the hard work you are doing on welfare reform.

I am well aware of the many issues you must consider when crafting this kind of legislation. We in Virginia have taken the challenge of welfare reform seriously. Governor George Allen, members of the legislature, and I successfully completed negotiations on the Virginia Independence Program. We believe this legislation reflects the values, priorities and beliefs of Virginians.

As you work on your bill I would encourage you to consider allowing each state as much latitude as possible in customizing welfare reform legislation. States, for example, could be permitted to address specific areas, such as workfare, learnfare, housing for minor parents, and definitions of broad-based subjects as "family" and "proper health care", etc. Input on these issues at the grass-roots level better ensures that our solutions truly reflect our communities.

Thank you for your efforts on behalf of us all. You have my best wishes for a successful legislative season.

Sincerely,

A handwritten signature in cursive script, appearing to read "Don Beyer".

Donald S. Beyer, Jr.

DSB/djm
enclosure

1995 SESSION

REENROLLED

VIRGINIA ACTS OF ASSEMBLY — CHAPTER

An Act to amend and reenact § 63.1-105, as it is currently effective and as it may become effective, § 63.1-105.1, §§ 63.1-133.41 through 63.1-133.55, and § 63.1-251 of the Code of Virginia and to amend the Code of Virginia by adding sections numbered 63.1-105.3 through 63.1-105.7, relating to aid to families with dependent children and the Virginia Independence Program.

[H 2001]

Approved

Be it enacted by the General Assembly of Virginia:

1. That § 63.1-105, as it is currently effective and as it may become effective, § 63.1-105.1, §§ 63.1-133.41 through 63.1-133.55 and § 63.1-251 of the Code of Virginia are amended and reenacted and that the Code of Virginia is amended by adding sections numbered 63.1-105.3 through 63.1-105.7 as follows:

§ 63.1-105. Eligibility for aid to dependent children.

A person shall be eligible for aid to families with dependent children if ~~he~~ *that person*:

(a) 1. Has not attained the age of eighteen years, or, if regularly attending a secondary school or in the equivalent level of vocational or technical training, has not attained the age of nineteen years and is reasonably expected to complete his senior year of school prior to attaining age nineteen;

(b) 2. Is a resident of Virginia;

(c) 3. Is deprived of parental support or care by reason of the death, continued absence from home, or physical or mental incapacity of a parent;

(d) 4. Is living with his father, mother, grandfather, grandmother, brother, sister, stepfather, stepmother, stepbrother, stepsister, uncle, aunt, first cousin, nephew, or niece in a place of residence maintained by one or more of such relatives as his or their own home or is in placement under conditions specified by the State Board; ~~and~~

(e) 5. Is in need of public assistance; *and*

6. *If under the age of eighteen years, is in compliance with compulsory school attendance laws (§ 22.1-254 et seq.) as described in § 63.1-105.4.*

Notwithstanding the provisions of subdivision (e) 3 above, the State Board may determine, by rule and regulation, the conditions under which a child who is deprived of adequate support by reason of the unemployment of one or both of his parents shall be eligible for aid and assistance under this chapter if all other eligibility requirements have been met. The welfare of the child shall be the paramount consideration and the presence of an unemployed parent in the home shall not in and of itself deprive such child of necessary aid and assistance under this chapter. *To the extent permissible under federal law, AFDC shall be provided to needy two-parent families on the same terms and conditions that AFDC is provided to single-parent families.*

Additionally, notwithstanding the provisions of subdivision (e) 3 above and according to regulations promulgated by the Board, the parent of an eligible child or children who is married to a person not the parent of said child or children shall not be eligible for Aid to Families with Dependent Children (AFDC) if the parent's spouse's income, when deemed available to the family unit according to federal regulations, in and of itself, exceeds the state eligibility standard for AFDC. However, eligibility for said child or children shall be considered by counting the income of such parent and child or children, and any portion of the parent's spouse's income which exceeds 150 percent of the federal poverty level for the spouse and parent. If the income of the parent's spouse which is deemed available does not, in and of itself, exceed the state eligibility standard for AFDC, none of the spouse's income will be counted as available to the family unit, and eligibility will be determined considering only the income, if any, of the parent and said child or children. If the said parent fails or refuses to cooperate with the Department's Division of Child Support Enforcement in the pursuit of child support, the income of the parent's current spouse will be counted in accordance with federal regulations in determining eligibility for AFDC for the parent's child or children.

§ 63.1-105. (Delayed effective date) Eligibility for aid to families with dependent children.

A person shall be eligible for aid to families with dependent children if ~~he~~ *that person*:

1. Has not attained the age of eighteen years, or, if regularly attending a secondary school or in the equivalent level of vocational or technical training, has not attained the age of nineteen years and is reasonably expected to complete his senior year of school prior to attaining age nineteen;
2. Is a resident of Virginia;
3. Is deprived of parental support or care by reason of the death, continued absence from home, or physical or mental incapacity of a parent;
4. Is living with his father, mother, grandfather, grandmother, brother, sister, stepfather, stepmother, stepbrother, stepsister, uncle, aunt, first cousin, nephew, or niece in a place of residence maintained by one or more of such relatives as his or their own home or is in placement under conditions specified by the State Board; ~~and~~
5. Is in need of public assistance; ~~and~~
6. *If under the age of eighteen years, is in compliance with compulsory school attendance laws (§ 22.1-254 et seq.) as described in § 63.1-105.4.*

Notwithstanding the provisions of subdivision 3 above, the State Board may determine, by regulation, the conditions under which a child who is deprived of adequate support by reason of the unemployment of one or both of his parents shall be eligible for aid and assistance under this chapter if all other eligibility requirements have been met. The welfare of the child shall be the paramount consideration and the presence of an unemployed parent in the home shall not in and of itself deprive such child of necessary aid and assistance under this chapter. *To the extent permissible under federal law, AFDC shall be provided to needy two-parent families on the same terms and conditions that AFDC is provided to single-parent families.*

Additionally, notwithstanding the provisions of subdivision 3 above and according to regulations promulgated by the Board, the parent of an eligible child or children who is married to a person not the parent of the child or children shall not be eligible for Aid to Families with Dependent Children (AFDC) if the parent's spouse's income, when deemed available to the family unit according to federal regulations, in and of itself, exceeds the state eligibility standard for such aid. However, eligibility for the child or children shall be considered by counting the income of such parent and child or children, and any portion of the parent's spouse's income which exceeds 150 percent of the federal poverty level for the spouse and parent. If the income of the parent's spouse which is deemed available does not, in and of itself, exceed the state eligibility standard for AFDC, none of the spouse's income shall be counted as available to the family unit, and eligibility shall be determined considering only the income, if any, of the parent and the child or children. If the parent fails or refuses to cooperate with the Department's Division of Child Support Enforcement in the pursuit of child support, the income of the parent's current spouse shall be counted in accordance with federal regulations in determining eligibility for AFDC for the parent's child or children.

§ 63.1-105.1. Eligibility for payments for aid to families with dependent children.

A. To be eligible for payments for aid to families with dependent children, an applicant or recipient shall:

1. Furnish, apply for or have an application made in his behalf, *and in behalf of all children for whom assistance is being requested*, for a social security account number to be used in the administration of the program;
2. Assign the Commonwealth any rights to support from any other person such applicant may have in his own behalf or in behalf of any other family member for whom the applicant is applying for or receiving aid and which have accrued at the time such assignment is executed;
3. Identify the parents of the child for whom aid is claimed, subject to the "good cause" provisions or exceptions in federal law or regulations. However, this requirement shall not apply if the applicant or recipient ~~submits a statement under penalty of perjury that the identity of the parent is not reasonably ascertainable and the local department of social services is aware of no other evidence which would refute such statement~~ *child is in a foster care placement; and*
4. Cooperate in (i) locating the parent of the child with respect to whom aid is claimed, (ii) establishing the paternity of a child born out of wedlock with respect to whom aid is claimed, (iii) obtaining support payments for such applicant or recipient and for a child with respect to whom aid is claimed and (iv) obtaining any other payments or property due such applicant or recipient of such

child.

B. Any applicant or recipient who intentionally misidentifies another person as a parent shall be guilty of perjury and, upon conviction therefor, shall be punished in accordance with § 18.2-434.

C. If paternity is not established after six months of receipt of AFDC, the local department may suspend the entire grant or the adult portion of the grant, subject to regulations promulgated by the State Board, in cases where the local department determines that the recipient is not cooperating in the establishment of paternity.

§ 63.1-105.3 Diversionary cash assistance.

The State Board shall promulgate regulations to enable AFDC eligible applicants meeting certain criteria to receive at one time the maximum AFDC cash assistance which the applicant would otherwise receive for a period up to 120 days. An individual may receive diversionary AFDC cash assistance only one time in a sixty-month period and, in so doing, waives his eligibility for AFDC for a period of up to 160 days. Diversionary assistance shall be used to divert the family from receiving ongoing AFDC cash assistance by providing assistance for one-time emergencies.

§ 63.1-105.4 Eligibility for aid to families with dependent children; school attendance.

In order to be eligible for AFDC, members of the assistance unit, including minor custodial parents, shall be in compliance with compulsory school attendance laws (§ 22.1-254 et seq.). The State Board shall promulgate regulations to implement the provisions of this section, including procedures for local social services departments to (i) receive notification from local school divisions of students who are truant and (ii) assist families in noncompliance to achieve compliance. An applicant for or recipient of AFDC or any member of his assistance unit who has been found guilty under § 22.1-263 shall not be eligible for AFDC financial assistance until in compliance with compulsory school attendance laws. Any person who becomes ineligible for AFDC financial assistance as a result of this section shall nonetheless be considered an AFDC recipient for all other purposes, including Medicaid eligibility.

§ 63.1-105.5 Minor noncustodial parents whose child receives AFDC; child support obligations.

If a minor noncustodial parent whose child receives AFDC is not in compliance with compulsory school attendance laws (§ 22.1-254 et seq.), he shall be required to pay child support as if he were an adult, and child support shall be collected as provided in Chapter 13 (§ 63.1-249 et seq.) of Title 63.1.

§ 63.1-105.6 Minor parent residency.

A. Except as provided in subsection B, an unemancipated minor custodial parent may receive AFDC for himself and his child only if the individual and his child reside in the home maintained by his parent or person standing in loco parentis. For purposes of AFDC eligibility determination, a minor who receives government-provided public assistance is not considered emancipated unless married.

B. The provisions of subsection A shall not apply if:

1. The individual has no parent or person standing in loco parentis who is living or whose whereabouts are known;

2. The local department of social services determines that the physical or emotional health or safety of the individual or his dependent child would be jeopardized if the individual and dependent child lived in the same residence with the individual's parent or the person standing in loco parentis for the individual;

3. The local department of social services otherwise determines, in accordance with regulations promulgated by the State Board, that there is good cause for waiving the requirements of subsection A.

C. If the individual and his dependent child are not required to live with the individual's parent or the person standing in loco parentis for the individual, the local department of social services shall assist the individual in locating an appropriate adult supervised supportive living arrangement taking into consideration the needs and concerns of the minor and thereafter shall require that the individual and his child reside in such living arrangement or an alternative appropriate arrangement as a condition of the continued receipt of AFDC. If the local department of social services is unable, after making diligent efforts, to locate any such appropriate living arrangement, it shall provide case management and other social services consistent with the best interests of the individual and child

who live independently.

§ 63.1-105.7. Limitation on AFDC benefits.

Norwithstanding the provisions of § 63.1-105 and the AFDC program regulations, the State Board shall revise the schedule of AFDC financial assistance to be paid to a family by eliminating the increment in AFDC benefits to which a family would otherwise be eligible as a result of the birth of a child during the period of AFDC eligibility or during the period in which the family or adult recipient is ineligible for AFDC benefits pursuant to a penalty imposed by the Commissioner for failure to comply with benefit eligibility or child support requirements, subsequent to which the family or adult recipient is again eligible for benefits. The State Board shall provide that a recipient family in which the mother gives birth to an additional child during the period of the mother's eligibility for AFDC financial assistance, or during a temporary penalty period of ineligibility for financial assistance, may receive additional financial assistance only in the case of a general increase in the amount of AFDC financial assistance which is provided to all AFDC recipients. Applicants shall receive notice of the provisions of this section at the time of application for AFDC. AFDC recipients shall receive notice of the provisions of this section within sixty days of the effective date of regulations implementing this section. This section shall not apply to legal guardians, foster parents, grandparents, or other persons in loco parentis who are not the biological or adoptive parents of the child.

There shall be no elimination of the increment in benefits for (i) ten months after the effective date of this section or (ii) children born within ten months after the mother begins to receive AFDC.

A single custodial parent who does not receive additional AFDC financial assistance for the birth of a child pursuant to this section shall receive the total value of all child support payments due and collected for such child, and the value of such payments shall not be counted as income for the purposes of AFDC eligibility and grant determination.

§ 63.1-133.41. (Delayed effective date) Virginia Independence Program (VIP); purpose; administration.

There is hereby created the Virginia Independence Program, hereinafter in this chapter referred to as the "Program." The Job Opportunities and Basic Skills Training Program shall be implemented in the Commonwealth as the Virginia Independence Program and the Virginia Initiative for Employment not Welfare.

The goals of the Program are to:

- 1. Offer Virginians living in poverty the opportunity to achieve economic independence by removing barriers and disincentives to work and providing positive incentives to work;*
- 2. Provide Virginia families living in poverty with the opportunities and work skills necessary for self-sufficiency;*
- 3. Allow Virginia families living in poverty to contribute materially to their own self-sufficiency;*
- 4. Set out the responsibilities of and expectations for recipients of public assistance and the government; and*
- 5. Provide Virginia families living in poverty with the opportunity to participate in a community obtain work experience through the Virginia Initiative for Employment Not Welfare (VIEW).*

The Program shall recognize clearly defined reciprocal responsibilities and obligations on the part of both parents and government and shall include an agreement of mutual responsibility requiring intensive case management, supportive and transitional services for families; earned income disregards which reduce work disincentives; specific responsibilities for participating families; a limit on AFDC financial assistance for recipients who bear children while receiving AFDC; and a one-year limit on the receipt of AFDC financial assistance by a family.

The agreement shall recognize that not all recipients will find independent employment within one year. The Program therefore includes a community work experience option, VIEW, for up to one additional year. The Program also includes objective criteria for extending VIEW participation, in extraordinary and limited cases.

None of the provisions of this chapter shall be construed or interpreted to create any rights, causes of action, administrative claims or exemptions to the provisions of the Program, except as specifically provided in §§ 63.1-133.43, 63.1-133.48, 63.1-133.51 and 63.1-133.53.

The Department of Social Services (the Department) shall administer the Program, which is to be

phased in statewide commencing July 1, 1994. The Department shall be assisted by the Department of Economic Development, the Virginia Employment Commission and the Governor's Employment and Training Department.

§ 63.1-133.42. (Delayed effective date) Definitions.

For purposes of this chapter, unless the context otherwise clearly requires:

"AFDC" means Aid to Families with Dependent Children.

"Agreement" means the written individualized agreement of mutual personal responsibility required by this chapter.

"Case manager" means the service worker designated by the local department of social services, a private-sector contractor or a private community-based organization including nonprofit entities, churches, or voluntary organizations that provide case management services.

~~"Control group" means a subset of families who are not Program participants who receive AFDC in accordance with regulations in effect prior to the effective date of this act and who are statistically matched with families who are Program participants.~~

~~"Independent employment" means employment that is not VIEW employment.~~

"Intensive case management" means individualized services provided by a properly trained case manager.

"Participating family" means an assistance unit including a parent who participates in the Program, including services and requirements authorized by this chapter.

§ 63.1-133.43. (Delayed effective date) Participant eligibility.

Recipients All recipients of AFDC shall be required to participate in the Program, except that the following families shall not be required to participate in any of the employment provisions of the Program and shall remain eligible for AFDC financial assistance:

1. Single-parent families in which the parent is temporarily or permanently disabled or two-parent families where both parents are temporarily or permanently disabled, as disabled is defined by State Board of Social Services (State Board) regulation; including parents who become temporarily or permanently disabled while they are Program participants.

2. Families in which the parent is needed to care for a temporarily or permanently disabled child or spouse, as disabled is defined by State Board regulation.

3. Families in which the parent is under the age of twenty years and is attending an educational or training program on a full-time basis.

1. Any individual, including all minor caretakers, under sixteen years of age;

2. Any individual at least sixteen, but no more than nineteen years of age, who is enrolled full-time in elementary or secondary school, including vocational or technical school programs. The vocational or technical school must be equivalent to secondary school. Once the individual loses this exemption, he cannot requalify for the exemption, even if he returns to school, unless the case is closed and reopened or he becomes exempt for another reason. Whenever feasible, such recipients should participate in summer work;

3. Any individual who is unable to participate because of a temporary medical condition that is preventing entry into employment or training, as determined by a physician and certified by a written medical statement. Such an exemption shall be reevaluated every sixty days to determine whether the person is still exempt;

4. Any individual who is incapacitated, as determined by receipt of Social Security Disability Benefits or Supplemental Security Income. This exemption shall not be granted to either parent in an AFDC-UP case; eligibility shall be evaluated for regular AFDC on the basis of the parent's incapacity;

5. Any individual sixty years of age or older;

6. Any individual who is the sole caregiver of another member of the household who is incapacitated as determined by receipt of Social Security Disability Benefits or Supplemental Security Income or another condition as determined by the State Board and whose presence is essential for the care of the other member on a substantially continuous basis;

7. A parent or caretaker-relative of a child under eighteen months of age who personally provides care for the child. A parent of a child not considered part of the AFDC assistance unit under § 63.1-105.7 may be granted a temporary exemption of not more than six weeks after the birth of

such child;

8. A female who is in her fourth through ninth month of pregnancy as determined by a written medical statement provided by a physician;

9. Children receiving AFDC-Foster Care;

4-10. Families where the primary caretakers of a child or children are legal guardians, grandparents, foster parents, or other persons standing in loco parentis and are not the adoptive or biological parents of the child.

In an AFDC-UP case, both parents shall be referred for participation unless one meets an exemption; only one parent can be exempt. If both parents meet an exemption criterion, they shall decide who will be referred for participation.

§ 63.1-133.44. (Delayed effective date) Advisory Commission on Welfare Reform.

There is hereby established the Advisory Commission on Welfare Reform, which shall be convened by the Secretary of Health and Human Resources.

The Advisory Commission shall have the following duties:

1. Serve, through recommendations to the Governor, as a catalyst for generating a pool of jobs for participants in the Virginia Independence Program.

2. Provide evaluation and feedback to the Governor on incentives designed to promote business participation in the Virginia Independence Program.

The chairman, vice chairman and members of the Commission, except for members of the General Assembly, shall be appointed by the Governor and shall serve at his pleasure. The Commission shall consist of twenty-four appointed members, including two members of the Virginia Senate, to be appointed by the Senate Committee on Privileges and Elections; three members of the Virginia House of Delegates, to be appointed by the Speaker of the House of Delegates; thirteen representatives of the business community, *including two representatives of labor*; two current and one former recipient of AFDC; one representative of the Virginia Municipal League; one representative of the Virginia Association of Counties; and one representative of the Virginia League of Social Service Executives. ~~The and the Secretaries of Health and Human Resources, Education, Public Safety and Commerce and Trade shall serve as ex officio members.~~

§ 63.1-133.45. (Delayed effective date) Participation; coordinated services.

A. In administering the Program, the Department shall ensure that local departments of social services provide delivery and coordination of all services through intensive case management. Program participants shall be referred to a case manager. The case manager shall fully explain the Program to the participant and shall provide the participant with written materials explaining the Program.

B. ~~There shall be a written individualized agreement of mutual responsibility for each participating family which shall be developed with the full involvement of the family. The agreement shall set out the responsibilities of and expectations for Program participants and the responsibilities and obligations of the government, including services to be provided to the participating family. The agreement shall identify specific education, training or employment activities that will direct a participant towards self-sufficiency. The agreement shall be in a format developed for statewide use, provide a mechanism for revisions and amendments based on changed circumstances and notify participating families of their right to appeal the contents of the agreement and their other appeal rights under this chapter. Services required by the agreement of mutual responsibility shall be offered according to the timetable established in the agreement to enable members of the family to achieve self-sufficiency and to carry out their personal and family responsibilities.~~

The Department shall assist local departments in improving the delivery of services, including intensive case management, through the utilization of public, private and non-profit organizations, to the extent permissible under federal law.

C. The Department shall be responsible for the coordination of the intensive case management. Job training shall be facilitated by the Governor's Employment and Training Department. Job finding and job matching leading to independent employment shall be facilitated by the Virginia Employment Commission and the Department of Economic Development.

D. The Secretary of Health and Human Resources, assisted by the Secretary of Commerce and Trade, shall prepare and maintain an annual plan for coordinating and integrating all appropriate

services in order to promote successful outcomes. The plan shall encourage the use of local and regional service providers and permit a variety of methods of providing services. Emphasis shall be placed on coordinating and integrating career counseling, job development, job training and skills, job placement, and academic and technical education. Public and private institutions of higher education and other agencies which offer similar or related services shall be invited to participate as fully as possible in developing, implementing and updating the annual coordination plan.

E. The Secretary of Health and Human Resources shall:

1. Increase public awareness of the federal earned income credit and encourage families who may be eligible to apply for this tax credit.

2. Pursue aggressive child-support initiatives as established by the General Assembly.

3. Work with community providers to develop adoption, education, family planning, marriage, parenting, and training options for Program participants.

4. Increase public awareness of the tax advantages of relocating one's residence in order to secure employment.

5. Provide leadership for the development of community work experience opportunities in VIEW.

6. Develop strategies to educate, assist and stimulate employers to hire participants and to provide community work experience opportunities, in consultation with the Advisory Commission on Welfare Reform, representatives of employers, and other relevant public and private agencies on the state and local level.

7. Provide technical assistance to local departments of social services to assist them in working with employers in the community to develop job and community work experience opportunities for participants.

§ 63.1-133.46. (Delayed effective date) Case management; support services; transitional support services.

A. The Commissioner of Social Services, through the local departments of social services, with such funds as appropriated, shall offer services under the Job Opportunities and Basic Skills Training Program to all families participating in the Program.

B. The Commissioner of Social Services, through the local departments of social services, with such funds as appropriated, shall offer families participating in the Program intensive case management services throughout the family's participation in the Program. ~~To ensure the delivery of intensive case management services, the caseload of any case manager shall not exceed forty-five families.~~ Case management services shall include initial assessment of the full range of services that will be needed by each family including testing and evaluation, development of the individualized agreement of ~~mutual personal~~ responsibility, and periodic reassessment of service needs and the agreement of ~~mutual personal~~ responsibility. *It shall be the goal of the Department to have a statewide intensive case management ratio not higher than the prevailing statewide average ratio in the JOBS Program in Virginia as the ratio exists in the JOBS Program on the date of enactment of this act. The Department shall seek to achieve this goal during the first year of implementation. By December 1, 1996, the Commissioner shall develop and submit a report to the Governor and General Assembly concerning the establishment of a classification system for caseload management in the Program. The Department shall include in its annual report to the Governor and General Assembly an evaluation of program effectiveness statewide and by locality, including an evaluation of case management services. Pursuant to regulations promulgated by the State Board, the following services shall be provided to participating families if needed:*

1. Day care for the children of Program participants if:

a. The participant is employed and day-care services are essential to the continued employment of the participant;

b. Day-care services are required to enable a participant to receive job placement, job training or education services;

c. The participant is participating in VIEW, and day-care services are essential to continued participation; or

d. The participant is otherwise eligible for day care pursuant to State Board regulations.

2. Day care for the children of former Program participants under Virginia's State Plan for Supportive Services (Title IV-A/AE) including (i) up to twelve months of transitional day care and (ii)

"at risk" day care subject to the Plan's sliding fee scale. Parents who are employed at least twenty-five hours a week may use day care for job placement, job training or education activities as well as work.

3. Transportation which will enable parental employment, participation in services indicated by the agreement of mutual responsibility, and participation in VIEW.

4. Job counseling, education and training, and job search assistance consistent with the purposes of this chapter.

5. Medical assistance, including transitional medical assistance for thirty-six months for families with a working parent who becomes ineligible for AFDC financial assistance due to increased earnings, unless (i) affordable medical insurance providing comparable coverage is available through the parent's employer or (ii) family income exceeds 185 percent of the federal poverty level. Families who would otherwise be eligible for Medicaid shall continue to receive medical assistance services, even if they are not eligible for AFDC financial assistance.

6. Other services identified by the case manager as necessary and appropriate to fulfill the agreement of mutual responsibility and the goals of this chapter.

C. Local departments of social services are authorized to provide services to VIEW families throughout the family's participation in VIEW subject to regulations promulgated by the State Board, including:

1. Day care for the children of participants if:

a. The participant is employed and day-care services are essential to the continued employment of the participant;

b. Day-care services are required to enable a participant to receive job placement, job training or education services; or

c. The participant is otherwise eligible for day care pursuant to State Board regulations.

2. Transportation which will enable parental employment or participation in services required by the agreement of personal responsibility.

3. Job counseling, education and training, and job search assistance consistent with the purposes of VIEW.

4. Medical assistance.

D. A participant whose AFDC financial assistance is terminated, either voluntarily or involuntarily, shall receive the following services for up to twelve months after termination, if needed:

1. Assistance with child day care if such assistance enables the individual to work;

2. Assistance with transportation, if such transportation enables the individual to work; and

3. Medical assistance, including transitional medical assistance for families with a working parent who becomes ineligible for AFDC financial assistance because of increased earnings, unless (i) medical insurance is available through the parent's employer or (ii) family income exceeds 185 percent of the federal poverty level.

E. Nothing in this section shall be construed or interpreted to create a cause of action or administrative claim based upon a right or entitlement to any specific services or an exemption or waiver from any provision of this Program.

§ 63.1-133.47. (Delayed effective date) Financial eligibility and benefit levels.

A. The State Board of Social Services shall promulgate regulations to determine financial eligibility and benefit levels for participating families as follows:

1. To reward work, a participating family that has earned income from any source other than VIEW, may continue to receive AFDC financial assistance for up to two years from the date that both parties initially sign the agreement. However, in no event shall the AFDC payment when added to the earned income exceed such percentage of the federal poverty level as is established by the Commissioner, and if necessary any AFDC payment shall be reduced so that earned income plus the AFDC payment equals such percentage of the federal poverty level as is established by the Commissioner.

2. Incentive payments may be made to participating families for completing parenting education programs, obtaining childhood immunizations or reaching other benchmarks set forth in the agreement of mutual responsibility. Any such payments shall be disregarded in determining a participating family's continued financial eligibility for AFDC and AFDC benefit level.

B. Participating families shall be eligible for the following income disregards and resource exclusions:

1. The fair market value, not to exceed \$ 7,500, of one operable motor vehicle per family.
2. Those allowed by §§ 63.1-105 and 63.1-110.

§ 63.1-133.48. (Delayed effective date) Waivers for certain mothers.

A. Notwithstanding the provisions of § 63.1-105 and the AFDC program regulations promulgated by the State Board of Social Services, the State Board shall revise the schedule of AFDC financial assistance to be paid to a participating family by eliminating the increment in AFDC benefits to which a family would otherwise be eligible as a result of the birth of a child during or up to twelve months after the period in which the family participates in the Program, or during the period in which the family or adult recipient is ineligible for AFDC benefits pursuant to a penalty imposed by the Commissioner for failure to comply with benefit eligibility or child support requirements, subsequent to which the family or adult recipient is again eligible for benefits. The State Board shall provide that a recipient family in which the Program participant gives birth to an additional child during the period of the mother's eligibility for AFDC financial assistance, or during a temporary penalty period of ineligibility for financial assistance, may receive additional financial assistance only in the case of a general increase in the amount of AFDC financial assistance which is provided to all AFDC recipients. Program participants shall receive notice of this provision at the time the agreement is signed by both parties. This provision shall not apply to legal guardians, foster parents, grandparents, or other persons in loco parentis who are not the biological or adoptive parents of the child.

The State Board shall provide that there shall be no elimination of the increment in benefits for (i) ten months after the effective date of the receipt of federal waivers, or July 1, 1994, whichever is later, or (ii) children born within ten months after the Program participant and the local department initially sign the agreement.

The provisions of this subsection shall expire two years after the receipt of the federal waivers necessary to implement this chapter.

B. Single-parent families in which the mother is in her third trimester of pregnancy, or where, upon a physician's written statement, participation would be deleterious to the health of the pregnant woman or to her child after birth, or in which the parent has a child under the age of eighteen months, shall be granted a waiver from the two-year time limit on Program participation and shall not be required to participate in VIEW. The waiver period shall not extend beyond the third trimester of pregnancy through the child's eighteen month birthday. Waivers granted for reasons of medical necessity as documented by a physician's written statement shall not extend beyond the period of medical necessity. Such recipients shall receive intensive case management throughout the waiver period. If a recipient who has been granted a waiver gives birth to an additional child during the waiver period or during subsequent Program participation, there shall be no additional waiver.

§ 63.1-133.49. (Delayed effective date) Virginia Initiative for Employment Not Welfare (VIEW).

A. The Department shall establish and administer the Virginia Initiative for Employment Not Welfare (VIEW), which is a community work experience program for participants who have not secured independent employment after the first year of participation in the Program. Participation by a locality in VIEW shall be at the discretion of and at the option of the local governing body. *to reduce long-term dependence on welfare, to emphasize personal responsibility and to enhance opportunities for personal initiative and self-sufficiency by promoting the value of work. The Department shall endeavor to develop placements for VIEW participants that will enable participants to develop job skills that are likely to result in independent employment and that take into consideration the proficiency, experience, skills and prior training of a participant. The State Board shall promulgate the necessary regulations and shall implement VIEW within 280 days of the enactment of this chapter.*

VIEW shall recognize clearly defined responsibilities and obligations on the part of public assistance recipients and shall include a written agreement of personal responsibility requiring parents to participate in work activities while receiving AFDC, earned-income disregards to reduce disincentives to work, and a limit on AFDC financial assistance.

VIEW shall require all able-bodied recipients of AFDC who do not meet an exemption and who are not employed within ninety days of receipt of AFDC benefits to participate in a work activity.

VIEW shall require eligible AFDC recipients to participate in unsubsidized, partially subsidized or fully subsidized employment and enter into an agreement of personal responsibility. If recipients cannot be placed in an unsubsidized or subsidized job, they shall be required to participate in a six-month community work experience placement. Upon completion of the initial six-month work requirement, participants may receive education and training in conjunction with continued work experience to make them more employable.

B. To the maximum extent permitted by federal law, and notwithstanding other provisions of Virginia law, the Department and local departments may, through applicable procurement laws and regulations, engage the services of public and private organizations to operate VIEW and to provide services incident to such operation.

C. All VIEW participants shall be under the direction and supervision of a case manager.

D. The Department shall ensure that participants are assigned to one of the following employment categories in priority order not less than ninety days after AFDC eligibility determination:

1. Unsubsidized private-sector employment;

2. Subsidized employment, as follows:

(a) The Department shall conduct a program in accordance with this section and any applicable federal waivers that shall be known as the Full Employment Program (FEP). FEP replaces AFDC and food stamp benefits with subsidized employment. Persons not able to find unsubsidized employment who are otherwise eligible for both AFDC and food stamp benefits shall participate in FEP unless exempted by this chapter. FEP will assign participants to and subsidize wage-paying private-sector jobs designed to increase the participants' self-sufficiency and improve their competitive position in the work force.

(b) The Department shall administer a wage fund, which shall be used exclusively to meet the necessary expenditures of FEP. Funds to operate FEP, drawn from funds appropriated for expenditure by or apportioned to Virginia for operation of the AFDC and food stamp programs, shall be deposited in this pool. All payments by the Department to participating employers for FEP participants shall be made from the pool.

(c) Participants in FEP shall be placed in full-time employment when appropriate and shall be paid by the employer at an hourly rate not less than the federal or state minimum wage, whichever is higher. For each participant hour worked, the Department shall reimburse the employer the amount of the federal or state minimum wage and costs up to the available amount of the participant's combined value of AFDC and food stamps. At no point shall a participant's spendable income received from wages and tax credits be less than the value of AFDC and food stamps received prior to the work placement.

(d) Every employer subject to the Virginia unemployment insurance tax shall be eligible for assignment of FEP participants, but no employer shall be required to utilize such participants. Employers may provide on-the-job training to the degree necessary for the participants to perform their duties. Employers shall ensure that jobs made available to FEP participants are in conformity with Section 3304 (a) (5) of the Federal Unemployment Tax Act, which requires that the job offered cannot be available as a result of a strike or labor dispute, that the job cannot require the employee to join nor prohibit the employee from joining a labor organization, and that FEP participants cannot be used to displace regular workers;

3. Part-time or temporary employment;

4. Community work experience as follows:

(a) The Department and local departments shall expand the community work experience program authorized under the Job Opportunity and Basic Skills Training Program (JOBS) to include job placement in community work experience programs which serve a useful public purpose as provided in § 482 (f) of the Social Security Act.

(b) The Department and local departments shall work with other state, regional and local agencies and governments in developing job placements. Placements shall be selected to provide skills and serve a public function. Program participants shall not displace regular workers.

(c) The number of hours per week for participants shall be determined by combining the total dollar amount of AFDC and food stamps and dividing by the minimum wage with a maximum of a work week of thirty-two-hours, of which up to eight hours of employment-related education and

training may substitute for work experience employment

E. Participants may be re-evaluated after a period determined by the local department and re-assigned to another work component. In addition, the number of hours worked may be reduced by the local department so that a participant may complete additional training and/or education to further his employability.

F. Local departments shall be authorized to sanction participants up to the full amount of the AFDC grant and food stamps allotment for noncompliance.

The Department shall endeavor to develop placements for VIEW participants that will enable participants to develop job skills that are likely to result in independent employment and that take into consideration the proficiency, experience, skills and prior training of a participant. The State Board shall provide guidelines regarding the development of VIEW jobs so that such jobs will best benefit the participant and the community, serve a useful purpose and not result in the displacement of persons currently employed. VIEW employment shall be under reasonable working conditions in an environment that complies with federal, state and local health and safety standards. The State Board shall promulgate regulations providing that a VIEW participant shall work a minimum of twenty hours and a maximum of forty hours per week in the VIEW program. Each participant shall be allowed to work sufficient hours in VIEW to earn VIEW wages at least equal to the combined value of the AFDC financial assistance and food stamp allotment to which he would otherwise be entitled. State Board regulations shall ensure that the participant and his case manager periodically evaluate the participant's ability to find independent employment. Participants in VIEW may engage in independent employment. Participants in VIEW shall be eligible for day-care payments, transportation services and Medicaid coverage.

B. The following provisions shall be applicable to VIEW:

1. Program participants shall be eligible to participate in VIEW ninety days after beginning the Program. A Program participant who has not secured independent employment and who is not participating in VIEW at the end of his first year of participation in the Program shall be provided with the opportunity to participate in VIEW.

2. Upon expiration of AFDC financial assistance or after one year, whichever is later, the Program participant is expected to have secured independent employment or be a VIEW participant.

3. VIEW wages shall be paid by the Commonwealth through the Department of Social Services. Wages shall equal the average prevailing AFDC payment plus food stamps divided by thirty hours a week or shall equal the federal minimum wage, whichever is greater.

4. VIEW income shall not be considered earned income with respect to § 63.1-133.47.

5. VIEW participants shall be under the direction and supervision of the case manager.

6. VIEW participation shall be limited to two years from the date the agreement is initially signed by both parties, unless a hardship exemption is granted.

7. G. VIEW participants shall not be assigned to projects which require that they travel unreasonable distances from their homes or remain away from their homes overnight without their consent.

8. Any injury to a VIEW participant by accident arising out of and in the course of VIEW employment community work experience shall be covered by the participant's existing Medicaid coverage. If a VIEW community work experience participant is unable to work due to such an accident, his status shall be reviewed to determine whether he is eligible for an exemption from the limitation on AFDC financial assistance.

9. A VIEW community work experience participant who becomes incapacitated for thirty days or more shall be eligible for AFDC financial assistance for the duration of the incapacity, if otherwise eligible.

10. The State Board shall promulgate regulations providing for the accrual of paid sick leave or other equivalent mechanism for VIEW community work experience participants.

§ 63.1-133.50. (Delayed effective date) Limit on the receipt of AFDC.

The Department shall establish a goal for Program participants, through the agreement, to limit the receipt of AFDC financial assistance to a maximum of one year, after which time independent employment or participation in VIEW is expected. The limit shall be based on a mutual understanding of achievable goals and objectives tailored to the abilities and skills of the Program

participant, as well as to the availability of community resources. The one-year limitation period shall commence upon the signing of the agreement by the Program participant and the local department of social services. Any Program participant who is not offered the opportunity to participate in VIEW shall be eligible to receive AFDC financial assistance for an additional year.

Unless otherwise exempt, participating families may receive AFDC financial assistance for a maximum of twenty-four months only, subject to § 63.1-133.51. A participating family may receive AFDC financial assistance, if otherwise eligible, after a subsequent period of twenty-four months without (i) participation in VIEW, (ii) the receipt of AFDC financial assistance, or (iii) the receipt of transitional assistance.

The local department of social services shall notify a participating family that its AFDC financial assistance is scheduled to be terminated as provided in this section. Notice shall be given sixty days prior to such termination and shall inform the participating family of the exception regulations promulgated by the State Board and the procedure to be followed by the participating family if it believes that it is entitled to an extension of benefits.

The receipt of AFDC financial assistance may also be extended for a second year if the participant is enrolled full time in, and making satisfactory progress toward, completion of a job training or education program which could not reasonably be completed during the first year of participation in the Program.

The local department of social services shall notify a Program participant that his AFDC financial assistance is scheduled to be terminated sixty days prior to such termination and shall inform the participant of the exception regulations promulgated by the State Board and the procedure to be followed by the participant if he believes that he is entitled to an extension of benefits.

A Program participant whose AFDC financial assistance is terminated pursuant to this section may receive AFDC financial assistance after a period of twenty-four months without (i) participation in VIEW or (ii) the receipt of AFDC financial assistance, if such person is otherwise eligible.

§ 63.1-133.51. (Delayed effective date) Hardship exceptions.

The State Board of Social Services shall promulgate regulations providing exceptions to the provisions time limitations of this chapter in cases of hardship. Such exceptions shall include, but shall not be limited to, continued eligibility for AFDC financial assistance or VIEW participation in the following. In promulgating regulations, the State Board shall address circumstances:

1. Where a local department has failed to provide a Program participant with intensive case management or necessary support services pursuant to § 63.1-133.46 or failed to fulfill its portion of the agreement.

2. Where a Program participant has been actively seeking employment by engaging in job-seeking activities required pursuant to § 60.2-612 and is unable to find suitable employment.

3. Where factors relating to job availability are may be unfavorable, including residing in an area of high unemployment, as determined by the Virginia Employment Commission pursuant to § 60.2-612.

4. Where a the Program participant quits work for good cause or is laid off or dismissed from work, provided that such dismissal is not for misconduct connected with work loses his job as a result of factors not related to his job performance.

4. Where extension of benefits for up to one year will enable a participant to complete employment-related education or training.

The agreement shall contain the objective criteria which will be used to determine if there should be an extension of VIEW participation or eligibility for AFDC financial assistance.

§ 63.1-133.52. (Delayed effective date) Provision of services.

Local departments may coalesce community resources to assist the families of persons who may be in need because of the limitations on AFDC financial assistance imposed by this chapter and may arrange for appropriate care of dependent children for Program families where the limitation on AFDC financial assistance as a result of the birth of an additional child or the one two-year limit on AFDC financial assistance is executed. Services may be provided that include, but are not limited to, help for families in obtaining donated food and clothing, continuation of food stamps for adults and children who are otherwise eligible, child day care, and Medicaid coverage for adults and children who are otherwise eligible for Medicaid.

§ 63.1-133.53. (Delayed effective date) Notice and appeal.

A. A participant aggrieved by the decision of a local board granting, denying, changing or discontinuing assistance may appeal (i) any dispute in connection with the formation or implementation of the agreement of mutual responsibility, (ii) any failure or refusal to grant a hardship exception or extension of benefits or (iii) any other alleged noncompliance with the provisions of this chapter through the AFDC fair hearing and review process such decision pursuant to § 63.1-116. In accordance with federal regulations, if a hearing request is received prior to the effective date of any proposed change in benefit status, a participant appealing such change shall have the right to continued direct payment of AFDC benefits pending final administrative action on such appeal. All federal and state statutes and rules regarding notice, conciliation, hearing, and appeal shall be followed; however, notwithstanding the limitations set forth in §§ 9-6-14-16, 9-6-14-17 and 9-6-14-18 shall be fully applicable in the judicial review of fair-hearing decisions.

B. The Commissioner shall provide notice to each participant of such appeal and due process rights and the procedures to be followed in exercising such rights.

§ 63.1-133.54. (Delayed effective date) Evaluation and reporting.

A. In administering the Program, the Commissioner shall develop and use evaluation methods that measure achievement of the goals of the Program as specified in § 63.1-133.41.

B. Beginning December 1, 1994 1996, and annually thereafter, the Commissioner shall file a report with the Governor and General Assembly, which shall focus on the development, implementation and effectiveness of the services required to support the Program.

The report shall include:

1. The various methods employed to involve participating families, local organizations and other government agencies in the implementation of the Program.

2. A description of the development, implementation, and subsequent evaluation of local department of social services or contract agency staff training.

3. A description of the development, implementation, and subsequent evaluation of the case management system and individualized agreement of mutual responsibility components of the Program.

4. An evaluation of the Program by participating families.

5. A description of the capacity of the human services delivery system, both within and without state and local government, the Virginia Employment Commission and the Department of Economic Development, to sustain the Program, including the support services required by this chapter.

6. A documentation of participant outcomes, including specific information relating to the number of persons employed, by occupation, industry and wage; the types of jobs secured by participants; any available information about the impact of the Program on children, including objective indicators of improved conditions; and the number of participating families involved in training and education programs, by type of program. The December 1, 1994, report and each subsequent annual report shall differentiate participant outcomes according to membership in the control group and the Program participant group.

7. The progress made in implementing the provisions of this chapter, including an analysis of the effect of the Program on state and federal revenues and expenditures.

8. A summary of all interim and final reports submitted by independent evaluators to the Department of Social Services, the Commissioner of Social Services or the Secretary of Health and Human Resources or Commerce and Trade, regarding the achievement of such goals.

C. In addition to the annual report filed December 1, 1996, the Department shall prepare and submit by December 1, 1996, The annual report shall include a full assessment of the Program to the Governor and General Assembly with, including effectiveness and funding status, statewide and for each locality, a comparison of the results of the previous annual reports and the impact of the Program. The Department shall make a recommendation to the Governor and General Assembly about whether to expand the Program throughout the Commonwealth. The Department shall publish the outcome criteria to be included in the annual report by September 1, 1995.

§ 63.1-133.55. (Delayed effective date) Statewide Program implementation.

The Department shall establish guidelines for the selection of 3,000 participants for the first year of implementation; 3,000 additional participants in the second year, beginning July 1, 1995, and 3,000

additional participants in the third year, beginning July 1, 1996 statewide implementation of the Program and the Program shall be implemented statewide within four years of the effective date of this act. Participants shall be residents of areas with demographics and economics reflective of Virginia's rural, suburban and urban poverty areas. The first participants in the Program shall be drawn from current AFDC recipients who have completed the JOBS Program. Program site selection shall conform with federal requirements for waiver approval. The Department shall conduct a comparison study by selecting and matching a sufficient number of individuals for a control group to provide statistically significant comparisons between the control group and the initial 6,000 participants in the Program.

After the second year of operation of the Program, the Secretary of Health and Human Resources shall continue to implement the Program on a phased basis with the goal of statewide application, provided that:

1. The December 1996 evaluation and assessment by the Department recommends statewide participation and the General Assembly agrees with the recommendation and appropriates adequate funds for statewide implementation; and

2. Funds adequate to provide intensive case management services, training and educational services and an array of family support services in accordance with individualized agreements of mutual responsibility have been appropriated.

§ 63.1-251. Payment of public assistance for child or caretaker constitutes debt to Department by responsible persons; limitations; Department subrogated to rights.

Any payment of public assistance money made to or for the benefit of any dependent child or children or their caretaker creates a debt due and owing to the Department by the person or persons who are responsible for support of such children or caretaker in an amount equal to the amount of public assistance money so paid. However, if a caretaker receives AFDC payments for some of the caretaker's dependent children but not for other children pursuant to § 63.1-105.7, the caretaker shall receive the total amount of support collected for the children for whom no AFDC benefits are received. Such support payments shall not create a debt due and owing to the Department and the value of such payments shall not be counted as income for purposes of AFDC eligibility and grant determination. Where there has been a court order for support, final decree of divorce ordering support, or administrative order under the provisions of this chapter for support, the debt shall be limited to the amount of such order or decree. The Commissioner, pursuant to § 63.1-264, shall establish the debt in an amount determined to be consistent with a responsible person's ability to pay. The Department shall have the right to petition the appropriate court for modification of a court order on the same grounds as either party to such cause.

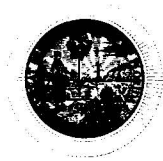
The Department shall be subrogated to the right of such child or children or caretaker to prosecute or maintain any support action or execute any administrative remedy existing under the laws of the Commonwealth of Virginia to obtain reimbursement of moneys thus expended and may collect on behalf of any such child, children or caretaker any amount contained in any court order of support or any administrative order of support regardless of whether or not the amount of such orders exceeds the amount of public assistance paid. Any support paid in excess of the total amount of public assistance paid shall be returned to the caretaker by the Department. If a court order for support or final decree of divorce ordering support enters judgment for an amount of support to be paid by such responsible person, the Department shall be subrogated to the debt created by such order, and said money judgment shall be deemed to be in favor of the Department. In any judicial proceeding brought by an attorney on behalf of the Department pursuant to this section to enforce a support obligation in which the Department prevails, attorney's fees shall be assessed pursuant to § 63.1-274.10.

The Department shall have the authority to pursue establishment and enforcement actions against the person responsible for support after the closure of the public assistance case unless the caretaker notifies the Department in writing that child support enforcement services are no longer desired.

Debt created by an administrative support order under this section shall not be incurred by nor at any time be collected from a responsible person who is the recipient of public assistance moneys for the benefit of minor dependent children for the period such person or persons are in such status. Recipients of federal supplemental security income shall not be subject to the establishment of an

administrative support order while they receive benefits from that source

2. That the Governor shall forthwith apply for the appropriate federal waivers and approvals necessary to implement the provisions of this act statewide and for any other waivers of federal law or regulation to further the goals of economic self-sufficiency.
3. That the provisions of this act and the provisions of Chapter 6.5 (§ 63.1-133.41 et seq.) of Title 63.1 shall be implemented notwithstanding the provisions of § 63.1-25.01 and the human research regulations promulgated thereunder.
4. That the State Board of Social Services shall promulgate regulations to implement the provisions of this act within 280 days of the enactment of this act.
5. That the provisions or portions of this act requiring federal waivers shall become effective upon the receipt of such waivers or approvals, or on July 1, 1995, whichever is later.



THE GOVERNOR OF THE STATE OF FLORIDA

W I L S O N C H I L E S

May 8, 1995

The Honorable Nancy Landon Kassebaum
302 Russell Senate Office Building
Washington, DC 20510

Dear Nancy:

As you review various thoughts and ideas in regard to welfare reform, I would like to take this opportunity to share with you my proposal.

It appears the Senate is preparing to press ahead on this issue and the apparent repeal of the national safety net for children as it considers a block grant approach. If the Senate maintains the position in H.R. 4 - The Personal Responsibility Act - of dismantling the entitlement system of funding benefits, I believe it is imperative to look to methods of **allocating funding based on children in poverty.**

Rather than continuing an obsolete and unfair allocation method based on matching rates that is no longer applicable, I strongly endorse applying shrinking federal funds to current need - a three year rolling average based on children in poverty. This will not increase overall funding, but will guarantee funding for those this program was meant to serve.

It is simple and it is fair.

I hope you will join me in this effort, and support this common sense approach. If you have any questions regarding this matter, please have a member of your staff contact Karen Hogan at (202) 624-5885.

Thank you for your kind attention to this important matter. With warmest regards, I am

Sincerely,

Lawton Chiles

H.R. 4 - PERSONAL RESPONSIBILITY ACT
BLOCK GRANT ALLOCATION
KEY POINTS

* The Personal Responsibility Act (HR4) establishes block grants that replace current federal funding for a number of welfare related programs. The new block grants include:

- * The Temporary Assistance for Needy Families Block Grant (Title I) that replaces AFDC and related programs.
- * The Child Protection Block Grant (Title II) which replaces funding for many child welfare programs, and
- * The Child Care Block Grant (Title III) that modifies the current Child Care and Development Block Grant program and includes funding that replaces current child care funding related to the JOBS and AFDC programs.

* Funding for these block grants is allocated among the states based primarily on state expenditures for federal fiscal year 1994. This allocation method severely penalizes states which have traditionally had relatively low welfare expenditures.

* For example, in FFY 1994, Florida had approximately 6% of the poor children in the U.S. but only spent about 3.4% of the nation's AFDC related expenditures.

* Since the block grants are allocated based on expenditures, poor children in Florida receive less in federal funds per child than the national average. Under Title I of HR4, the federal funds per Florida child in poverty is \$617, while the national average is \$1,071 per poor child. In contrast, Massachusetts receives \$2,013 per poor child and California receives \$1,573 per child in poverty.

* When AFDC funds required a state match, there was some logic to having differing federal funding levels among states. However, with block grants, this justification no longer exists.

* The allocation method in HR4 has the effect of continuing an obsolete and unfair allocation method for the next five years.

* It is our recommendation that if Congress repeals the national safety net for children and dismantles the entitlement system of funding, **methods of allocating funding should be based on children in poverty.** A three year rolling average based on children in poverty would guarantee shrinking federal funds would be targetted to those this program was meant to serve.

* It is simple and fair.

Estimated Current Block Grant Allocations vs. Child in Poverty Allocations

State	HR4 Allocation (\$millions)			Allocation Based on Children in Poverty (\$millions)			Difference (Gain/Loss)			Reference Data		
	Title I	Title II	Title III	Title I	Title II	Title III	Title I	Title II	Title III	Total	Pct. of US Using 91-93 Avg Children in Poverty	3 Year Average Poor Children By State per HHS/ASPE (thousands)
Alabama	\$86	\$22	\$39	\$280	\$80	\$36	\$194	\$58	(\$1)	\$252	1.82%	261.76
Alaska	\$62	\$9	\$5	\$22	\$6	\$3	(\$40)	(\$3)	(\$2)	(\$45)	0.14%	20.43
Arizona	\$206	\$48	\$18	\$236	\$68	\$32	\$30	\$20	(\$3)	\$47	1.53%	220.46
Arkansas	\$58	\$32	\$16	\$171	\$49	\$23	\$113	\$17	\$7	\$137	1.11%	159.70
California	\$3,378	\$841	\$186	\$2,300	\$660	\$313	(\$1,078)	(\$181)	\$127	(\$1,132)	14.94%	2,147.45
Colorado	\$108	\$44	\$22	\$137	\$39	\$19	\$29	(\$5)	(\$2)	\$22	0.89%	128.27
Connecticut	\$235	\$53	\$24	\$161	\$46	\$22	(\$74)	(\$7)	(\$2)	(\$83)	1.04%	149.69
DC	\$105	\$24	\$6	\$55	\$16	\$7	(\$50)	(\$8)	\$1	(\$57)	0.36%	51.22
Delaware	\$25	\$7	\$7	\$24	\$7	\$3	(\$1)	(\$0)	(\$4)	(\$4)	0.16%	22.71
Florida	\$529	\$127	\$88	\$919	\$264	\$125	\$390	\$137	\$37	\$964	5.97%	658.00
Georgia	\$328	\$47	\$72	\$415	\$119	\$56	\$89	\$72	(\$16)	\$146	2.70%	387.62
Hawaii	\$93	\$15	\$7	\$48	\$14	\$6	(\$45)	(\$1)	(\$1)	(\$47)	0.31%	44.48
Idaho	\$31	\$8	\$8	\$64	\$18	\$9	\$33	\$10	\$1	\$44	0.42%	59.77
Illinois	\$528	\$230	\$75	\$719	\$206	\$98	\$190	(\$24)	\$23	\$189	4.67%	670.91
Indiana	\$200	\$73	\$42	\$281	\$84	\$40	\$91	\$11	(\$2)	\$100	1.89%	272.13
Iowa	\$119	\$33	\$16	\$98	\$28	\$13	(\$21)	(\$5)	(\$3)	(\$28)	0.64%	91.83
Kansas	\$103	\$35	\$22	\$122	\$35	\$17	\$19	\$0	(\$5)	\$14	0.79%	113.94
Kentucky	\$175	\$60	\$36	\$271	\$78	\$37	\$96	\$18	\$1	\$115	1.76%	253.00
Louisiana	\$158	\$62	\$39	\$450	\$129	\$61	\$292	\$67	\$22	\$361	2.92%	420.11
Maine	\$75	\$22	\$7	\$69	\$20	\$9	(\$6)	(\$2)	\$2	(\$6)	0.45%	63.98
Maryland	\$212	\$80	\$38	\$178	\$51	\$24	(\$34)	(\$28)	(\$14)	(\$77)	1.15%	165.77
Massachusetts	\$451	\$121	\$56	\$240	\$69	\$33	(\$211)	(\$52)	(\$287)	(\$287)	1.56%	223.86
Michigan	\$796	\$201	\$52	\$603	\$173	\$82	(\$193)	(\$28)	\$30	(\$191)	3.92%	563.11
Minnesota	\$254	\$62	\$38	\$217	\$62	\$29	(\$37)	\$0	(\$9)	(\$46)	1.41%	202.39
Mississippi	\$79	\$14	\$22	\$281	\$81	\$38	\$202	\$67	\$18	\$285	1.83%	262.61
Missouri	\$201	\$66	\$41	\$285	\$82	\$39	\$84	\$16	(\$2)	\$98	1.85%	266.28
Montana	\$42	\$11	\$7	\$47	\$14	\$6	\$5	\$3	(\$1)	\$7	0.31%	44.28
Nebraska	\$51	\$20	\$17	\$72	\$21	\$10	\$21	\$1	(\$7)	\$15	0.47%	67.46
Nevada	\$35	\$7	\$6	\$57	\$16	\$6	\$22	\$9	\$2	\$34	0.37%	53.59
New Hampshire	\$38	\$13	\$7	\$32	\$9	\$4	(\$6)	(\$4)	(\$3)	(\$13)	0.21%	29.77
New Jersey	\$395	\$59	\$39	\$332	\$95	\$45	(\$63)	\$36	\$6	(\$20)	2.16%	310.17
New Mexico	\$113	\$16	\$18	\$132	\$38	\$18	\$19	\$22	(\$0)	\$41	0.86%	123.32
New York	\$2,130	\$941	\$126	\$1,214	\$349	\$165	(\$916)	(\$562)	\$39	(\$1,469)	7.89%	1,131.59
North Carolina	\$280	\$45	\$94	\$363	\$104	\$49	\$83	\$59	(\$45)	\$98	2.36%	338.96
North Dakota	\$23	\$12	\$5	\$27	\$8	\$4	\$4	(\$4)	(\$1)	(\$1)	0.18%	25.29

Estimated Current Block Grant Allocations vs. Child in Poverty Allocations

State	HR4 Allocation (\$millions)			Allocation Based on Children in Poverty (\$millions)			Difference (Gain/Loss)			Reference Data		
	Title I	Title II	Title III	Title I	Title II	Title III	Title I	Title II	Title III	Total	Pct. of US Using 91-93 Avg Children in Poverty	3 Year Average Poor Children By State per HHS/ASPE (thousands)
Ohio	\$712	\$198	\$98	\$608	\$174	\$62	(\$108)	(\$22)	(\$16)	(\$144)	3.94%	565.81
Idaho	\$146	\$23	\$39	\$227	\$65	\$31	\$81	\$42	(\$8)	\$115	1.47%	211.82
Illinois	\$165	\$38	\$30	\$137	\$39	\$19	(\$28)	\$3	(\$11)	(\$36)	0.89%	128.20
Oregon	\$646	\$261	\$83	\$538	\$154	\$73	(\$110)	(\$107)	(\$10)	(\$227)	3.49%	501.92
Pennsylvania	\$89	\$16	\$9	\$44	\$13	\$6	(\$45)	(\$5)	(\$3)	(\$53)	0.29%	41.28
Rhode Island	\$86	\$23	\$27	\$281	\$81	\$38	(\$185)	(\$58)	\$11	\$254	1.83%	262.53
South Carolina	\$21	\$7	\$5	\$36	\$10	\$5	\$15	\$3	(\$0)	\$18	0.23%	33.33
South Dakota	\$162	\$38	\$57	\$321	\$92	\$44	\$139	\$58	(\$13)	\$181	2.08%	288.37
Tennessee	\$441	\$153	\$151	\$1,342	\$365	\$183	\$901	\$232	\$32	\$1,185	8.72%	1,253.17
Texas	\$75	\$18	\$23	\$97	\$28	\$13	\$22	\$12	(\$10)	\$24	0.63%	90.71
Utah	\$45	\$14	\$6	\$23	\$7	\$3	(\$22)	(\$7)	(\$3)	(\$32)	0.15%	21.70
Vermont	\$158	\$33	\$38	\$223	\$64	\$30	\$65	\$31	(\$8)	\$89	1.45%	208.64
Virginia	\$395	\$40	\$58	\$198	\$57	\$27	(\$187)	\$17	(\$28)	(\$209)	1.29%	184.77
Washington	\$106	\$12	\$15	\$139	\$40	\$19	\$33	\$28	\$4	\$64	0.90%	128.39
West Virginia	\$309	\$74	\$34	\$226	\$65	\$31	(\$83)	(\$9)	(\$3)	(\$98)	1.47%	210.65
Wisconsin	\$21	\$3	\$5	\$20	\$8	\$3	(\$1)	\$3	(\$2)	(\$1)	0.13%	10.46
Wyoming	\$15,391	\$4,418	\$2,094	\$15,391	\$4,418	\$2,094					100.00%	14,369.56
Sum of States												

Notes:
 Block grant amounts are based on HHS/ASPE estimates
 Child poverty data from HHS/ASPE based on data provided from the US Bureau
 of the census. All data from the March Current Population Survey.

Children in Poverty is a 3 year average (81-83).

1982 and 1983 data reflect weights of 1980 census

1987 data reflects weights of 1980 census.

Three year averages used because the sample sizes are small for many states

Allocation data for Inflow and Territories not shown, although their amounts are included in US total.

Estimated Current Block Grant Allocations vs. Child in Poverty Allocations

State	HR4 Allocation		Child in Poverty Allocation		Difference Total (Title I,II,III) \$Millions	Child in Poverty Allocation Compared to HR4)
	Total (Title I,II,III) \$Millions	Total (Title I,II,III) \$Millions	Total (Title I,II,III) \$Millions	Total (Title I,II,III) \$Millions		
Mississippi	\$115	\$400	\$285	\$254	\$285	248%
South Carolina	\$146	\$400	\$254	\$252	\$252	174%
Alabama	\$147	\$399	\$252	\$1,165	\$1,165	171%
Texas	\$745	\$1,810	\$640	\$381	\$381	156%
Louisiana	\$259	\$640	\$381	\$137	\$137	147%
Arkansas	\$106	\$243	\$137	\$44	\$44	130%
Idaho	\$47	\$81	\$44	\$584	\$584	94%
Florida	\$744	\$1,308	\$584	\$34	\$34	76%
Nevada	\$48	\$82	\$34	\$181	\$181	70%
Tennessee	\$275	\$458	\$181	\$115	\$115	66%
Oklahoma	\$208	\$323	\$115	\$18	\$18	55%
South Dakota	\$33	\$51	\$18	\$84	\$84	54%
West Virginia	\$133	\$197	\$84	\$115	\$115	48%
Kentucky	\$271	\$386	\$115	\$89	\$89	42%
Virginia	\$229	\$318	\$89	\$146	\$146	39%
Georgia	\$445	\$581	\$146	\$98	\$98	33%
Missouri	\$308	\$406	\$98	\$100	\$100	32%
Indiana	\$315	\$415	\$100	\$41	\$41	32%
New Mexico	\$147	\$188	\$41	\$98	\$98	28%
North Carolina	\$419	\$517	\$98	\$188	\$188	23%
Illinois	\$834	\$1,022	\$188	\$24	\$24	23%
Utah	\$114	\$138	\$24	\$15	\$15	21%
Nebraska	\$88	\$103	\$15	\$47	\$47	17%
Arizona	\$288	\$336	\$47	\$7	\$7	16%
Montana	\$80	\$67	\$7	\$21	\$21	12%
Colorado	\$174	\$195	\$21	\$14	\$14	12%
Kansas	\$160	\$174	\$14	\$28	\$28	9%
Wyoming	\$29	\$28	\$28	(\$1)	(\$1)	-3%
North Dakota	\$40	\$39	\$39	(\$1)	(\$1)	-4%
New Jersey	\$483	\$473	(\$20)		(\$20)	-4%

Estimated Current Block Grant Allocations vs. Child in Poverty Allocations

State	HR4 Allocation (Title I,II,III) \$Millions	Child in Poverty Allocation (Title I,II,III) \$Millions	Difference Total (Title I,II,III) \$Millions	Child in Poverty Allocation Compared to (HR4)
Maine	\$104	\$98	(\$6)	-6%
Delaware	\$39	\$35	(\$4)	-11%
Minnesota	\$354	\$308	(\$46)	-13%
Ohio	\$1,006	\$862	(\$144)	-14%
Oregon	\$231	\$195	(\$36)	-15%
Iowa	\$168	\$140	(\$28)	-17%
Michigan	\$1,049	\$858	(\$191)	-18%
New Hampshire	\$58	\$45	(\$13)	-22%
Pennsylvania	\$982	\$765	(\$217)	-23%
Wisconsin	\$417	\$321	(\$96)	-23%
Maryland	\$330	\$253	(\$77)	-23%
California	\$4,405	\$3,273	(\$1,132)	-26%
Connecticut	\$312	\$228	(\$83)	-27%
Hawaii	\$115	\$68	(\$47)	-41%
DC	\$135	\$78	(\$57)	-42%
Washington	\$491	\$262	(\$229)	-43%
Massachusetts	\$628	\$341	(\$287)	-46%
Rhode Island	\$116	\$63	(\$53)	-46%
New York	\$3,197	\$1,728	(\$1,469)	-46%
Vermont	\$65	\$33	(\$32)	-49%
Alaska	\$78	\$31	(\$45)	-58%

TABLE 8

Preliminary Analysis
 Spending Per Poor Child, by Title
 Under H.R. 4, Fiscal Year 1996

(Millions of Dollars)

State	Title I AFDC Block Grant	Title II Child Protection Block Grant	Title III Child Care Block Grant
Alabama	\$328	\$83	\$148
Alaska	\$3,049	\$433	\$246
Arizona	\$934	\$218	\$159
Arkansas	\$364	\$199	\$99
California	\$1,573	\$392	\$87
Colorado	\$846	\$342	\$168
Connecticut	\$1,566	\$354	\$159
Delaware	\$1,111	\$307	\$289
Dist of Col	\$2,042	\$461	\$117
Florida	\$617	\$148	\$102
Georgia	\$840	\$122	\$187
Guam	NA	NA	NA
Hawaii	\$2,083	\$328	\$150
Idaho	\$517	\$126	\$135
Illinois	\$788	\$343	\$112
Indiana	\$735	\$268	\$154
Iowa	\$1,297	\$364	\$179
Kansas	\$903	\$310	\$192
Kentucky	\$693	\$238	\$143
Louisiana	\$376	\$147	\$92
Maine	\$1,173	\$344	\$106
Maryland	\$1,276	\$485	\$228
Massachusetts	\$2,013	\$542	\$248
Michigan	\$1,413	\$356	\$92
Minnesota	\$1,253	\$306	\$186
Mississippi	\$302	\$52	\$85
Missouri	\$756	\$246	\$154
Montana	\$939	\$258	\$149
Nebraska	\$758	\$293	\$255

TABLE 8

Preliminary Analysis
 Spending Per Poor Child, by Title
 Under H.R. 4, Fiscal Year 1996

(Millions of Dollars)

State	Title I AFDC Block Grant	Title II Child Protection Block Grant	Title III Child Care Block Grant
Nevada	\$661	\$133	\$119
New Hampshire	\$1,275	\$451	\$241
New Jersey	\$1,273	\$189	\$125
New Mexico	\$913	\$130	\$147
New York	\$1,879	\$830	\$111
North Carolina	\$827	\$133	\$278
North Dakota	\$919	\$461	\$198
Ohio	\$1,258	\$347	\$174
Oklahoma	\$691	\$108	\$182
Oregon	\$1,289	\$278	\$234
Pennsylvania	\$1,290	\$519	\$164
Puerto Rico	NA	NA	NA
Rhode Island	\$2,166	\$445	\$222
South Carolina	\$364	\$89	\$103
South Dakota	\$639	\$213	\$158
Tennessee	\$607	\$119	\$191
Texas	\$352	\$122	\$121
Utah	\$827	\$174	\$254
Vermont	\$2,067	\$628	\$277
Virgin Islands	NA	NA	NA
Virginia	\$758	\$158	\$184
Washington	\$2,136	\$216	\$303
West Virginia	\$819	\$89	\$119
Wisconsin	\$1,469	\$353	\$164
Wyoming	\$1,138	\$165	\$252
National Average	\$1,071	\$310	\$147

* Estimates are based on state allocations as determined by HHS/ASPE staff, using obligations data for AFDC benefits and administration, JOBS, and Emergency Assistance. Estimates of child poverty population were supplied by the U.S. Bureau of the Census, and use three year averaged CPS data (1991 - 1993) benchmarked to the 1990 Census.

PREPARED STATEMENT OF HON. CAROL MOSELEY-BRAUN

As the Finance Committee's hearings on welfare reform come to a close I would like to thank the Chairman for putting together an informative and worthwhile series of hearings. We must now take what we have learned and develop a welfare reform package that seeks to solve the problems inherent in our welfare system.

These hearings have highlighted what we all know to be true—our welfare system does not work and change, substantial change, is necessary—on this we can all agree. Where there is disagreement, but hopefully opportunity to build some consensus, is how to devise and implement a system that works.

The House has chosen to turn the problem over to the States by ending the entitlement status of AFDC and other programs that provide assistance to low income families and replacing them with block grants to the States. I believe the House action, was taken hastily and fails in many respects to identify and propose solutions to the underlying problems of our Nation's welfare system.

Welfare is a response to poverty, and poverty is what this Nation must continue to strive to fix. In 1993, 39.9 million Americans were poor. 22% of all children live in poverty and more than half of all female-headed households (53%) were poor. Female-headed households account for 23% of all families. One cannot dismantle welfare without proposing measures to dismantle poverty. This can only be done, however, if we recognize that poverty is essentially an economic issue, and that creating new economic opportunities is a critical part of any sensible welfare reform.

Being poor is not a sin, and blaming and punishing the poor for the social ills of this country is a misguided approach. Obviously, our current welfare system has not done the job. Over 5 million families receive AFDC. While most leave welfare within two years, many cycle back on and off, and a small number are chronic welfare recipients. Recipients want to work and I believe work is a policy and moral necessity. Unfortunately, the current program is fraught with disincentives: disincentives to work, disincentives to marry, and a system that forces States to spend too much time on administrative and process issues. The incentives are in the wrong places and work is not a requirement for the receipt of the benefit.

Today we will hear from several members about what they believe are the best ways to reform the system. I look forward to hearing their testimony. Next week I will join many of my colleagues here today by introducing proposals for welfare reform. I developed my proposals in conjunction with an advisory panel composed of Illinois academicians, advocacy organizations, State officials and recipients.

If the Senate is going to make headway on a bipartisan package everyone in this body must acknowledge the facts and not give in to the rhetoric. The current welfare debate is being framed by misperceptions and prejudices. I must also take a moment to caution against theories such as those promoted in the bell curve. I believe that we in this body must move away from arguments that are racially inflammatory. Theories linking poverty, class, and genetics have been around a long time and scientific data has proved time and time again that there is not any one factor that is responsible. These arguments are also irrelevant to this debate. The real problems that cause bloated welfare rolls: growing poverty, the lack of jobs in poor communities, and the lack of health care and child care should be the issues at the forefront of the welfare debate.

In order to make a dent in the welfare problem, which is really an economic one, we must first create jobs. Even though unemployment rates are declining nationally, in our Nation's poor communities the unemployment numbers are staggering. In Chicago, for example, 80% of black youth between the ages of 16 and 19 are unemployed and 55% of the 20-24 year olds are out of work.

I believe we must build a public-private partnership to create more private sector jobs in poor communities. In addition, more effective methods that tailor job opportunities to community needs are necessary. In urban areas like Chicago, many jobs have moved out of the inner city, and creative solutions are necessary to get jobs into the community and residents to where the jobs are. In rural areas, where there may be a dearth of jobs, it is important to match recipient skills with available job opportunities.

In addition to creating jobs we must invest in families. Our current program has focused on providing subsistence to needy families. We must move from this philosophy to one of investment in families. We can start with eliminating marriage disincentives, making work pay, and encouraging the working poor to take full advantage of the tax programs available to them—like EITC and the dependent care tax credit.

We must also do more to help those who get off of welfare stay off. Nearly 50% of those who receive welfare return to the rolls. The principal reasons most women leave their jobs and return to welfare is the lack of health insurance and the lack

of affordable child care. It is far cheaper to provide transitional services than providing welfare checks.

My legislation focuses on these essential components and I believe that any legislation adopted by this body would be remiss if it did not address the issues of economic opportunity, family investment and transitional support.

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Charles Murray's Testimony before the Senate Finance Committee

27 April 1995

A few months ago, I published a long article detailing what I think ought to be done about the welfare system ("What to do about welfare," *Commentary*, Dec. 1994). I attach it for anyone who might be interested. As the real, live welfare reform bill nears its vote, I have five points that I want to make about the debate as it stands.

1. *The problem facing America's low-income communities is not that too many women in those communities are on welfare, but that too many children in those communities are being born to single women and absent fathers.* Reducing illegitimacy is not one of many desirable things to do. It is the prerequisite for rebuilding civic life in low-income black America, and for preventing a slide into social chaos in low-income white America.

The debate this spring has kept veering back to an idealized view of "the welfare problem" as one of mothers who are striving hard under difficult circumstances and of children whose primary problem is poverty. Are such women and children an aspect of the problem? Of course. But the dominant reality that should be shaping the welfare debate is that the nation's low-income communities, black and white alike, are increasingly peopled by the grown-up children of unmarried young women and men who were utterly unequipped to be parents. As we move into the second, third, and fourth generations of unmarried parenthood, the rest of the networks that once stepped in have also disappeared, for, without marriage in one generation, aunts and uncles and grandparents become scarce in the next. As families have broken down, so have the neighborhood institutions for which families are the building blocks.

What social workers, pediatricians, and police see today among the children in low-income communities is seldom the age-old ravages of simple poverty. Today's children are too often going malnourished, mainurtured, neglected, and unsocialized not because their parents have no access to material resources, but because the mother is incompetent and the father is missing altogether. Whether the mother's incompetence derives from youth, drug addiction, low ability, an unjust social system, or defective character makes little difference to the child. Even that the mother loves the child makes little difference if the love is unaccompanied by the steadfastness, maturity, and understanding of a child's needs that transmute love into nurturing. And, finally, the child who grows up without a father, in a neighborhood without fathers, is at risk in ways that even the most loving and competent mother finds it hard to counter.

2. The debate about job training and placement for welfare mothers has taken on far more importance in the welfare debate than it warrants. The debate about jobs is peripheral firstly because putting welfare mothers to work does nothing to reduce illegitimacy and the problems it causes. Fatherless communities where more of the mothers work are still fatherless communities. The only way that a job program is going to affect illegitimacy is if the work requirement is so harsh and unattractive that it deters pregnancy in the first place. That approach is the antithesis of programs that stress training and help in finding a job. Indeed, the more extensive the job training and placement assistance that is provided to welfare recipients, the more attractive welfare becomes.

Job training and placement programs are peripheral secondly because they don't accomplish much even when judged by their own goals. This is not a controversial statement. There is no type of social intervention about which social scientists have more and better data than programs to move welfare mothers into work. Here is what we know: Participants in a well-designed and implemented training and work program usually have higher mean earnings than persons in the control groups. These differences usually amount to a few hundred of dollars per

year, not thousands. The effects on long-term employment range from small to zero. The most successful programs tend to be located in small cities and rural areas rather than large cities.

No one who is familiar with the data claims any more than this, including the Administration's own leading welfare experts, David Ellwood and Mary Jo Bane. We would nonetheless disagree about whether job training programs for welfare mothers are a worthwhile use of tax dollars. Ellwood and Bane would say "yes" while I say "no." But the reasons one might try to argue jobs programs are worthwhile have to do with traditional liberal advocacy for single mothers, not with ambitions for solving the welfare problem.

Can we expect anything better from Republican calls for a hard, inflexible work requirement? Some evidence indicates that a significant portion of the total caseload will drop out of a welfare program altogether if a strictly enforced work requirement is installed. But calls for such work requirements must be considered in light of an immutable law of welfare reform: carrots drive out sticks. Rhetoric is always tough, while the specific provisions of the bill are always riddled with loopholes. Thus it has ever been, and so it will be with the welfare reform act of 1995. There is no such thing as a truly tough work requirement that can survive the legislative process at the federal level.

3. *Illegitimacy is going to be reduced only by a radical change in the current system, but know one knows quite what that radical change should be. The states are our only way to find out.* Perhaps Governor Weld is on the right track in Massachusetts. His is not the program I would have designed, but Massachusetts is trying something authentically new, and the only way we will find out how it works is by waiting to see the results. Already, we know how wrong the experts can be. Who among the experts predicted that New Jersey's cutoff of \$64 of extra support for a second child would have the substantial effects on second births to welfare recipients that CBO Director June O'Neill's work has found? Certainly not me. Certainly not

any of the many social scientists who constantly assure you that welfare doesn't encourage births. New Jersey had to go ahead and try before we could know.

More generally, the debate about the degree to which welfare causes illegitimacy is never going to be resolved by the social scientists. It will only be resolved by states that radically alter the welfare system, including, I hope, some state somewhere that gets rid of the welfare system altogether. That will only happen if this year's bill, whatever its other provisions, gives states the widest possible latitude to experiment. In this regard, the debate about block grants has gotten sidetracked into a debate about whether states are more efficient or wiser than the federal government, which leads to my next point:

4. The indispensable feature that a successful act must contain is not block grants as such, but discretionary power for the states to make radical change. Block grants are simply a means to that end. Personally, I am not a fan of block grants. I have no faith in welfare bureaucracies anywhere, whether run out of Washington or the state house. I don't like the idea of states spending money they are given, as opposed to money raised from taxes that they must justify to their own citizens. I do not expect all fifty states to enact sparkling new welfare ideas. I do have faith, however, that a few of the fifty states will do new things that produce real progress in reducing illegitimacy, and that those successes will prompt rapid imitation throughout the country.

5. The choice before the Senate is not whether to be tough on the parents or compassionate toward their children. Massive suffering among children is already with us, despite a labyrinth of laws and programs that are supposed to prevent it. You can double welfare spending, double spending on Head Start, double spending on WIC and Food Stamps and Medicaid, and that suffering will continue—or increase. If you doubt that, go look up the year when we spent half as much on each of those line items as we do today, and compare the plight of children then with the plight of children now. Nor are you engaged in finding some solutions that will cause only

good and no harm. Every meaningful reform, including the ones I favor, will cause some children to suffer. So will a continuation of the status quo. You are engaged in a necessarily brutal calculation, trying to estimate what strategy will result in the least net suffering. I sympathize with those who find this to be a painful process. No thinking person can find it otherwise. Let me also say frankly that I feel contempt for those who want to pretend that this hard choice is avoidable, who piously urge that we not punish the children for the mistakes of their parents. Millions of children alive today are being punished for the mistakes of their parents, beyond Congress's power to do much about it.

Promoting the nurturing of children and diminishing their suffering must ultimately depend on a wise answer to this question: *How can government policy in a free society make it as likely as possible that children will be born to two mature adults committed to their care?* A Senate debate over welfare legislation that avoids that question, or pretends that it is not central, has failed.

What To Do About Welfare

Charles Murray

IN THE 1992 campaign, Bill Clinton's television ad promising to "end welfare as we know it" was one of his best vote-getters, so effective that it was the first choice for a heavy media buy in closely contested states at the end of the campaign. This should come as no surprise. No American social program has been so unpopular, so consistently, so long, as welfare. But why? What is wrong with welfare that evokes such a widespread urge to "do something about it"?

One obvious candidate is size and cost. Bill Clinton campaigned during a surging increase in the welfare rolls. By the end of his first year in office, more than fourteen million people would be enrolled in Aid to Families with Dependent Children (AFDC), representing more than 7 percent of American families and two million more recipients than had been on the rolls in 1989.

With so many working-aged people being supported by government, the amounts of money involved have mounted accordingly. But, as with so many other questions involving welfare, there is no uncontroversial answer as to exactly how much, because few can agree about where the definition of "welfare" begins and ends.

In 1990, before the most recent increase in the rolls had gotten well under way, figures cited by various parties in the welfare debate ranged from \$21 billion to \$210 billion. The lower figure, used by those who claim that welfare is really a piddling part of the budget, represents just AFDC. But no serious student of the issue denies that Medicaid, food stamps, and public housing are also part of welfare. That brings the total to \$129 billion. But this number covers only part of the array of programs for low-income families. The

CHARLES MURRAY is Bradley Fellow at the American Enterprise Institute. In addition to *The Bell Curve*, which has just been published by the Free Press, he is the author of *Losing Ground* and *In Pursuit*.

Mr. Murray writes: "This article was to have been done jointly with the late Richard J. Herrnstein, but his illness prevented him from working on it. Parts of the discussion are drawn from the book we wrote together, *The Bell Curve*, and all of it is suffused with Richard Herrnstein's influence on my thinking."

The present article is the fifth in a series that began with James Q. Wilson on crime (September), followed by Gertrude Himmelfarb on the universities and Chester E. Finn, Jr. on the schools (October), and Eliot A. Cohen on national defense (November).

upper-end figure of \$210 billion is the bottom line for the Congressional Research Service's report of state and federal expenditures on "cash and noncash benefits for persons with limited income" in 1990. Of that, \$152 billion came from the federal government.

Two hundred and ten billion dollars works out to \$6,270 for every man, woman, and child under the poverty line in 1990, only a few hundred dollars less than the official poverty threshold (\$6,652 for a single unrelated individual in 1990). Statements such as "We could eliminate poverty tomorrow if we just gave the money we're already spending directly to poor people" may be oversimplified, but they are not so far off the mark either.

One approach to the topic of "what to do about welfare" could thus reasonably involve ways to reduce expenditures. Yet, though complaints about wasting money on welfare loafers are commonly heard, and though the country truly does spend a lot of money on welfare, it is not obvious that money is really the problem. Suppose that for \$210 billion we were buying peaceful neighborhoods and happy, healthy children in our low-income neighborhoods. Who would say that the nation could not afford it? Money may well become a decisive issue as the dependent population continues to grow, but it has not yet.

Instead, I will proceed from the assumption that the main source of the nationwide desire to do something about welfare is grounded in concerns about what welfare is doing to the health of the society. Judging from all that can be found in the press, on talk shows, and in the technical literature, an unusually broad consensus embracing just about everyone except the hard-core Left now accepts that something has gone drastically wrong with the family, that the breakdown is disproportionately found in poor neighborhoods, and that the welfare system is deeply implicated.

Different people put different emphases on just what has gone wrong. There are so many choices. In many welfare families, no one has ever held a regular job. This is bad for the taxpayer who supports such families, bad for the women who are trapped into poverty, and, most portentously in the long run, bad for children who need to be socialized to the world of work. In many

welfare families, the mother works, but only sporadically and surreptitiously in the illegal economy. The welfare system becomes an instrument for teaching her children all the wrong lessons about how to get along in life.

In the vast majority of welfare homes, there is no biological father in the house. In many, there has never been a father. The male figure in the home is instead likely to consist of a series of boyfriends who do not act as fathers but as abusive interlopers.

THESE circumstances are damaging to children in so many ways that to list them individually would be to trivialize them. On this issue, the intellectual conventional wisdom has changed remarkably in just the last few years. The visible turning point was Barbara Dafoe Whitehead's 1993 *Atlantic* article, "Dan Quayle Was Right," but the groundwork had been laid in the technical journals in preceding years, as more and more scholars concluded that single parenthood was bad for children independently of poverty and other markers of socioeconomic disadvantage.

Statistically, measures of child well-being tend to order families by their structure: conditions are best for children in intact families, next best for children of divorce (it does not seem to help if the custodial parent remarries), and worst for children born out of wedlock (even if the woman later marries another man). This ordering applies to a wide variety of outcomes, from emotional development to school performance to delinquency to family formation in the next generation.

But the evidence accumulated so far tells only part of the story. Families that have been on welfare for long periods of time are overwhelmingly concentrated in communities where many other welfare families live. While it is unfortunate when a child must grow up in a family without a father, it is a disaster when a generation of children—especially male children—grows up in a neighborhood without fathers. The proof of this is before our eyes in the black inner city, where the young men reaching twenty in 1994 came of age in neighborhoods in which about half the children were born out of wedlock. Social science is only beginning to calibrate the extent and nature of the "neighborhood effects" that compound the problems associated with illegitimacy.

If these results were confined to the inner cities of our major cities, the effects on American society would still be grim enough. A look at the national mood about crime shows how a problem that is still localized (as the most severe crime rates still are, impressions notwithstanding) can nonetheless impinge on American life as a whole. But there is no reason to think that the effects will remain within the black inner city. The white illegitimacy ratio, which stood at 22 percent for

all whites in 1991, is approaching the 50-percent mark in a number of working-class American cities. There is no good reason to assume that white communities with extremely high illegitimacy ratios will escape the effects of an unsocialized new generation.

These observations have led me to conclude that illegitimacy is the central social problem of our time, and that its spread threatens the underpinning of a free society. We cannot have a free society, by this reasoning, unless the great majority of young people come of age having internalized norms of self-restraint, self-reliance, and commitment to a civic order, and receive an upbringing that prepares them to transmit these same values to their children. We cannot achieve that kind of socialization without fathers playing a father's role in the great majority of homes where children grow up.

For those who accept this pessimistic reasoning, extreme measures to change the welfare system are justified; for those who still consider illegitimacy to be one problem among many, more incremental reforms seem called for. Put broadly, four types of welfare reform are being considered in various combinations: workfare; the substitution of work for welfare; penalties for fathers; and the complete abolition of welfare.

WORKFARE refers to a variety of reforms that would make welfare beneficiaries show up at some sort of job, usually a public-service one, or lose their benefits. Softer versions of workfare call upon welfare recipients to attend job-training programs or risk losing their benefits. Offshoots include such things as "learnfare," in which mothers lose part or all of their benefits if their children drop out of school.

The rationale for workfare that resonates with the voters is, roughly, "make them do something for the money we're giving them." Many also hope that the prospect of having to work for benefits will either deter young women from having babies in the first place or induce them to find real jobs on their own and leave welfare.

An additional intellectual rationale has been advanced by Lawrence Mead, a political scientist at New York University, who argues that what welfare recipients really lack is the ability to cope with the routines of ordinary life. Surveys show that they share the same aspirations as people in mainstream society, Mead says, but their lives are so chaotic and their discipline so ill-formed that the government must provide the framework that has been missing in their own lives.

Workfare is not an untried idea. Local attempts to force women to work for welfare have been made off and on in scattered jurisdictions for decades. The 1988 welfare-reform bill put the federal government's imprimatur on such programs. The evaluation reports now add up to a

fair-sized library, and they tell a consistent story. Participants in training and work programs usually have higher mean earnings than persons in the control groups. But these mean differences amount to hundreds of dollars per year, not thousands. The effects on long-term employment are small. The most successful programs tend to be located in small cities and rural areas rather than large cities.

A few exceptions to these generalizations are noteworthy. A program in Riverside, California, showed dramatic early results, apparently because of an energetic, decisive administrator who was given extraordinary freedom to define work rules, replace staff who did not perform, and enforce sanctions against welfare recipients who did not cooperate. If anyone can figure out how to duplicate these conditions nationwide, workfare might be able to produce much larger effects than shown in the typical evaluation.

As far as I know, no one has ever documented a deterrent effect for workfare. But evidence indicates that many welfare recipients, sometimes a significant portion of the total caseload, will drop out of a welfare program if a strictly enforced work requirement is installed.

IN 1986, the social critic Mickey Kaus proposed an alternative to workfare that would scrap the existing welfare system and replace it with public-service jobs at the minimum wage. The government would provide medical care and child care for preschool children, but otherwise the woman would be on her own. If she showed up at one of the local job sites and worked, she would get a paycheck at the end of the week. If she chose not to work, that would be her business.

Kaus's proposal, which he subsequently elaborated in his book, *The End of Equality*,* has much to recommend it. Workfare programs break down because of built-in contradictions. Welfare bureaucracies do not function well as employers. They have no incentives to reduce their caseloads and no incentives to make welfare recipients behave as real employees. Trying to enforce sanctions against uncooperative cases tends to become a long and tedious process. The Kaus system asks only that the government recreate a WPA-style agency for administering public-service jobs—something that the government did successfully in the 1930's.

Whether the government could do as much again is open to question. The typical WPA male worker in the 1930's came to the program with a set of motivations much different from those of the typical AFDC mother in the 1990's. Yet it seems plausible to me that the Kaus system would not only achieve substantial effects on work behavior among AFDC mothers but also have a substantial deterrent effect.

The program's cost, which Kaus himself set at \$43 billion to \$59 billion for national implementation, might not be as large as expected. Since we know that large proportions of the caseload have taken themselves off the rolls when a strict work requirement was imposed, we could expect a similarly large drop if the Kaus plan were implemented. And while it is difficult to imagine the federal government adopting a scrap-welfare-for-work proposal with the pristine purity necessary to make it succeed, it is possible to imagine a state doing so, if states were given the option of folding all the money currently spent on AFDC, food stamps, and public housing into a public-service jobs program.

ENFORCEMENT of child support among unmarried fathers is one of the most popular reforms under consideration, not least because it gives people a chance to say the right things about the responsibilities of the male. Like workfare, enforcement of child support is an old idea. Toughly worded laws are already on the books requiring child support, and the federal government is spending about \$2 billion a year on the Child Support Enforcement program originated in 1975.

Despite these efforts, paternity is not established for about two-thirds of illegitimate births. The failure rate is so high partly because of poor enforcement, but mainly because the law asks so little of the unwed mother. The government has leverage only when she wants to qualify for AFDC benefits. For this, she is required merely to cooperate in identifying the father, a condition that can be satisfied by giving the name of a man whose whereabouts are unknown or even by her earnest statement that she does not know who the father is.

The proposed reform with the most teeth is to withhold all AFDC benefits unless the father is actually identified and located. Would such a threat help control the behavior of males? Perhaps—if the father had a job in the aboveground economy, if the state had in place methods of garnisheeing his wages, and if the state were able summarily to jail fathers who failed to meet their obligations.

Yet to list these conditions is to expose the reasons not to expect much from reforms of child support. Many unwed fathers have no visible means of support, and an even higher proportion will flee into that category, or disappear entirely, if child-support enforcement is tightened.

Would such measures nonetheless "send the right signals" about the responsibilities of men for their children? Many think so; I am a holdout. The alternative "right signal" is to tell young women from the outset—from childhood—that

* See the review by Michael Horowitz in the December 1992 COMMENTARY.—Ed.

they had better choose the father of their babies very carefully, because it is next to impossible for anyone, including the state, to force a man to take on the responsibilities of fatherhood.

THIS brings us to the fourth option, scrapping welfare altogether, a proposal with which I have been associated for some years. I am under no illusions that Congress is about to pass such a plan nationally. But, as with the Kaus plan, a state can do what the federal government cannot. And it is conceivable that Congress will pass reforms permitting the states wide discretion in restructuring the way they spend their welfare budgets.

The main reason for scrapping welfare is to reduce the number of babies born to single women. The secondary reason is to maximize the chance that children born to single women are raised by mature adults who are able and willing to provide a loving, stable, nurturing environment—a result that will ensue because more children will be given up for adoption at birth, and because single mothers who choose to keep their babies in a no-welfare society will be self-selected and thus their number will be limited to those who have the most resources for caring for children.

These goals presume that ending welfare will have a drastic effect on behavior. One must ask whether there is good reason to believe that it will.

One way of approaching the question is to ask whether welfare causes illegitimacy in the first place. I have written two reviews of this debate in the past two years—one long and technical, the other shorter and nontechnical*—and will not try to cover all of the ground here. These are the highlights plus a few new points:

Academics have focused almost exclusively on comparisons of illegitimacy based on the differences in welfare payments across states. It is now generally if reluctantly acknowledged by these scholars that the generosity of welfare benefits has a relationship to extramarital fertility among whites. More recent work is showing that a relationship exists among blacks as well. The size of the effect for whites seems to be in the region of a 5-percent change in extramarital fertility for a 10-percent change in benefits, with some of the estimates substantially larger than that.

This effect is called small by those unhappy to admit that welfare has any relationship at all to extramarital fertility. I treat the fact that *any* effect has been found as I would treat favorable testimony from a hostile witness—the analyses have generally consisted of regression equations with a multitude of independent variables, making it as hard as possible to show an independent effect for AFDC.

A broader observation about these studies is

that trying to analyze the relationship of welfare to illegitimacy by examining cross-state variation in AFDC benefits has a number of serious methodological problems that are bound to limit the magnitude of the effect that AFDC is permitted to show. I have been pointing to such problems in print for many years. So far as I know, none of the analyses using cross-state benefits has even acknowledged the existence of these technical problems, much less tried to deal with them.

Last summer, 76 social scientists signed a statement saying that the relationship of welfare to illegitimacy was small. When I replied that the very studies they had in mind were consistent with something in the neighborhood of a 50-percent drop in white illegitimacy if welfare were eliminated, there were cries of outrage—but not because my statement was technically inaccurate. It was a straightforward extrapolation of the 5-percent (or more) change in white fertility per 10-percent change in welfare benefits that has been found in recent research.

I should add that I do not place much faith in such linear extrapolations in this case. Indeed, I argue from other evidence that the effects would most likely steepen as the reductions in welfare approached 100 percent. But this is speculative—no one has any empirical way to estimate how the curve might be shaped.

MEANWHILE, two characteristics of illegitimate births imply a stronger relationship to welfare than that indicated by the cross-state analyses.

The first of these characteristics is that the illegitimate birth rate has been increasing while the legitimate birth rate has been decreasing. The *rate* in this case refers to the production of babies per unit of population, in contrast to the more commonly used statistic, the illegitimacy *ratio*, representing the proportion of live births that are extramarital.

The logic goes like this: birth rates are driven by broad historic forces that are so powerful and so consistent that they have applied everywhere in the West. Put simply, birth rates fall wherever women have an option to do something besides have babies. The options are brought about by better medical care (so more babies survive to adulthood), increased wealth and educational opportunities, and the opening of careers to women. Improved technology for birth control and access to abortion facilitate the effects of these forces.

Thanks to all this, among both blacks and whites in America, the number of legitimate babies per unit of population has been falling steeply. But during this same period, concen-

* "Welfare and the Family: The American Experience," *Journal of Labor Economics* (January 1993), and "Does Welfare Bring More Babies?," *Public Interest* (Spring 1994).

trated in the post-1960's, the number of illegitimate babies per unit of population has been rising. In other words, something is increasing the production of one kind of baby (that born to single women) at the same time that the production of the other kind of baby (that born to married women) is dropping.

The scholars who say that welfare cannot be an important cause of the breakdown of marriage and the encouragement of illegitimacy have yet to offer an explanation of what this mysterious something might be. The existence of a welfare system that pays single women to have babies meets the test of parsimony.

Perhaps, however, the "mysterious something" is the lack of these new options for disadvantaged women. But why specify *single* disadvantaged women? That brings us to one of the most provocative features of illegitimacy, its relationship to poverty—not poverty after the baby is born, but before. It is one of the stronger reasons for believing that the welfare system is implicated in the production of illegitimate babies.

Begin with young single women from affluent families or women in high-paying jobs. For them, the welfare system is obviously irrelevant. They are restrained from having babies out of wedlock by moral considerations, by fear of the social penalties (both of which still exist, though weakened, in middle-class circles), by a concern that the child have a father around the house, and because having a baby would interfere with their plans for the future.

In most of the poorest communities, having a baby out of wedlock is no longer subject to social stigma, nor do moral considerations still appear to carry much weight. But the welfare system is very much part of the picture. For a poor young woman, the welfare system is highly relevant to her future if she has a child, easing the short-term economic penalties that might ordinarily restrain her childbearing. The poorer she is, the more attractive the welfare package, and the more likely that she will think herself enabled by it to have a baby.

The implication of this logic is that illegitimate births will be concentrated among poor young women—and they are. This may be inferred from the information about family income from the Bureau of the Census data, showing that in 1992, women with incomes of less than \$20,000 contributed 73 percent of all illegitimate babies, while women with incomes above \$75,000 contributed just 2 percent.

But these data are imprecise, because income may have fallen after the baby was born (and the woman had to quit work, for example). The logic linking welfare to illegitimacy specifically refers to women who are poor before the baby is born. For data on this point, I turn to one of the best available bases, the National Longitudinal Survey

of Youth (NLSY),* and ask: of women of all races who were below the poverty line in the year prior to giving birth, how many of their children were born out of wedlock? The answer is 56 percent. Among women who were anywhere above the poverty line, only 11 percent of babies were born out of wedlock.

WHY should illegitimate births be so much more likely to occur among women who are already poor? The common argument that young women with few prospects "want something to love" may be true, but it has no answer to the obvious rejoinder, that single poor young women in the years before the welfare system began probably wanted something to love as well, and yet the vast majority of them nonetheless made sure they were married before bearing a child. Other things being equal, poor single young women face the most daunting prospects if they have a baby without a man to help take care of it, and that reality used to govern the behavior of such young women. Of course the sexual revolution has changed the behavior of young women at all levels of society, but why has it produced babies predominantly in just one economic class?

Once again, an answer based on a welfare system that offers incentives only to poor women meets the test of parsimony. Once again, the scholarly literature has yet to offer an alternative explanation, or even to acknowledge that an alternative explanation is called for.

There is one additional characteristic of women who are at most risk of giving birth to children out of wedlock: they generally have low intelligence. This point is new to the welfare debate. Richard Herrnstein and I discuss it at length in *The Bell Curve*, again using the National Longitudinal Survey of Youth, which administered a high-quality cognitive test to its subjects when the study began. The chances that a poor young woman's baby would be born out of wedlock were 68 percent if she had an IQ of 85, but only 26 percent if she had an IQ of 115.

Lest it be thought that this result is conflated with racial complications, it should be noted that the relationship held among whites as powerfully as among the population as a whole. Lest it be thought that the result is conflated with the opportunity that smart women have to go to college, it should also be noted that the relationship holds as powerfully among women who never got beyond high school as it does for the population as a whole. Lest it be thought that this is a reflection of socioeconomic background, the independent importance of IQ is still great after holding

* The NLSY is a very large (originally 12,686 persons), nationally representative sample of American youths who were aged 14 to 22 in 1979, when the study began, and have been followed ever since.

socioeconomic status constant. Conversely, the independent importance of socioeconomic background after holding the effects of IQ constant is severely attenuated.

Summarizing the overall picture: women in the NLSY (in their mid-twenties to early thirties when this observation applies) who remained childless or had babies within marriage had a mean IQ of 102. Those who had an illegitimate baby but never went on welfare had a mean IQ of 93. Those who went on welfare but did not become chronically dependent on welfare had a mean IQ of 89. Those who became chronic welfare recipients had a mean IQ of 85.

Now back to the first and most crucial goal of welfare reform, that it drastically reduce the number of children conceived by unmarried women. In trying to develop methods for accomplishing this goal, we know from the outset that both sex and the cuddliness of babies are going to continue to exert their powerful attractions. We know that decisions about whether to have sex and whether to use birth control are not usually made in moments of calm reflection.

Therefore, any reform must somehow generate a situation in which a young woman, despite not being calm and reflective, and often despite not being very bright, is so scared at the prospect of getting pregnant that she will not have intercourse, or will take care not to get pregnant if she does.

This means that the welfare reform will have accomplished one of two things. Either the change has been so big, so immediate, and so punishing that even a young, poor, and not very smart girl has been affected by it; or else the change has directly motivated people around that young woman to take an active role in urging her not to have the baby.

Bill Clinton's program, based on the threat of "two years and out, if you've had a reasonable chance at job training and a reasonable chance to find a job," is not calculated to meet this criterion. Two years is an eternity to a young girl. The neighborhood is filled with single women who have been on welfare for ages and have not gotten thrown off. Is a sixteen-year-old going to believe that she will really be cut off welfare two years down the road, or will she believe the daily evidence around her?

Other commonly urged recommendations—sex education, counseling, and the like—are going to be just as futile. A major change in the behavior of young women and the adults in their lives will occur only when the prospect of having a child out of wedlock is once again so immediately, tangibly punishing that it overrides everything else—the importuning of the male, the desire for sex, the thoughtlessness of the moment,

the anticipated cuddliness of the baby. Such a change will take place only when young people have had it drummed into their heads from their earliest memories that having a baby without a husband entails awful consequences. Subtle moral reasoning is not the response that works. "My father would kill me" is the kind of response that works.

From time immemorial, fathers and mothers raised the vast majority of their daughters, bright ones and dull ones, to understand these lessons. Somehow, in the last half-century, they began to lose their capacity to do so—curiously, just as social-welfare benefits for single women expanded. I want to press the argument that the overriding threat, short-term and tangible, which once sustained low illegitimacy ratios was the economic burden that the single woman presented to her parents and to the community. I do not mean to deny the many ways in which noneconomic social stigma played a role or to minimize the importance of religious belief, but I would argue that much of their force was underwritten by economics.

At this point, we reach a question that cannot be answered by more social-science research but only by experience: if welfare were to be abolished in the late 20th century, would a revival of the economic threat be enough to drive down illegitimacy? Or do we need a contemporaneous revival of the moral sanctions against illegitimacy to make the economic penalties work? The good news is that the two forces can be counted on to work together, because of a built-in safety mechanism of American democracy. Welfare will not be abolished until the moral sanctions against illegitimacy have also gained great strength. There will not be enough votes until that mood is broad and deep.

It is only because of the sea change in the conventional wisdom about the deficiencies of single-parent families that proposals to end welfare are now being taken seriously. So far, that change has been couched in utilitarian terms. The next step, already well under way, is for language to change. Now, the elites are willing to say, "Having a baby if you are young and single is ill-advised." It seems to me that the truer way to put the issue is this: bringing a new life into the world is one of the most profoundly important moral acts of a person's life. To bring a child into the world knowing that you are not intellectually, emotionally, or materially ready to care for that child is *wrong*.

When the elites are broadly willing to accept that formulation, and not before, welfare will be ended. And at that stage, we can also be confident that the financial penalties of single parent-hood that ending welfare would reimpose are going to be reinforced by moral suasion.

Different parts of the country will reach this state of affairs sooner than others. In Utah, for

example, with its low illegitimacy ratio plus the moral force of the Church of Latter Day Saints and that church's elaborate system of social welfare, one may be confident that if the entire federal welfare system disappeared tomorrow, the result would be overwhelmingly positive, with only the most minor new problems. But if the same legislation were to apply to Harlem, where more than 80 percent of children have been born out of wedlock for a decade and nongovernmental social-welfare institutions are scattered and in disarray, one may be equally confident that the short-term result would be chaos on a massive scale.

DRAWING these strands together, here are the characteristics of legislation that might have a chance of passing in the next several years:

- *The centerpiece of the legislation should be freedom for the states to experiment.* Congress knows beyond doubt that the welfare system it currently mandates for the entire country is a failure. The next thing for Congress to learn is that it does not have a one-size-fits-all answer to amend that failure. The solution is to permit the states to adopt a wide variety of plans.

Thus, Congress should develop a simple formula whereby states can take the money that would otherwise flow into them in the form of AFDC payments, food stamps, and housing benefits (and as many other means-tested programs as possible) and use it for other ways of dealing with the needs of children currently supported by the welfare system.

One example of a simple formula is to base the amount of the allocation on the budgets for those programs in the last year before the federal legislation is passed. States should also be permitted to end those programs altogether and forgo federal funds completely, though it is doubtful whether any state would choose to go that route.

Initially, most states would probably opt for modest reforms along the lines Congress is contemplating—more workfare, more job training, perhaps soft time limits. But a few brave states are likely to try something more ambitious. Probably one or two will adopt much more aggressive workfare or time limits than the ones in the Clinton plan. Perhaps a state somewhere will choose to adopt a version of the Kaus plan, funding public-service jobs in lieu of welfare benefits. My hope is that some state will also end welfare. If a state should consider doing so, here are some guidelines that I would recommend:

- *Grandfather everyone now on the system, letting them retain their existing package of benefits under the existing rules.* The reasons for grandfathering are both ethical and pragmatic. For

many women, welfare has turned out to be a Faustian bargain in which the government plays the role of the devil. Having made this bargain, many of the women on welfare are so mired in the habits of dependency and so bereft of job skills that it is unethical for the government now to demand that they pull themselves together. Pragmatically, grandfathering is probably a prerequisite for getting any such plan through a state legislature.

I should add that some grace period is also necessary between the passage of the legislation and the time it takes effect. Nine months and one day is the symbolically correct period. Practically, a year seems about right: long enough to allow the word to spread, abrupt enough to preserve the shock value that is an essential part of changing behavior.

- *Limit the reform to unmarried women.* This step is primarily to facilitate building a political coalition that can get the legislation passed, but it also can be taken without jeopardizing the desired result. Divorced and abandoned women are not at the heart of the welfare problem. On the contrary, most of them treat welfare as it was originally intended: as a temporary bridge. When you read statistics such as "half of all women get off welfare within two years," it is divorced women who have brought down the average.

It may be objected that to limit the reform to unmarried women provides an incentive for pregnant girls to enter into a marriage of convenience. This may well be true, but it is a good result, not a bad one. Men who sign a marriage certificate are much more easily held to account for support of the child than men who do not.

Is not limiting the reform to unmarried women discriminatory? Yes, that is one of the main points of doing anything about welfare. I am not enthusiastic about using government policy positively to reward marriage, but it is another thing to end government policy that undermines marriage—as welfare for single women undeniably does.

- *"Ending welfare" should mean at a minimum cutting off all payments which are contingent on or augmented by having a baby.* The core benefit to be ended altogether is AFDC. Medicaid benefits for the child should be left in place, because the existence of Medicaid has gutted the alternative ways in which medical care could be made reliably available to poor children (whereas there remain many alternative ways of providing children with food, shelter, and nurturing).

What about housing and food stamps? I doubt if it is possible to end them altogether. If a woman is poor enough to qualify for housing benefits and food stamps without a child, it seems unlikely that the courts would allow those benefits to be cut off because a child has been born.

Instead, a state that adopts the "end-welfare" option should simply become neutral with regard to births out of wedlock. In principle, the best way for the state to become neutral is the approach advocated by Milton Friedman: dismantle the entire social-welfare structure with its multiplicity of benefits and bureaucracies, replace it with a cash floor using the mechanism of the negative-income tax, and make that cash floor invariant regardless of the number of children. But I cannot imagine Congress giving states the option of converting all federal-subsidy programs into a negative-income tax (though it is certainly an intriguing idea). Some steps short of that need to be worked out.

One attractive possibility is to return to the original intention of the 1935 act that created welfare. AFDC would continue to be available for widows with young children and for divorced or abandoned women with young children, with a higher cash payment to compensate for the cuts in housing and food benefits. Unemployment benefits would also remain available for men and women alike, with or without children. I favor broadening and strengthening the unemployment-insurance system as part of this approach.

- *Limit the initial legislation to teenagers.* It is widely assumed that if welfare is ended, some other mechanisms will be required to replace it. Most of these options (I will describe some presently) involve extensive interventions *in loco parentis*. Limiting the initial legislation to teenagers has two merits. First, it is much better to let the government act *in loco parentis* for minors than for adults. Second, a political consensus already exists about single teenage girls having babies that has not yet consolidated about single adult women having babies.

IF A state ends welfare in the ways I have just described, a large behavioral impact may be expected—somewhere in the region of a 50-percent reduction in illegitimate births among whites (and probably among blacks as well) if the cross-state analyses are taken seriously.

Other effects are hard to predict. Some people assume that large numbers of pregnant women will move across the border to the next state, others predict a surge in abortions. The type and size of the effects will also depend on the nature of a state's caseload. The effects in a mostly rural plains or mountain state are likely to play out much differently than the effects in states with large cities. In any case, a substantial number of single women will continue to get pregnant. What happens to them and their children? These measures should be considered:

- *Actively support adoption at birth.* Today, the

welfare system and its satellite social-work agencies typically discourage adoption. The pregnant single woman who wants to give up her child for adoption is more likely to be encouraged to keep the baby than to be praised. This is perverse. In America, the pool of mature, caring adoptive parents is deep, not just for perfect white babies but for children of all races and for children with physical and mental handicaps, *if*—the proviso is crucial—the child can be adopted at birth. Any comparison of what is known about child abuse and neglect, emotional development, or educational success suggests that the child of a never-married teenager has a better chance in an adoptive home.

If welfare has been ended, many more pregnant women will be looking at adoption, and the state can do much to help. Changes in laws can encourage a larger pool of adoptive parents by reinforcing the rights of the adoptive parents and by strictly limiting the rights of the biological parents. Adoption agencies can facilitate the adoption of black children by ending restrictions on transracial adoption.

- *Offer group living for pregnant women.* For a pregnant young woman from a functioning family and a functioning community, the best support network consists of friends and relatives. One of the chief reasons for ending welfare is to revitalize those networks. But one of the saddest aspects of today's burgeoning illegitimacy is that many pregnant young women have no friends and relatives who are competent to provide advice and nurturing during the pregnancy, let alone to help think through what will happen after the baby is born. This will continue to be true when welfare is ended.

States that end welfare should therefore look carefully at the experience of the homes for pregnant single women that dotted the country earlier in the century, most notably the Florence Crittendon homes. In a modern version of such a home, the young woman would receive the kind of prenatal care and diet—meaning, among other things, no drugs, alcohol, and tobacco—that would help children of unwed mothers get off to a better physiological start. Group homes of this sort can also be excellent places to help young women come to grips with their problems and prepare for their futures.

- *Offer group living for teenage single mothers.* Another intriguing suggestion is to extend the Florence Crittendon concept to the period after birth. The mother who keeps her baby is no longer given welfare services, but she is given the option to live in a group home. She and her child receive food and shelter; the mother receives training in parenting and job skills; and the child is in an environment where at least some of the

adults understand the needs of infants and small children.

- *Maintain a clear bright line short of coercion.* Adoption services or group homes must be purely optional; no young woman should be required to use these services. This bears on a broader point. Having a baby you are not prepared to care for is wrong, but this does not mean that the state has the right to prevent you from doing it—a nice distinction between immoral acts and the state's power to regulate them that could easily be ignored once the Left decides that illegitimacy is a bad thing.

An idea gaining favor—requiring welfare recipients to use Norplant—illustrates the danger. From a legal standpoint, I find nothing objectionable about the idea. Welfare is not a right but largesse, and the state may legitimately place conditions upon dispensing largesse. But once the government requires any use of birth control, a barrier has been broken that has frightening possibilities.

For the same reason, the government must be passive regarding the encouragement of abortion. If enough people think that low-income women should have easier access to abortions, let the subsidies come from the philanthropies that private citizens choose to support. The process of ending welfare must unambiguously represent a withdrawal of the state from personal decisions, not new intrusions.

- *Enforce the existing laws on child neglect.* One of the most common questions about ending welfare is, "What happens to the woman who keeps

her baby anyway?" The answer is that some women will indeed choose to keep their babies. As I have already suggested, the self-selection process imposed by the end of welfare also means that such women are likely to be those who have the greatest commitment to their children. They are likely to be the ones who have done the best job of lining up support from relatives and friends, or the ones who have well-paying jobs.

But the main point is that single women who keep their babies will be in exactly the same situation as every other parent who takes a baby home from the hospital: that child is now the parent's responsibility. There is no need to keep a special watch on how a single mother does; rather, she falls under the same laws regarding child neglect and abuse as everyone else, to be enforced in the same way.

AND that, finally, should be the overriding theme of what we do about welfare: treating the human drama of "having a child" as the deeply solemn, responsibility-laden act that it is, and treating all parents the same in their obligation to be good parents. The government does not have the right to prescribe how people shall live or to prevent women from having babies. It should not have the right even to encourage certain women to have babies through the granting of favors. But for 60 years the government has been granting those favors, and thereby intervening in a process that human communities know how to regulate much better than governments do. Welfare for single mothers has been destructive beyond measure, and should stop forthwith.

PREPARED STATEMENT OF RICHARD P. NATHAN

H.R. 4, the welfare bill passed by the House on March 24, reflects frustration about mandates from Washington that require states to spend money to solve social problems that in the public's perception have not been solved or sufficiently relieved by existing programs.

The House welfare bill, along with companion legislation on Medicaid now being considered, would put a lid on federal spending for poor children and their care givers, and would also enable states to cut the money they spend on this population.

Capping these federal entitlements and eliminating the requirement that states match federal spending for entitlements to poor families with children is strong medicine.

Based on experience with welfare reform issues and block grants going back to the seventies and Nixon's New Federalism, the purpose of this testimony is to present a system of ideas that hopefully can be of assistance to the Committee in framing an alternative to H.R. 4.

The five main points advanced are:

1. There is no such thing as a pure block grant that gives complete freedom to the states to use federal-aid funds as they choose.

2. A new system of block grants for welfare should combine streams of federal-aid funding to the states for major welfare purposes on a basis that gives them increased policy making discretion and at the same time permits them to merge programs administratively in order to deal on a holistic basis with the problems of poor children and their care givers. Real life is not separated into federal-aid categories.

3. The reform approach suggested here reflects a basic difference between two types of federal grants-in-aid, those for entitlements to individuals and those for services provided by the states. In doing so, it creates two new block grants, one for family assistance and the second for activities administered by the states to get welfare family heads into jobs and prevent child abuse and neglect.

4. The most important point in this testimony is that the tasks of preventing unwanted pregnancies and saving welfare families are tremendously difficult and cannot be accomplished by requirements and prohibitions in federal laws as in the case of the strings included in the block grants created in H.R. 4. Accomplishing these tasks requires money for activities to reduce welfare dependency, unwanted pregnancies, and child abuse and neglect.

5. While block grants for welfare have advantages in providing greater flexibility to the states and giving them incentives to control costs, a major drawback is their inability to respond to emergency conditions, such as a national recession or serious economic problems in particular regions of the country or individual states. Provision should be made for dealing both with emergencies and inflation quickly and automatically in a new system of welfare block grants. The "Rainy Day" loan provision of H.R. 4 is a very small umbrella.

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Three Types of Grants

There are three main types of federal grants—those to states and localities for operating and capital purposes and those for entitlements to people that flow through the states. The latter type of grants—entitlement grants—now dominate the federal aid landscape, accounting for two-thirds of all federal aid to states and localities.

We have created block grants in the past for operating and capital purposes, but have never blocked entitlement grants. Doing so represents a sea change for American intergovernmental relations. The essential question is whether the national government should guarantee aid (money, food, health care) to the poor for so-called "safety net" functions. Republicans in the past have said these safety net functions—guaranteeing such aid—should be a national responsibility. President Reagan repeated his position on this point many times, as for example when he said in his 1982 State of the Union Message: "We'll continue to re-direct our resources to our two highest budget priorities—a strong national defense to keep America free and at peace and a reliable safety net of social programs for those who have contributed and those who are in need."

Personally, I have misgivings about block-granting entitlement-type grants, but my message is, "If you're going to do it, do it right." The main conceptual point in this testimony is that there needs to be a separation in grant-blocking between entitlement block grants and operating block grants.

H.R. 4

For many observers, the House welfare reform bill is viewed as a "block" grant. It caps federal spending and removes the matching requirement for the states to aid poor families. Without going into the history here (see attachment) or a technical discussion of block grants, let's for the moment accept this designation as a block grant, even though H.R. 4 is better described as capping entitlements for Aid to Families with Dependent Children (AFDC), foster care, and child nutrition.

The framers of this legislation want to stop the growth of programs for poor families. Their block grant also has strings—tough ones. It not only caps spending, it prohibits the states from using federal funds to aid poor families under certain circumstances, specifically if children are born to a woman under age 18, if they are born to a woman already on welfare, and if they are in a family in which the care giver has been receiving AFDC for more than five years.

A Two-Block Approach

There is more to be said about this bill, but for now the points made are sufficient to set the scene for advancing suggestions about an alternative to H.R. 4. Rather than create five block grants as in H.R. 4, I propose a simpler framework that would give the states greater freedom, and that would consist of two blocks. One block grant would be for family assistance. It could combine the funding streams for AFDC, the child nutrition programs, and Medicaid for poor (i.e., AFDC categorically-eligible) families into a single block. I understand there is sentiment for retaining child nutrition programs separately, i.e., for school meals and WIC. I reiterate that this testimony is meant to suggest a framework of ideas as an alternative to H.R. 4; there are many variations as to the ways this approach could be applied.

Like other block grants, there would be earmarks for the several funding streams in this family assistance block grant. This, for example, was done in the case of the 1981-enacted block grant for alcoholism, drug prevention and treatment, and mental health services. States should be allowed to merge these family assistance aid streams administratively and to transfer up to some level (say 10 percent) of the funds among them. They would thus have much greater freedom than they do now, or that they would have under H.R. 4, to decide on the purposes, structure, benefit levels, etc., of these streams of spending.

This family assistance block grant would be big enough—especially if it includes health care for poor families—to give states a critical mass of funding and real and good options for program flexibility and management efficiency. The opportunity to link health care (especially managed care) to other family assistance benefits for poor children and their care givers would give the states a wide range of opportunities to reduce family dependency. Thirty-seven states already administer AFDC and Medicaid in the same agency.

However, I do not think that the food stamp program—which is basically a federal voucher with a strong work-incentive effect—should be included in this family assistance block grant.

Although the strings described above in H.R. 4 would not be included in this first block, related provisions setting priorities and requirements for work and workfare would be included in the second block grant in this two-block plan.

The Second Block

The second block grant would provide funds to the states for activities to get families off of welfare. This should include job referral, job placement, workfare jobs where unsubsidized jobs are not available, child care while the care giver (usually the mother) is working, job counseling and referral, and in some cases education (particularly for very young mothers) and training to develop job skills, etc. It should also include funding for day care for the children of welfare family heads and possibly also foster care and adoption services. Again, these services could be merged administratively by the states to deal with family needs on a holistic basis. As stated earlier, real life is not separated into federal-aid categories.

This second block grant overcomes what I regard as a very serious problem with H.R. 4, namely that it eliminates the funding for the current JOBS program. The 1988-passed JOBS program has not been pushed hard enough, but it does work in many places, and it involves services that are absolutely essential to reducing welfare dependency. The welfare-services block grant proposed here would not only preserve the ideas and aims of the JOBS program, it would change it fundamentally. It would place more emphasis on work. It would include targeting requirements in what I believe is the best way to do this—namely, tied to the activities needed to get families off of welfare. It could, for example, stipulate that single poor parents under age 22, if they are not in school, should be placed in a "workfare" job to work off their welfare benefits. Child care would have to be provided, which is an advan-

tage of having a block grant that would permit the states to merge federal aid for a range of family services. The second group that would get priority for workfare jobs (again similar to H.R. 4) would be long-timers on welfare, i.e., welfare family heads who have received aid for five years. They too would be a priority group to be placed in a workfare job if a regular job is not available for them.

I believe this formulation is consistent with the spirit of H.R. 4—allowing the states to decide who should be eligible for welfare assistance and giving them greater management flexibility. In fact, H.R. 4 is more rigid and prescriptive than current law in this respect. The alternative suggested here consisting of priorities for workfare and related child care and employment services tied to the funding provided for these purposes is both more realistic than H.R. 4 and more appropriate to the basic idea of a block grant. States could go beyond these priority groups and would determine the terms of work requirements and workfare on a basis that reflects both their particular conditions and their planning for the use of available funds.

I interpret the current groundswell of support for welfare block grants as indicating a high confidence level on precisely this basis on the part of the Congress in the ability of the states to shape and manage their own social programs.

Key Point

The key to this two-block plan is that there would be money in the second block so that it is reasonable to expect that states can actually get people off of welfare and into jobs. This is not an unfunded mandate, which unfortunately is the case of the welfare prohibitions and work requirements in H.R. 4. I also favor some provision for state maintenance of fiscal effort in the work-and-child-care field, say 20 percent state matching.

This second work-and-child-care block should have another important provision. It should assure that there are case managers for all employable welfare families. That person should not be allowed to have more than 100 cases. This is the Riverside, California "GAIN" model. These front-line case managers are essential to reducing welfare. They need to have the time and resources to do their job. They are the workers who, among their other duties, are involved in the crucial efforts to convince young people (especially teenagers, both female and male) to delay having children when they cannot conceivably care for them on a basis that enables the parents to get into the mainstream labor force. This is a big proposition to assure effective case management. But without some attention to the "Who" and "How" of welfare reform, we are putting too much reliance on preachment and prohibitions from on high.

Such implementation activities are the short suit of American government. More hard thinking needs to be given in the current welfare-reform debate to this implementation dimension of reform, particularly as it applies to the state role of moving welfare family heads into the labor force. The governors were right when they complained recently that H.R. 4 is too prescriptive to be sensibly workable and really flexible.

Judith M. Gueron, president of the Manpower Demonstration Research Corporation, made a similar point in recent testimony before this Committee.

Over time, funding welfare benefits and work programs under a single block grant is likely—in low-grant states and possible others as well—to have the perverse effect of squeezing out work programs. Under fiscal pressure and with short time horizons, states will hesitate to make the up-front investments that can both produce future savings and transform welfare into the work-directed program favored by most Americans.

I also believe that some portion of existing state spending for the blocked family assistance programs should be retained. States might do this themselves, but the law should be clear. For example, states might be required to retain 90 percent of the current nominal dollars in the programs folded into the two block grants.

A Welfare Stabilization Board

This two-block plan would include an administrative structure designed to avoid potential problems with H.R. 4. I propose creating a Welfare Stabilization Board that would include representatives from the Executive Branch, the Congress, and perhaps also the states. Its job would be to oversee the new system and adjust these two blocks as conditions change nationally or in particular regions and states.

As stated earlier, there need to be ways under a new approach to welfare reform to deal with emergency conditions, such as a recession, rapid inflation, or a disaster. The initial recourse should be automatic—and it should be grants, not loans.

There have been previous laws and proposals in Congress to provide such countercyclical federal aid. Under President Ford in 1976, a version of this idea (called the

Anti-Recession Fiscal Assistance Act) was enacted for \$1.25 billion. A similar counter-cyclical revenue sharing bill was included in President Carter's 1977 Economic Stimulus Program for \$1.34 billion, also with triggers based on the unemployment rate. Trigger mechanisms like this are used for unemployment insurance. There is a similar trigger mechanism for emergency loans in H.R. 4.

It is essential to include such a feature in the family assistance block grant proposed here. It could, for example, automatically trigger emergency funds when there is a quarter-to-quarter decline in national GNP or the unemployment rate exceeds some level. There are ways to do this nationally, regionally, or on a state-by-state basis. Such a triggering device could be fully automatic or could be subject to Congressional disapproval within a certain time, with the stipulation that failure to disapprove constitutes favorable action. The Welfare Stabilization Board also should have the power to recommend (perhaps on request from the President) that the Congress provide emergency funds to selected states due to special problems on a basis where the Congress would have to consider these recommendations within a fixed amount of time (say 60-days).

There also needs to be provision in new welfare legislation to take account of future increases in costs. On an annual basis, there should be cost-of-living adjustments in the family assistance block grant—for example increases of 5 percent or the annual increase in the Consumer Price Index, whichever is higher. This 5 percent level represents the lowest figure for the escalator clause among proposals advanced to cap Medicaid spending. Since Medicaid funding for acute care for families on welfare would be the biggest chunk in the family assistance block grant suggested here, I would hope that this position, favoring a 5 percent annual escalator clause, could be considered as part of a broadened and more flexible alternative to H.R. 4. I recommend further that add-on emergency and annual payments under a family assistance block grant be distributed under a different formula than that for the folded-in grants, which funding I assume will be distributed according to the existing shares of the states. Instead, annual increments could be distributed according to a formula to be developed by the Welfare Stabilization Board and approved by the Congress and the President that would have the purpose over time of gradually bringing other "need" factors into account in the allocation of family assistance block grant funds.

The Welfare Stabilization Board, representing two branches of the national government and perhaps also the states, should in addition have general oversight responsibilities to assess and report regularly on what is happening under this changed welfare system.

* * * * *

There is no such animal in the federal-aid corral as a "pure" block grant. All of the block grants, particularly those enacted over the past 25 years since Nixon's New Federalism, have been broader and less conditional than the previous "categorical" grant programs which they replaced. They all have strings, but fewer strings, than the predecessor programs. The alternative to H.R. 4 proposed in this testimony has fewer strings than H.R. 4 and affords greater policy and administrative flexibility to the states. It controls costs and emphasizes work-over-welfare. At the same time, it deals realistically with the implementation challenge of workfare, adjusts for inflation and fiscal and social emergencies, and provides an oversight mechanism.

This proposed alternative approach is not a cover for more spending or business as usual for the welfare population. It would turn more responsibility over to the states than H.R. 4. It would emphasize work, not education and training, as the best route to self sufficiency. Such an alternative to H.R. 4 could provide the basis for a compromise on which the Administration, leaders in the Senate, and state officials could come together. When the critical moment comes, most likely in the budget process later this year, such a plan hopefully could muster enough support to be veto proof and to attract 60 votes in the Senate. This is not a disingenuous effort to muddy the waters or change the direction of the policy debate. Rather it is an alternative to the House-passed bill that also would make far-reaching changes in social policy in the nation.

Richard P. Nathan is director of the Nelson A. Rockefeller Institute of Government, the public policy research arm of the State University of New York located in Albany. He is also chair of the board of the Manpower Demonstration Research Corporation and a member of the U.S. Advisory Commission on Intergovernmental Relations. These ideas however are his alone.

Attachment to Testimony

A NOTE ON THE HISTORY OF BLOCK GRANTS

The nomenclature of grants is not easy to explain when it comes to terms like "block grant." Historically, one can go back to the pre-Constitutional period for cases in which broad intergovernmental fiscal subventions were made to the states. During the period when the United States operated under the Articles of Confederation, the Continental Congress adopted the first grants-in-aid to the states, putting aside land for the support of public schools in territory west of the Ohio River.

It was not, however, until the twentieth century in the Woodrow Wilson years that the United States developed specific cash grants to the states that came to be known as "categorical" grants.

In an important way, the history of block grants is an outgrowth of this steady narrowing of categorical grants with specifications about their eligible uses, often a requirement of matching funds from the states, as well as other requirements regulating the use of these funds. Increasingly over time, there have been strong reactions to these practices, often referred to as the "proliferation" of federal grants and criticized for heavy handedness and intrusiveness on the part of the federal government.

Early Block Grants

Lyndon Johnson saw the writing on the wall. It was during his presidency that the idea of broader and less conditional block grants began to take hold in response to what the chairman of Johnson's Council of Economic Advisors, Walter Heller, called "the hardening of the categories."

In 1966, President Johnson proposed a block grant that consolidated several relatively small public health grants into a single more comprehensive grant for a range of health services. Then, a year later in 1967, Johnson took a bigger leap into grant blocking (although not enthusiastically) when his administration, with Republican urging, backed the creation of the law enforcement assistance grant. LEAA funds were distributed on a formula basis to states with a requirement that 75 percent of the funds provided be passed on to localities.

Block grants in the modern era have involved the consolidation of pre-existing categorical grants into broader grants with the combined stream of grant funds from the folded-in programs allocated to states and/or localities on an automatic formula basis. President Nixon's New Federalism saw the creation of several such block grants, notably for community development, employment and training, and social services. Nixon also won passage of the general revenue sharing program in 1972, which provided flexible aid on a formula basis to states and localities. But this was not called a block grant, because the use of this aid was not limited to a particular function of government like law enforcement, community development, etc.

Three Types of Grants

Federal grants come in three basic types as to the nature of their end uses—entitlement grants, operating grants, and capital grants. Nixon's New Federalism called for blocking operating and capital grants, but not entitlement grants. That is, not Medicaid or Aid for Families with Dependent Children (AFDC). Nixon was a spender when it came to grants, and also for that matter other domestic policies in general. Besides his revenue sharing program (which involved distributing \$5 billion per year in new funds to states and localities) Nixon's block grants included funds known as "sweeteners." The term referred to extra funds provided on top of the money contained in the categorical grants bundled together in a new block. Nixon added these sweeteners as an inducement to state and local officials to support his initiatives.

But, to reiterate, the main idea in understanding block grants is that Nixon did not recommend blocking entitlement grants. The term refers to grants that transfer income (both in cash and in-kind) to individuals and families based on defined conditions of need. States determine eligibility for benefits under these grants within federal guidelines. The national government reimburses the states for the benefits provided on an open ended basis. Whoever qualifies receives aid, and the state is reimbursed accordingly. The food stamp program is not a grant-in-aid. Food stamps are federal government vouchers, although administrative funds for the food stamp program are paid to the states as a grant-in-aid.

Nixon's "New Federalism" / FAP and FHIP

In advocating the sorting out functions in American federalism, Nixon argued that income transfers (cash, health care, foster care, school lunches, food stamps) should be made more—not less—national in order to assure equal treatment of the needy

and to share this fiscal burden on a national basis. Neither Nixon's Family Assistance Plan (FAP) for welfare reform or his Family Health Insurance Plan (FHIP), which was similar to Clinton's 1993 proposal, were enacted. Actually, if FAP and FHIP had been enacted in the seventies, it would have saved a lot of grief over the past two decades, right now especially.

Reagan's "new federalism"

President Reagan's brand of "new federalism" (he didn't use the term, but the press did to describe his program) departed from Nixon's approach on this very point. In 1982 Reagan advanced his "swap and turnback" plan, which had the national government taking over Medicaid. In exchange, the states were to pick up the full responsibility for AFDC.

So, Reagan was on the fence intellectually on this federalism issue. He would centralize one income transfer program (Medicaid) and devolve another (AFDC). As it turned out, Reagan's "swap and turnback" plan never went anywhere; it was not even introduced in the Congress.

In the 1981 Omnibus Budget Reconciliation Act (OBRA), Ronald Reagan won enactment of nine new programs called "block grants" by his administration. They were for operating and capital functions—not for entitlement-type programs. Three were in the health field—for the prevention and treatment of substance abuse and mental health, preventive public health services, and maternal and child health care. Four of the "blocks" contained only one pre-existing grant. So, at least in my view, Reagan as a grant blocker was overrated.

Reagan's block grants and Nixon's, have one point in common that is very important when considering the ideas advanced by the new majority in the House of Representatives. Over time, these grants have lost value, both in nominal dollars and in real terms, i.e., adjusted for inflation. A recent report by Steven D. Gold from the Center for the Study of the States of the Rockefeller Institute of Government on nine block grants (some of Nixon's and some of Reagan's) showed that four declined in actual dollars over the ten year period 1983-93, one remained about the same, and all nine lost ground in real terms. (See table attached.)

The "Newt Federalism"

Enter the new House Republican majority in 1995: They are decidedly not on the fence intellectually when it comes to block grants for welfare-type (that is, entitlement) programs. Early on in the "100 Days," Speaker Gingrich and his House Republican colleagues set about creating block grants for entitlement grant-in-aid programs with a vengeance. The New Majority at one point advocated capping and blocking existing grants to create five new block grants—for AFDC, school lunches, foster care, Medicaid, and food stamps.

This is a distinction with a difference. Grants for payments to individuals now account for 63.3 percent of total federal aid outlays. Under the new Republican majority in the House they are, in effect, repealing the national safety net, which President Nixon built up and which Reagan said should be preserved.

The Essential Question

James Madison is much maligned when conservatives attribute to him and to the Federalist Papers the idea of devolving such welfare functions. Madison's Constitutional purpose was nation building, to centralize. Classical public finance theory in a similar way in the modern period assigns redistributional functions to the broadest population group in order to achieve equal (or close to equal) treatment for the needy and to share this fiscal burden widely. As a nation, we have done this—or at least moved in this direction strongly—since the nineteen thirties. The United States is by no means first among the industrial democracies in carrying out this safety-net function centrally, but in our own distinctive incremental bargaining process we have come a long ways. To block income-transfer programs to the poor is not just a management change. It represents a basic change in direction for American social policy.

BLOCK GRANTS OFTEN GROW SLOWLY IF AT ALL

Nine block grants were created in 1981 as part of the Reagan-Stockman New Federalism. The size of each of these block grants from 1983 to 1993 is shown below. They fall into two categories:

- *Little if any increase.* Five block grants have decreased or remained about the same in terms of spending—those for Social Services, Low-Income Energy Assistance, Community Services, education (Chapter 2), and the Job Training Partnership Act. (JTPA had a large increase in 1984 and no growth thereafter.) Since inflation was 44% between 1983 and 1993, the real size of these grants fell sharply.
- *Sporadic growth.* The other four block grants went through extended periods of little if any growth but had increased funding in the 1990s. The Prevention/Treatment of Substance Abuse Block Grant had a big funding increase from 1989 to 1991 but little growth otherwise. The Preventive Health and Health Services Block Grant did not start to grow rapidly until 1992. The Maternal and Child Health Block Grant did not start to increase until 1987. The Community Development Block Grant did not significantly exceed its 1983 level until 1993.

BLOCK GRANT OBLIGATIONS
(millions of dollars)

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Social Services	\$2675	\$2700	\$2725	\$2584	\$2697	\$2700	\$2700	\$2762	\$2804	\$2800	\$2800
Low-Income Energy Assistance	1975	2075	2100	2008	1822	1532	1383	1443	1610	1500	1346
Community Services	373	348	368	352	368	363	319	322	436	360	372
Prevention/Treatment of Substance Abuse ¹	468	462	490	469	509	487	806	1193	1269	1080	1108
Preventive Health & Human Services	85	87	89	87	89	85	84	83	91	129	143
Maternal and Child Health	478	399	478	457	497	526	554	554	587	650	664
Chapter 2 (Improving school programs)	462	451	500	477	501	478	400	519	449	446	440
Community Development ²	2380	2380	2388	2053	2059	1973	2053	1972	2203	2397	2790
Job Training and Partnership Act ³	1415	1886	1886	1783	1840	1809	1788	1745	1778	1773	1692

1. The prevention and Treatment of Substance Abuse Block Grant included mental health until FY92.

2. Community Development Block Grant data does not include undistributed allocations, nor does it include spending on the nonentitlement portion of the Block Grant.

3. The JTPA Block Grant is for the Adult and Youth Training Block Grant portion of the JTPA program.

Source: U.S. Office of Management and Budget, *Budget Information for the States, FY 1983-FY1993*.

Source: Rockefeller Institute of Government, Center for the Study of the States, *State Fiscal Brief, January 1995, No. 26*

RICK SANTORUM
PENNSYLVANIA

COMMITTEES:
ARMED SERVICES
AGRICULTURE
RULES
JOINT ECONOMIC
AGING

United States Senate

WASHINGTON, DC 20510-3804

202-224-6324

Senator Rick Santorum (R-PA)

before the Senate Finance Committee Hearing on Welfare Reform Thursday - April 27, 1995

Mr. Chairman and members of the committee, I would first like to thank you for the opportunity to appear before you today. Having served on the House Ways & Means Committee before my election to the Senate, I can appreciate the enormity of the task before you as you complete your formal hearings on welfare and begin to chart a legislative path for reform. As you prepare for that activity in the weeks and months ahead, I would like to share with you the benefit of my experience over the last two years.

During the 103rd Congress, I served as the ranking Republican on the Human Resources Subcommittee on Ways & Means, and in that capacity, I spent a good deal of time, research, and committee activity on welfare reform policies. In early spring of 1993, I coordinated and chaired the House Republican Task Force on Welfare Reform. At that time, I brought together members that shared previous welfare reform experience or a desire to examine this issue. Over an eight month period, the task force undertook an extensive examination of the welfare system as a whole. The product that emerged from the welfare task force became the House Republican platform on welfare reform. Introduced in November, 1993, that bill, HR 3500, became the basis for welfare reform discussions and a model for later initiatives including President Clinton's bill in the summer of 1994 and the Mainstream Democrat Forum's proposal in spring of 1994. Ultimately, this document served as the foundation for the reform proposal that has recently emerged from the House of Representatives -- HR 4, the Personal Responsibility Act. It is the foundation of HR 4 that I would like to focus my comments on today.

The focus of my testimony should not exclude a greater discussion of jobs, training and education, child care, nutrition, child support and paternity establishment, or any of the multitude of issues that are interconnected under the heading of welfare. Being mindful of the time constraints today and in view of other witnesses, I will leave those issues for the question and answer period or even later committee interaction. While the larger issues of jurisdiction are still being decided, I will continue to be involved in discussions over nutrition as a member of the Agriculture Committee, and given my House background, involved to the larger extent in the formation of the Senate welfare proposal. Additionally, I plan on being active on the floor during the consideration of welfare and will pursue amendments depending on the focus of the final product.

I feel it is beneficial if we first examine the current perceptions of HR 4. To date, the political debate has excluded any extensive discussion on the core of the "Contract with America" proposal and instead has centered on the so called "punitive" nature of the bill. The

ERIE OFFICE
107 FEDERAL BLDG
817 STATE ST
ERIE, PA 16501
(814) 454-7114

HARRISBURG OFFICE:
221 STRAWBERRY SQUARE
HARRISBURG, PA 17101
(717) 231-7540

LEHIGH VALLEY OFFICE: 1
2019 INDUSTRIAL DR.
BETHLEHEM, PA 18017
(610) 865-1874

PHILADELPHIA OFFICE:
SUITE 900 WIDENER BLDG.
ONE SOUTH PENN SQUARE
PHILADELPHIA, PA 19107
(215) 864-6900

PITTSBURGH OFFICE:
SUITE 250 LANGMANS BLDG.
ONE STATION SQUARE
PITTSBURGH, PA 15219
412-562-0533

SCRANTON OFFICE:
527 LINDEN ST.
SCRANTON, PA 18503
(717) 344-8799

current political debate has overshadowed a discussion of very fundamental policy options that exist in HR 4 and that are facing Congress in the areas of work, benefit criteria and eligibility. I'd like to challenge each member of this committee to take a hard look at the specifics of the Personal Responsibility Act. Those that have used "kids" as a political tool in this debate continue to do a disservice to the very people they seek to "protect". Those that would charge that the House bill is punitive and destructive to our children reflects not only an ignorance of the details of the proposal but also a convenient excuse to avoid choices on a new direction for welfare reform as well as a naivete of the present day realities of our children and inner cities.

I watched with interest President Clinton's news conference last week in which he spent a considerable amount of time talking about welfare reform and, in particular, the House activity on the Personal Responsibility Act. While the President's message was charged with very negative rhetoric on his perceived impact of HR 4, I found many of his statements interesting in light of my experience with the Administration proposal. What most caught my attention was his remark that he wants a bill:

"similar to the one he proposed last year, which would impose time limits and work requirements, but also increased federal funding for welfare recipients' job training". (4/18/95 press conference)

A closer look at HR 4 reveals the very two-year time limitation that the President spoke about in his address. Under HR 4, adults receiving cash benefits are required to work or participate in a State-designed program after 2 years (or shorter at a state's option). Second, a three year limitation is placed on a beneficiary actually being in work. This work requirement is the same as originally laid out in HR 3500. This work requirement is also the same as was originally proposed by the President in his campaign and later in his legislation. Likewise, most major welfare reform proposals also contain the two-year limitation on beneficiaries.

In wake of the House action, members of this committee and the Senate as a whole need to face the reality of the current beneficiary and cost statistics on all areas of welfare and begin to make decisions on those programs. In my discussions on welfare I have not found anyone unwilling to reform the system. And while the discussions and rhetoric have escalated during the last two election cycles, it is only recently that we have seen the will from Congress, and specifically the House, to move forward in advancing reform proposals and to honor a commitment to reform the current system.

The focus on work has been seemingly lost in the debate until the President's remarks last week. I strongly suggest that any proposal that might emerge from this committee must also honor that commitment to work -- for without that basic concept, all other reform is hollow. Consider a young woman I met last year at a town meeting in Verona, Pennsylvania who told me about her experience on welfare. She had been recently divorced with two children. With little recourse, she entered the welfare system and began to draw benefits. While on the program, she took advantage of the availability of job training and education, and after 18 months in the system, took a job at a local manufacturing plant. Today she continues to hold her job and is supporting her family. She viewed the welfare system as an opportunity to pull her family out of their unfortunate circumstances and take responsibility for her own life. She is an example of a

welfare mother success story that we must force the system to replicate. Anything short of this standard of "work" does not attack the cyclical nature of the system and perpetuates further dependency on welfare. Anything short of addressing this concept falls well short of the mark for "ending welfare as we know it".

There are two very specific provisions that I claim original ownership to and that I strongly recommend to this committee for inclusion in any welfare reform product -- fundamentally change the direction of the SSI program, and eliminate welfare eligibility for legal noncitizens in this country. Both provisions are currently contained in HR 4 and have evolved from extensive policy discussions out of the 1993 Republican Welfare Task Force.

Current perception is that the movement to ban assistance to legal noncitizens was born out of a desire to save billions of dollars for the sake of welfare reform. To the contrary, the proposal for eliminating assistance to legal noncitizens was developed first on the basis of policy after examining the growth in programs as a result of legal noncitizen enrollment and the contributing factors as to why those numbers were growing.

What was originally found in 1993 was that legal "sponsored" immigrants in particular were qualifying for welfare in significant numbers. What was even more troubling, however, is that the area of "sponsored immigration" is an expedited classification of immigration based solely on the basis of the income history of the sponsor and the commitment of that sponsor to provide financial assistance to the immigrant. Under current law, a sponsor's income history and ability to provide is extensively reviewed prior to granting the immigration application request and the sponsor's income is "deemed" eligible to that immigrant for the minimum of a five-year period so that they will not become a "public charge". However, the statistics and population trends have shown that just the opposite is happening almost immediately following the deeming period.

Social Security Commissioner Shirley Chater testified recently before the Senate Judiciary Committee that growth in legal noncitizens receiving SSI alone has reached 738,000 in 1994. In looking at trends over the past several years, Commissioner Chater also testified that the rolls in this program have increased 12% over the last five years. In 1993, when we first looked at the growth in these programs, we saw an even more severe increase in beneficiaries in the years preceding Commissioner Chater's figures -- from 110,000 in 1982 to over 650,000 in 1989.

While the factors behind the rise are varied, several very clear recognitions can be made. First, the "sponsor" arrangement for immigration and financial support criteria is non-binding and unenforceable. In turn, the number of noncitizens applying for welfare following the deeming period is alarming. Last year, the Honorable Barbara Jordan in her study on immigration policy testified before my Ways & Means Subcommittee on this very subject. Second, abuse has been exposed in several immigrant communities where beneficiaries are illegally qualifying for the program. We also received extended testimony on this last year in Ways & Means.

In 1993, through the committee and with the help of many in this room, we were able to

increase the deeming period from three to five years. Around that same time, I proposed the following options in the House Republican welfare reform bill:

- * encourage naturalization following the five-year deeming period by allowing an additional year for citizenship (the one-year is based on national averages);
- * strengthen the sponsorship arrangement by insisting on the financial commitment of the sponsor;
- * eliminate federal assistance for legal noncitizens (refugees, asylees, and elderly over 75 years are exempt).

Any fundamental change in the direction of a social program or immigration policy will be controversial, and I challenge you to examine the basis of the policy behind the proposed changes. As a first generation Italian American, I can speak directly to the opportunities that exist in America and the sacrifices that are made so that children can grow up in a free society, can go to college, pursue their dreams, and maybe even one day serve in the United States Senate. I can speak to the importance of heritage and culture, and as one of the originators of the policy, I can as forcefully speak to the changes that are needed in providing welfare assistance.

A *Philadelphia Inquirer* article just this week touched on the controversial nature of these changes. While the article may have accurately captured the current debate and reaction to the proposed changes, it excludes a discussion on the policy itself and the intent behind those changes. For an American citizen bringing people into this country under an expedited class of immigration and pledging financial support for that person, is it too much to ask that the individual actually honor that commitment?

The extent to which these proposals have gained acceptance in the last two years proves our discussion extends beyond the perception of "immigrant bashing" to being more of a justifiable policy option. Since the time that I first proposed changes to assistance for legal noncitizens, very similar language has been included in the major welfare reform proposals before Congress. President Clinton, in presenting his Work and Responsibility Act in 1994, included provisions which denied welfare assistance beyond the five-year deeming period to that of ten years. Likewise, the Mainstream Democrat Forum proposal contained the total ban on assistance to welfare recipients. And as we have seen now in the Contract with America proposal, the bill denies assistance in selected areas of welfare assistance including food stamps, AFDC, Medicaid, SSI, and Title XX block grant services.

Again, these are provisions that are grounded in solid policy discussion and determination. These are also provisions which would incur significant savings in the system, totaling over \$21 billion over a five-year period. During the course of the task force discussions, provisions were continually sent to the Congressional Budget Office (CBO) for review and scoring. It was much later, following the initial decision on the policy, that the CBO numbers were obtained and the significant amount of savings were realized. In many respects, the numbers only confirmed what our statistics had yielded.

My background and work in the SSI programs have paralleled that on legal noncitizens. Along with the growth in the noncitizen beneficiaries, SSI programs as a whole have experienced the largest growth and cost of any area of welfare. Those increases have occurred in the SSI

children's program, the legal noncitizen area, the program for drug addicts and alcoholics, and have involved problems with widespread fraud and abuse.

In March, I had the opportunity to testify before Senator Simpson and the Social Security and Family Policy Subcommittee on these programs. During that testimony, I made several recommendations and suggestions for reform that I feel are fundamental to any proposal put forward by the Senate. These changes speak to what must occur in welfare reform and are policy options that reflect targeting our federal resources to those most in need, especially in view of recent trends.

Since 1990, we have seen an obvious and enormous growth in the number of beneficiaries and amount of federal dollars spent in this program -- the number of children on SSI reached 683,000 in 1993 while the amount of spending was \$24 billion. And while this is clearly the major catalyst in the growth and costs of the program as a whole, an alarming and controversial ancillary effect has been the amount of fraud and abuse within the children's program itself -- specifically with regard to the definition of "disability".

Under the beneficiary criteria for disability that now exists for children, or individualized functional assessments (IFAs), we continue to see instances of fraud and abuse in the program that has not only drained resources, but has created a present day perception of the program that is far from positive. While some dispute the validity and very existence of the fraud and abuse, their lack of recognition of these happenings serves only as a means for hindering federal assistance to those at the fundamental core of the disability program itself -- those with severe mental and physical disabilities.

In legislation last year (HR 4419), I proposed replacing the cash program with one of a "voucher" system for treatment. This was done as a means to eliminate some of the financial incentive associated with the program, and to move toward targeted assistance to the individual "need" of the beneficiary and to more direct treatment of the specific disability itself. The Social Security Independent Agency Act contained language from Ways & Means commissioning a study of the "voucher" idea. That study is ongoing through the National Commission on Childhood Disability.

The approach that has evolved into the Personal Responsibility Act in the area of SSI and children suggests the following:

- * eligibility under the IFA criteria would be eliminated;
- * at least once every 3 years, SSA will conduct continuing disability reviews (CDRs);
- * target resources and increased benefits to the severely disabled;
- * children made ineligible by IFA elimination may reapply for SSI coverage, under other disability criteria.

While some have perceived these changes as draconian, I think the proposal deserves a hard and thorough look, especially in view of the factors discussed previously which are driving the growth and costs of the programs. I recommend this approach to the committee, and I will pursue a similar approach to that taken in HR 4.

Since 1985, the number of addicted SSI recipients rose from 50,000 to 800,000 in 1993. In most cases, the lack of treatment or direct lack of oversight by SSA has led to more and more beneficiaries and fewer if any recoveries (Comm. Chater testimony, 2/93). In my legislation last year, I established guidelines and requirements for testing and monitoring, and imposed sanctions for non-compliance. My bill also set changes in the structure and designation of representative payees and imposed a 36 month lifetime limitation on DA & A benefits. Many of these provisions were also enacted into law last year in the Independent Agency bill.

While some progress has been made in curtailing the program, a discussion of the topic draws upon the larger question of the role of the federal government in providing assistance in this area in the first place. In that regard, I draw your attention to the Personal Responsibility Act provisions which would abolish the DA & A program and federal SSI and Medicaid assistance to drug addicts and alcoholics altogether. Additionally, that proposal would redirect \$400 million from the savings to fund additional drug treatment and research.

Mr. Chairman, I will also call your attention to the changes contained in the SSA Independent Agency Act relative to interpreter fraud. In cooperation with Congressman Jake Pickle, I offered a section on fraud to that Act which is now law. In particular, those provisions achieved the following:

- * set strict guidelines for use of third-party translators;
- * elevated SSI fraud from a misdemeanor to a felony;
- * set more frequent reporting requirements between agencies & Congress;
- * established criteria for casefile review and redeterminations.

We hope to see significant results from these changes in combating the many abuses and problems brought before our congressional committees. I am as anxious as anyone to see the practical effect of this law, and have had favorable responses already from those individuals we have developed a relationship with over the past two years and who work in these immigrant communities.

As someone who has invested a considerable amount of time and effort in the issue of welfare, I encourage this committee and the Senate to go beyond the rhetoric and take a hard look at the policy, especially the policy behind HR 4. By every estimation, the current system remains unworkable. Both reform and progress are possible, but only with a commitment by members of Congress and the Clinton Administration to make hard choices on reform. I have presented this committee with several options today.

Thank you again Mr. Chairman for the opportunity to appear before you. With your permission, I would like to include some material for the record regarding fugitives receiving welfare and my legislation, S. 599. I welcome your interest in this and would like to work with you on including this in any welfare package that may pass through this committee. Similar provisions have already been included in HR 4.

COMMUNICATIONS

STATEMENT OF THE AMERICAN PAYROLL ASSOCIATION [SUBMITTED BY CAROLYN M. KELLEY, DIRECTOR OF GOVERNMENT AFFAIRS]

The American Payroll Association is a non-profit professional association representing 11,000 companies and individuals on issues relating to wage and employment tax withholding, reporting and depositing. Over 85% of the gross federal revenues of the United States are collected, reported and/or deposited through company payroll withholding. Under our system of voluntary compliance, we are the nation's tax collectors. We are also the professionals largely responsible for child support enforcement—ensuring, through the withholding system, the collection of about half of all child support monies in the United States. The fact that some twelve percent of all employees are subject to wage withholding for child support underscores our important role in enforcing the child support system and making sure that parents are not allowed to escape their financial obligations to their families.

The American Payroll Association has worked with federal and state child support enforcement agencies for several years. We commend Congress for seeking to collect the \$36 billion plus per year in child support monies that are currently outstanding. This is a serious problem in our country. APA understands that to do this, delinquent parents must be identified and located and monies withheld by employers from earnings.

APA supports mandatory wage withholding of child support orders and current efforts to locate non-custodial parents through new hire reporting. However, APA is concerned about the current burden on employers due to non-standardization of the child support order/mandatory wage withholding process. We also are concerned about potential hardships that will be placed on employers if current proposals (including new hire reporting) are enacted as written in the House-passed Welfare Reform plan (H.R. 4) as well as those provisions introduced by Sen. Olympia Snowe in S. 442 and Sen. Bill Bradley in S. 456.

Specifically, we are concerned about certain provisions of the new hire reporting plan, the areas of lack of standardization in the entire wage withholding process, and problems with adoption of Section 501 of the Uniform Interstate Family Support Act (UIFSA).

A. NEW HIRE REPORTING

Employers understand it is important to capture employment information on all newly hired employees so that non-custodial parents who owe child support are located and the wage withholding process can begin. We support the requirement that employers provide the names, social security and Employee Identification Numbers of new hires. We urge you, however, to follow the language in H.R. 4 and omit the requirement—now in the Snowe and Bradley bills—that employers provide the employees date of birth, as this information is unavailable to employers at the time of hire due to Equal Employment Opportunity Commission rules regarding age discrimination in hiring. Our other concerns are summarized below:

Centralized Reporting

APA applauds the House for abandoning its plan to require all employers, including those operating in more than one state, to submit new hire information to every state in which they do business. Under H.R. 4, employers would only have to submit their new hire information to the state in which they have the most new hires. Although this proposal does away with much of the paperwork that would previously have been involved, we still don't believe it provides a very logical way to addressing child support delinquencies.

The House-passed bill streamlines the process so that employers would communicate with only one entity—either the state in which the employee was hired or the state in which they have the most employees. But we question why Congress would want to create an additional layer of bureaucracy, e.g., the states, since one lax or sloppy state would weaken the entire data base. It would be far more efficient to allow employers to submit the data—as well as withholding payments—directly to a federal repository. That way, information from all states would be treated equally. It also would allow employers to file only once, rather with multiple entities.

In addition, the House bill would require multi-state employers to constantly be checking their employment rosters to ensure that they are filing with the correct state—the state with the largest number of employees. This proposal raises a question of fairness for the states. Why should a state be required to process new hire information for new hires that didn't come into that state?

As an alternative, we very much support the centralized Federal New Hire Data Base proposed by Senators Snowe and Bradley.

Standardization

We are pleased that H.R. 4, as well as the two Senate bills recognize the importance of standardized data elements. We strongly support the development of a national child support order form that uses such standardized data elements as names, Social Security numbers and case identification numbers. In addition, we are pleased to see that the Snowe and Bradley bills require the Secretary of Health and Human Services to define such terms as income, as it relates to child support withholding.

Reporting Deadlines

We believe that provisions adopted in the House-passed Welfare Reform package as well as in the Snowe and Bradley bills relating to reporting deadlines would not give many employers enough time to prepare their materials. H.R. 4 requires businesses to report the information either within 15 days after the date the employee comes on board or the date the employee first receives wages or other compensation from the employer—which ever is later. S. 442 and S. 456 each require employers to make their new hire reports within 10 days of date of hire.

The information needed from employers must be generated through the HR/payroll system, which is set up to accommodate tax payments and other processes related to employment and tax compliance. Thus, employers need a finite amount of time to generate the information needed, especially if asked for data elements not already contained on the system. (Birth date, for example.)

The deadline imposed on employers in H.R. 4 will force many employers to create a manual process, as they will not have enough time to generate the information through their automated systems. This will result in the agencies receiving millions of paper documents—possibly with errors—rather than an accurate tape or electronic submission.

We are in agreement that the legislation should be flexible and offer employers a choice. However, the deadline needs to be lengthened to facilitate timely reporting through automated systems. Our suggested alternative is a choice between 15 days from date of hire or five days from the date an employee first receives wages or other compensation, whichever is later.

It is important to note that many states that have enacted new hire reporting ended up lengthening their reporting periods. After hearing testimony from employers, Massachusetts extended its period from 10 days to 14, but allowed businesses reporting electronically to report monthly. Iowa changed state law from 10 to 15 days because of employer complaints. Texas will change from 10 to 35 days. Virginia, West Virginia and Washington have all adopted 35 days. Michigan is now considering 35 days.

We believe that certain ambiguities could be avoided if employers are also required to state the date of hire on their new hire reports. Use of Tax Forms

One of the fallacies of past and current proposals is that employers could simply photocopy a completed Form W-4 "Employee's Withholding Allowance Certificate" and send it to the appropriate agency. The Form W-4, which is completed by employees, not employers, does not request date of birth information, as requested in the Snowe and Bradley bills. Furthermore, few employees know their employer identification number (EIN) and aren't required to fill it in at the time of hire. Requiring employers to provide that information on the W-4 would require that they actually write it in and then submit the form. This might be an acceptable approach for small employers. But employers with automated systems would be forced by this

requirement to create a manual process and submit paper W-4s. This does not seem consistent with the government's goal of reducing paper processing.

Further, Form W-4 is a tax form. APA does not support non-tax use of tax documents for confidentiality-related reasons.

Instead of requiring the use of Form W-4, a simple, standardized list of requirements should be provided for paper filers, along with flexible guidance. It is conceivable that for very small businesses, it would be easiest to photocopy the Form W-4 and write in additional information. This should be an option (for small business), but not a requirement.

Similarly, APA objects to any use of Form W-2 "Wage and Tax Statement" to report monies withheld. Because this information is not part of the tax-reporting system, businesses will have to build and maintain new data bases to report this information. This is a tremendously costly endeavor and an unfair burden on employers already acting as collection agents for child support enforcement purposes.

Penalties

Distinctions should be made for employers who are making a good faith effort to comply, but due to circumstances beyond their control (or unrealistic legislated expectations) are occasionally late, from an employer who willfully avoids reporting. Penalties should be simple to calculate and not require lengthy audits to determine.

Any penalty provisions that are proposed and ultimately enacted should provide workable, realistic due dates for reporting so that U.S. businesses are not placed unfairly under penalty exposure.

To this end, we urge a slight modification to the language in Sen. Snowe's bill. S. 442 states that "Any employer who fails to make a timely report in accordance with this paragraph with respect to an individual shall be subject to a civil money penalty . . ." We believe the statement could be amended to state that, "Any employer who fails to make an effort in good faith to timely report in accordance with this paragraph . . ."

Payment Deadlines

We believe that the proposal in Sen. Snowe's bill giving employers 10 days to make deposits is fair and reasonable. We do, however, urge safe harbors similar to those described in the reporting section—provisions protecting employers when they are unable to make a timely deposit through no fault of their own.

In addition, the proposed \$1,000 fine proposed by Sen. Snowe is excessive. And we propose that funds collected for late payments be applied to a state's general fund and not toward the operation of its child support system. Doing so, as Sen. Snowe as proposed, could encourage a "gotcha" mentality among cash-strapped child support agencies.

B. MANDATORY WAGE WITHHOLDING

Very little emphasis has been placed on standardizing the various federal and state laws and procedural regulations affecting employer wage withholding of child support orders. Nonetheless, under current law, employers must comply with rules of the jurisdiction that issued the enforcement order. This has proven very burdensome, particularly for employers in large states. Employers in Texas, for instance, are responsible for complying with the various rules in nearly 250 jurisdictions!

The greatest problems and costs for employers are associated with the lack of standardization in:

- definitions of both gross and net income (i.e., the income subject to the withholding orders.)
- definitions of disposable earnings. (For example: the federal requirements under the Consumer Credit Protection Act are earnings for services less taxes and mandatory contributions to a pension plan. States may exclude certain earnings such as overtime and allow additional deductions such as union dues and medical insurance.
- how the dollar amount to be withheld is stated on the withholding order itself.
- procedures for orders that are received late through no fault of the employer.
- procedures for when the employer should begin withholding.
- procedures for when the employer should stop withholding.
- procedures establishing priorities of withholding for multiple orders, especially where there is not enough money earned in wages to withhold full amounts.
- processing fees for courts, states, employers and any other fees. As an alternative, we urge Congress to use this opportunity to establish a centralized collection site with one set of withholding rules for all states—similar to the centralized data base.

If the current state-by-state deposit system is maintained, we urge the development of a standardized withholding order form. Employers should be able to scan a form and easily determine (a) the amount to be withheld and (b) where to send the monies.

C. CENTRALIZATION OF COLLECTIONS

Currently states vary in their sophistication regarding the handling and disbursement of withheld child support funds. We are very troubled by the fact that in some states, it is the employers who are actually responsible for sending out child support payments to custodial parents. We feel strongly that this is an inappropriate role to ask employers to take on—in some instances pitting them against their own employees and forcing them to communicate with custodial parents who aren't, in any way, linked to their line of business. Under the best of circumstances, this communication is limited to mailing a check. But often times payroll departments are called by irate custodial parents who—rightly or wrongly—feel that the payment is not what it should be.

We believe that in no circumstances should employers be expected or required to come into contact with custodial parents in order to disburse child support payments.

We recommend designating one agency within each state that would receive payments from employers. Employers should have the option of reporting and paying using electronic funds transfer or a single check with a list.

D. CLARIFICATION OF THE INTERSTATE FAMILY SUPPORT ACT (UIFSA)

APA believes that the Congress has an unprecedented opportunity to strengthen and clarify the procedures of the Uniform Interstate Family Support Act (UIFSA). UIFSA seeks to provide agencies direct access to employers outside their state in order to decrease the time it now takes to begin collecting on out of state orders. But UIFSA, as currently drafted, provides no legal guidance as to which state's laws apply—the issuing state or the employee's work state. In the past, payroll professionals were able to interpret most child support orders without having to confer with corporate or outside legal advisors. Many payroll departments are now so concerned about the validity of orders served directly under UIFSA's Section 501 and about which processing laws to apply that they will no longer begin withholding until the orders have been reviewed by legal counsel. This is very expensive and may delay withholding, to the detriment of both the custodial parent and the employer, who is placed in an unfair penalty position and bears the cost of legal review.

Legislation must be enacted to specifically direct that the employee's work state determines the regulations that govern the withholding order, both for substantive and procedural guidance, before the across-the-board adoption of UIFSA. This problem would also be reduced through standardization of all regulations relating to withholding.

APA urges Congress to recognize that its goals though worthy, will not be met unless American businesses can perform the tasks called for quickly and timely. We would like to help in any way we can to ensure that the public/private partnership which is a necessary part of the child support system is as effective and cost efficient as possible. We would be pleased to answer any further questions.



April 25, 1995

Honorable Robert Packwood
 Chairman
 U. S. Senate Finance Committee
 219 Senate Dirksen Office Bldg.
 Washington, D.C. 20510

Dear Senator Packwood:

Counties are the front-line deliverers of basic social services. In many states, counties have administrative and financial responsibilities for federal and state social services programs. Preliminary estimates from State Associations of Counties that have responded to a recent National Association of Counties (NACO) survey show that counties contribute over \$4 billion to the federal welfare, child welfare, and child support programs, as well as nearly \$1 billion to state general assistance programs.

It is with this experience that counties approach the debate over welfare reform and social service programs. NACO has been a long-time supporter of a comprehensive approach that rewards work, strengthens families, and is supported by sufficient federal resources and local flexibility to train people for jobs that promote long-term self-sufficiency. NACO's Board of Directors adopted an interim resolution and guidelines on welfare reform at our legislative conference in March which include the following concepts:

- o Our overriding concern is the protection of children. The federal government must maintain its responsibility to ensure a level of assistance and support services to children and families, and that programs are administered on an equitable basis. Programs such as Aid to Families with Dependent Children, Foster Care and Adoption Assistance, Medicaid, and Food Stamps represent the basic safety net for children. NACO therefore supports maintaining the federal entitlement for these programs.

- o Beyond this level of protection the federal government must provide the flexibility to tailor programs to meet local needs. Many of the restrictions in the legislation passed by the House of Representatives go against the concept of state and local flexibility, and have the added consequence of hurting children. These include the family caps, the elimination of eligibility for teenage parents and their children, and reducing benefits to children who have not had paternity established even in cases when the parent is cooperating with the state. NACO supports a different approach to these issues, such as encouraging teenage parents to live with a responsible adult and providing funding for enhanced case management.

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o Another matter of great concern to counties is the denial of benefits to legal immigrants. We believe that this prohibition is unfair to taxpaying legal residents and will result in considerable cost shifting to local and state governments. Los Angeles county, which has the highest concentration of immigrants in the country, has estimated that the denial of Aid to Families with Dependent Children and Supplemental Security Income would represent over \$500 million a year in additional general assistance costs, and this figure does not even include the added cost of denying Medicaid eligibility.

o While NACo generally supports the concept of time-limited assistance we also firmly believe that in order for it to work, there have to be jobs, education and training, and support services available. One of the most basic needs is affordable child care. Neither individuals nor counties and states should be penalized for their failure to move people off the welfare rolls when jobs and child care are not available.

o Arbitrary participation requirements such as those included in the House bill are excessive and counterproductive. Instead, NACo supports mutually negotiated outcome measures in which states are judged by their progress toward achieving these goals. We are also concerned about the bill's definition of required work activities and believe that these should be determined at the state and local level based on the individual's skills and training needs.

o Poorly funded block grants and cuts in benefit eligibility will force county and city governments to bear the unshared cost of caring for families and dealing with the unintended consequences such as increased homelessness, medical expenses, hunger, and crime. If block grants are established, it is imperative that local governments be involved in planning the design and delivery of services that meet the particular needs of local communities. I, therefore, urge you to include language in your bill that provides for a local government role in this process. Block grants also must include adequate time for implementation and some formula for increases, particularly in cases of economic downturns.

o NACo believes that there are a number of categorical programs that could be consolidated to allow for a single funding source. One such area could be a child welfare services block grant that includes the Family Preservation and Support Program, Child Abuse State Grants, and the Title IV-B Child Welfare Services.

o NACo opposes the cap on Medicaid as it will cause a cost shift to the private sector and to local level governments, particularly counties, and also not-for-profit and profit hospitals.

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o I cannot emphasize enough, however, the need to keep the **IV-E Foster Care and Adoption Assistance**, administration and training as an individual entitlement. These program are designed to protect our most vulnerable children and provide them a safe an nurturing out-of-home placement. A capped block grant will result in higher caseloads and could put these children in even greater risk.

In closing, I urge you to consider the cumulative effect of all the changes included in the House bill and whether county and state governments can absorb all these changes at once.. One such example is the change in the definition of child disability in Supplemental Security Income (SSI). Consider a child who is on SSI but is in out-of-home care due to abuse or neglect. If that child loses SSI eligibility, the cost will be shifted to the foster care system. If foster care is also put in a block grant, this will be an additional burden to counties and states.

I know that you share many of the concerns that I have raised in this letter and understand that the Senate may remove some of the more onerous restrictions from the House bill. I am available to discuss these issues with you in greater detail.

Sincerely,



Randy Franke
President

