

United States Senate
Committee on Finance

Welfare Reform Reauthorization Field Hearing

Des Moines, IA

February 20, 2003

Statement of Representative David Heaton

Iowa House of Representatives

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Chairman Grassley, Ranking Member Baucus, and the members of the Finance Committee, I am Representative Dave Heaton. I chair the House Health and Human Services Appropriations Subcommittee in the Iowa House of Representatives and it is an honor to testify before you today. I am joined today by a number of my colleagues, including the chair of the House Human Resource Committee which has jurisdiction over welfare policy issues, Representative Dan Boddicker.

On behalf of the members of the Iowa Legislature, we would like to welcome you to Iowa and thank you for having a conversation with us about the success of Iowa's Family Investment Program and the future of Welfare Reform. We are very appreciative that you have chosen to visit us for your first field hearing on this issue. Iowans are very proud that we have been able to help thousands of families move from welfare to work, and we look forward to continuing these efforts in the future.

Mr. Chairman, as key stakeholders in welfare reform, state legislators are keeping a close eye on your efforts in Washington to reauthorize the historic 1996 welfare reform law. As the members and staff of my committee can tell you, the issue of reauthorizing welfare reform has been a priority for me. As a vice chair of the National Conference of State Legislatures Human Services Committee and a member of the Welfare Reform Reauthorization Task Force, I have been able to ensure that Iowa has a voice in formulating NCSL's policy on welfare reform authorization. You are in a far better position to ensure that the needs and hopes of Iowans can be addressed through this process. As we have this conversation on reauthorization during the next year, I would invite all of you to talk about these issues with your state's legislators. I believe you will find that we are very willing partners in this task.

State legislators are responsible for writing, financing and implementing laws governing the TANF program in their states, for overseeing the programs in their states, and for appropriating TANF and Maintenance of Effort (MOE) funds. How we have devised our programs and the innovative approaches we have taken offer you and the rest of Congress a chance to see what really works to help struggling families, just as the federal government drew on state efforts to reform welfare in crafting the 1996 law.

Iowa was fortunate in 1993 to have been granted the flexibility by the federal government to start the process of reforming our welfare system. At that time, Iowans were confronted with some significant issues. In April of 1994 there were 40,659 families on our welfare rolls. The state spent \$14.492 million that month on cash

assistance payments. Iowa had to change its focus and reinvent welfare if we were to help move families from welfare to work.

When Iowa implemented the Family Investment Program, we placed an emphasis on work and acquiring the skills to successfully enter the work force. We invested funding and resources into providing enhanced job training and education to help our welfare recipients gain the necessary skills. While some had doubts about the potential of the program, we forged ahead. Thanks to the hard work of the people of the Iowa Department of Human Services, thousands of Iowans now get a paycheck instead of a government check.

Today, all Iowans can be proud of the accomplishments of the Family Investment Program. This January, there were 19,648 families taking part in the Family Investment Program, a reduction of 51.68 percent over April 1994. The state now paid out just \$6.429 million in cash assistance in January. That is a reduction of 55.64 percent over the April 1994 amount. Charts showing these declines are at the end of my written testimony. I would like to thank Deb Bingaman and her staff for putting them together for me.

Thanks to our ability to lower our caseload and expenditures, Iowa has been able to creatively and effectively use TANF funds to improve the lives of Iowans. These efforts range from an increased commitment to childcare, creating innovative programs that encourage Iowans to save for a home or to create a new business, and helping teens to make better choices. These innovative approaches will have long-term benefits to the people of Iowa if we can continue to build on our successes.

The freedom granted to Iowa in 1993 and to all states in 1996 has allowed us to transform the nation's welfare system so that it better serves local needs and different populations. Instead of having a one size fits all program across the country, states have crafted different approaches that respond better to local economies. Here in Iowa and around the nation, we have learned a great deal about the successes and remaining challenges of welfare reform and the creativity and enthusiasm of government, for-profit, not-for profit and faith-based and community organizations in serving these families. Federal law should help foster this creativity and not stifle this enthusiasm. This is the basic tenet by which legislators will judge the proposals coming from Washington.

The work of reforming the welfare system is not done. While caseloads have declined dramatically, many families struggle with barriers to self-sufficiency. Given the current economy and the ongoing impact of the tragic events of September 11th on industries that have traditionally hired former welfare recipients, special attention is needed to ensure that there are no adverse unintended consequences in reauthorization.

State legislators also believe that welfare reform is an ongoing process of sustaining the work effort of former welfare recipients. This includes services that support job placement, retention and advancement to prevent

welfare recidivism and improve the lives of children and families. Our work must continue to help states implement welfare prevention strategies including teen pregnancy prevention, noncustodial parents and fatherhood programs, promoting marriage and other family formation strategies.

In essence, Mr. Chairman, flexibility is the key to helping families break free of the shackles of poverty. I would like to discuss a few issues that are being discussed as a part of the reauthorization process. These issues are critical to the success of welfare reform in Iowa and throughout the country. I would ask you to consider these and talk to legislators from your states about how they impact their programs.

FUNDING

Iowa is not alone in maximizing our use of welfare reform funds. All states and territories have used the flexibility in the TANF program to fund services such as flexible childcare services, substance abuse treatment, pre-kindergarten classes, training to help parents get better jobs and after school programs aimed at reducing teen pregnancy. In FY2000, only 50% of TANF was spent on cash assistance. 20% was spent on childcare and the remainder was spent on other services.

The TANF program today serves a very different population than the AFDC program at its inception in the 1930s. People accessing our services are no longer widows and most children on welfare are not orphans. Most women work outside the home and our economy has changed the type of job opportunities available to low-skilled workers. The caseload for cash assistance has declined nearly 60% nationally since passage of PRWORA; however, as we provide increasing support to ensure job retention and advancement as well as services for children and families, the total caseload receiving services has increased. This is why continued full funding is critical.

FINANCIAL FLEXIBILITY

In my opinion, the key element of success of welfare reform has been Washington's willingness to let us decide how to use our block grant funds. This flexibility has provided Iowans with access to better childcare, increased child welfare funding, and additional resources for teen pregnancy prevention. Preserving states' flexibility is vital to the continued success of TANF.

Much of what I am going to touch on in the remainder of my testimony underscores the need to maintain the states' ability to craft programs that fit the needs of their citizens. I would ask that you keep this in mind as you examine these programs and take some time to consider how they would be able to function if states' flexibility would be taken away.

WORK

Mr. Chairman, state legislators across the country believe strongly in the value of work. In fact, states changed their welfare programs into programs that require and support work using waivers before the federal government acted. 48 states operated their welfare programs under these waivers before 1996. The rigid rules of the old AFDC program actually prevented programs from implementing strategies to help welfare recipients become self-sufficient. For every dollar earned, welfare recipients lost a dollar in benefits. If we make it advantageous to go to work and provide support to those confronting tough challenges, parents will work. Iowans supported the federal bill in 1996 because our experience showed that the old system had trapped too many families in poverty by not having any expectation that individuals work or make themselves ready to work.

States are strongly committed to the work first focus of TANF. But, Federal constraints will compromise our ability to allocate our resources and design flexible programs to best serve individual recipients. Major changes in the current requirements could upend state spending decisions. If we revert back to the pre-1996 system of cookie cutter programs being forced upon the states, I can guarantee that you will lose two critical components of this program:

- State and local officials that have bought in to the program and are willing to work with Washington to improve the lives of families: and
- The creative and innovative programs that have been the lynchpin of welfare reform, letting families get a paycheck instead of a government check.

States have learned that different strategies are needed for clients who have very different barriers to work. We also believe that part-time employment with some support is better than no employment, and feel that states should be able to count all recipient work effort. We value job retention and advancement efforts. These supports are critical for long-term self-sufficiency and truly represent the next phase of welfare reform. States are best suited to decide what work activities a recipient can perform. We know we must work quickly to get recipients into the workforce. After all, TANF is a time-limited program, with a 60 month lifetime limit on benefits.

a. Work Participation Rules/Job Training

One of the biggest concerns that we have in Iowa relates to the work participation rules and how they will be calculated. In Iowa, we have made great strides in moving people from welfare to work. Part of this process has been helping Iowans acquire the necessary skills to move into the work force. But our success could be undermined by the desire of some in Washington to take away state flexibility and set strict rules on what counts towards the work participation rules. Under the proposals being currently discussed, job search and vocational education would not count for the first 24 hours of the work requirement as they do under current law. Another proposal is to raise the percentage of welfare recipients engaged in work. For Iowa, these are critical issues.

I would like to illustrate the potential problem of this job training issue with a situation that is very close to home. For the people of my community of Mount Pleasant, we have seen the need for moving our community's economy into the 21st century. This fall, we lost the BlueBird Bus Company – one of our biggest employers. Now, many of my friends and neighbors have had to find new jobs.

As a state, we in Iowa are recognizing that we must change the focus of our economy if we are to survive in the world economy. The days of smokestacks and heavy industry are gone. Leaders across Iowa, from Governor Vilsack and our legislative leadership to local chambers of commerce have recognized that we need to take our skills and resources and maximize Iowa's potential. We are now focusing on bio-technology, insurance and financial services, and high technology. In order for Iowa to survive, we must change. And we will.

Putting Iowa on the cutting edge of technology and production will require Iowans to acquire the skills necessary to perform this work. In some areas like Mount Pleasant, this may mean that welfare recipients will have undertake extensive retraining and education. A worker that has been building bus chasses does not have the skills to take a new job at a biopharmaceutical facility. We need to have the flexibility to allow Iowans to get the skills that will allow them to get a good-paying, high quality job that will keep them from enrolling in FIP. I fear that the rules relating to how Iowans meet the work requirements could restrict our citizens from getting the job skills for Iowa's new economy.

While raising the number of recipients engaged in work is a proposal many would support in theory, its application can be problematic. This has the potential of having a disproportionately negative effect on rural states. In many parts of Iowa, we do not have the job growth needed to meet this standard. If our efforts to modernize Iowa's economy are successful, this will be a temporary problem. But again I would ask that you consider these factors before making a decision.

b. Public work employment

I understand that some of those in favor of increasing the work requirements and having universal engagement believe that these requirements could be met by having recipients working in public sector jobs in some sort of workfare program. This would be very difficult in Iowa due to the rural nature of the state. While urban areas would have a number of options for welfare recipients to fulfill this requirement, residents in rural parts of Iowa would be hard-pressed to meet this standard. It would not be for a lack of trying – there just isn't enough public service opportunities in small towns like New London, Havelock, or Carson. How would states like Iowa be able to meet this standard if vast parts of a state did not have public service opportunities?

An additional concern is compliance with the proposed reporting requirements. Just who in these small towns will document, keep track of, and report this work to the state and federal government? Most of the communities

in this state do not have nor can afford to hire personnel to perform this function. If it is Congress's intent to require that there be a public service component, I would strongly request that you grant us flexibility in how this is met. Without such flexibility, states like Iowa are unlikely to meet Washington's requirements.

c. Diversion

States also face a dilemma related to the standards we could be held to in programs that keep families from getting on the welfare rolls. Current law does not give states like Iowa credit for those we help who never touch cash assistance and are diverted from the welfare system. Iowa was one of the pioneers in these efforts with the creation of FIP Diversion. FIP Diversion programs simply work with families who could potentially end up on FIP. Instead of going on the program, FIP Diversion works with the family to address the issues that are preventing them from working. By removing those barriers, we are able to help the family keep off FIP.

This program is a great example of how states can wisely use TANF funds to give a family the freedom to make a better life for themselves and avoid cash assistance. Yet if the caseload reduction credit is replaced with an employment credit that does not take Diversion-like programs into account, states will have absolutely no incentives to continue these programs. Does it make sense for the federal government to provide incentives for states to enroll families into welfare programs for the sake of meeting a standard, when before the changes the state would have worked to keep them off the program? To me, there is a simple answer – please work with us to ensure that we can keep these programs by allowing us to count these families in our calculations.

d. Reporting requirements/staffing issues

Mr. Chairman, I know you have been contacted by a number of employees of DHS over the past two years concerning the budget problems faced by Iowa. Just like other employers who have faced difficult choices due to the current economy, the state has been forced to reduce its workforce. This has raised the caseload of our frontline workers in all parts of the state. The additional requirements that are being urged by some inside the Beltway will simply overwhelm our caseworkers ability to serve Iowans in need. Why is this? It's simple – if we don't devote the resources to meeting the reporting requirements being proposed, we will lose the money. We have seen how this impacts our child welfare system during the past few years. It will happen again, if the reporting requirements are too onerous.

As I said before, the TANF program has given each state the freedom to respond to its own unique set of needs and circumstances. If new and inflexible work requirements are added to the program, states, constrained by the fixed sum of money available from the block grant and their own economic difficulties, will be forced to cut back on other TANF funded programs that support work. Can Iowans on welfare succeed with reduced access to childcare or other valuable services that would be sacrificed in order to try to meet these requirements? No.

e. Penalties

With all of these issues, there is an underlying fear of what could happen if we are unable to meet these aggressive standards. Under one of the proposals before you, states would be vulnerable to having to face substantial fiscal penalties – losing 5% of TANF block grant, backfilling this penalty with state dollars and an increase in 5% for the state maintenance of effort requirement. And those are just the penalties for the first year of compliance.

For Iowa, the exposure could be even greater. An analysis done by NCSL has found that Iowa’s potential exposure for not meeting the proposed work participation standards could be as much as \$67 million. Iowa simply could not handle such a loss of funds. The impact to childcare, job training, child welfare programs, and pregnancy prevention in Iowa would be devastating.

The proposed penalty is not limited to loss of federal funds. States would be required to backfill the lost federal funds with state funds. If Iowa could not meet these high standards and lose the \$67 million, our Legislature would be forced to make choices between increasing funding to our schools or ensuring adequate care for our seniors. That is a choice no state should be forced into because of federal standards.

I would again ask that you again recognize the partnership that is welfare reform and give the states the latitude to establish how they would meet work participation requirements. Please remember that in rural parts of America, the high standards for performance may be difficult to attain. This will require ingenuity and patience from Washington, but I am convinced we can achieve these goals. By working together and recognizing the differences between states, we can continue to build on our sizable successes.

CHILD CARE

Increased funding for childcare is essential to the continued success of TANF. In my four plus years as chair of the budget committee overseeing welfare, I have discovered just how valuable childcare has become in our society. Mothers and fathers cannot work without safe, reliable childcare. And in this state, childcare is a critical issue. Iowa leads the nation in two-parent working families. Meeting the childcare needs of individual Iowans is a challenge. Providing for the childcare needs of Iowans in the Family Investment Program is a greater challenge.

To meet this need, the people of Iowa have dramatically increased the resources being used for childcare. As with other states, Iowa is devoting over 20% of our TANF funds to childcare. And yet, we still struggle with deciding whether the poor families who have never been on TANF or poor families who are moving off cash assistance or low income poor families who never received welfare but are a crisis away should receive subsidies. By the way, the amount of TANF funds being used on childcare is more than the entire value of the federal Child Care Development Fund.

As I said earlier, we in Iowa have made dramatic increases in the resources we devote to childcare. Since the implementation of welfare reform, Iowa has increased spending on childcare by over 200 percent. Since 1997, we have increased eligibility for state childcare assistance and the rate the state pays for childcare. And we are committed to doing more.

One of the innovative programs that we have developed is our Community Empowerment initiative. They are local-controlled programs that are charged with helping families have their children age 0-5 ready to learn when they enter school. We believe that these efforts at improving parenting skills, promoting healthy children, and addressing potential health and learning disorders at a point where they can be corrected is a vital component of our state's program to help families meet their potential.

A major part of this effort is funded with TANF funds. We have dedicated over \$6 million in TANF dollars annually to be distributed to Community Empowerment Areas to address local childcare needs. Every community has different childcare issues, and allowing local citizens to find solutions has been a tremendous success. Communities are utilizing their funds to provide childcare during non-traditional working hours. For most people leaving the FIP program, the jobs they acquire are not the typical 9 to 5 workday. By giving communities the resources to provide childcare at night, on the weekends, or for sick children we are addressing a critical barrier to the success of FIP participants. Communities are also encouraged to use these funds to help providers improve the quality of care. Sonya Marquez, from Boost 4 Families, is here to discuss with you the successes of these efforts.

Last year, the Finance Committee considered providing additional childcare funds for states. Needless to say, we would gladly welcome any increase in childcare funding. When we studied that, we discovered that the requirements that were being discussed would have caused our state to take resources being used to provide childcare services and use them to meet the quality requirements of the bill. In the end, fewer Iowa children would have gotten childcare.

In Iowa, we have a wide range in access to childcare. While urban areas like Des Moines may have a variety of providers for families to choose from, many families in Iowa's rural communities have very limited childcare resources to call upon. We in Iowa understand that we have work to do in improving the quality of our childcare. We would ask that Congress give states the flexibility needed to craft a childcare program that meets the needs of their communities and their children.

Mr. Chairman, I would like to again state that access to childcare is a key component for the success of welfare reform. I would urge that the Committee remember that any increase in work requirements will mean that states

will have to put more resources into childcare. With tight budgets facing virtually every state, meeting that need can only be done with your help.

FAMILY FORMATION AND MARRIAGE

While marriage is an issue that transcends discussion of the reauthorization of the TANF program, promoting the formation of stable families is part of ensuring that the cycle of dependency on government programs is broken. Marriage provides important benefits, including economic ones, for adults and children. Government policy should be to support healthy marriages, and, perhaps as critically, not to set up barriers to marriage. While we have made great progress has been in reducing dependence on welfare, state legislators recognize that much remains to be done in addressing the underlying causes of poverty. That includes strengthening two-parent families. State legislators also recognize that not everyone will choose to marry or choose to stay married.

We would ask that you consider existing efforts to support family formation and marriage and find ways to strengthen these initiatives. States are already working to promote marriage outside the TANF program. Some examples of actions states have taken include establishing fatherhood programs, providing incentives for marriage education including reduced fees for marriage licenses, enacting earned income tax credits without penalizing marital status, enacting family law related to both marriage and divorce and creating programs to sustain the marriages of parents of children with disabilities with respite care services. We would ask that you consider existing efforts to support family formation and marriage and find ways to strengthen these initiatives.

TEEN PREGNANCY

Teen pregnancy has declined, but it still must be a focus of efforts to reduce out-of-wedlock child bearing. Legislators of both parties believe that this problem deserves our continued attention at the local, state and national level. Researchers have found through research that teen mothers and fathers have worse future outcomes including educational attainment and income than other teens. Over time, teen parents have much more difficulty remaining self-sufficient and are more vulnerable to economic shifts in the labor market.

In the reauthorization of welfare reform, I would ask that Congress maintain its strong commitment to working with states to reduce teen pregnancies. Flexibility is again a key to the success of these programs. By allowing states to craft programs and services to meet the need of their youth to make good choices, we can continue to reduce the rate of teen pregnancy.

CHILD SUPPORT ENFORCEMENT/NONCUSTODIAL PARENTS

Child support enforcement is a critical component of welfare reform and these payments represent an important part of family income. Child support payments can make the difference in a working family living in or moving out of poverty. As in other states, the members of the Iowa Legislature have been at the forefront of innovative

efforts to improve child support including establishment of orders, collection, enforcement and work with non-custodial parents.

Thanks to the strong efforts of Iowa's Child Support Recovery Unit, our program has been recognized across the country as being amongst the best. Yet, we know there is more that we can do to further improve the system. There is concern about the potential for unfunded mandates and preemption of state law in any new federal child support law. We would hope that the Committee would consult with state child support officials and legislators before any action would be taken.

One area that many members of Congress and the public are interested in is the concept of a pass through of support payments directly to the child. This is an idea that may have some merit and warrants further discussion. I would ask that as you consider this, please remember that some states may face financial difficulties due to passing through the payments instead of offsetting welfare payments. We would hope that implementation of this would be a state's decision, with the support of the federal government.

Mr. Chairman, that concludes my testimony, I would be very happy to respond to any questions that you and the members of the Committee have at this time.