

THE NATIONAL GOVERNORS' ASSOCIATION
WELFARE REFORM PROPOSAL

HEARING
BEFORE THE
SUBCOMMITTEE ON HUMAN RESOURCES
OF THE
COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES
ONE HUNDRED FOURTH CONGRESS
SECOND SESSION

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FEBRUARY 20, 1996
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**THE NATIONAL GOVERNORS' ASSOCIATION
WELFARE REFORM PROPOSAL**

TUESDAY, FEBRUARY 20, 1996

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON HUMAN RESOURCES,
Washington, DC.

The Subcommittee met, pursuant to call, at 11:10 a.m., in room 1100, Longworth House Office Building, Hon. E. Clay Shaw, Jr., (Chairman of the Subcommittee) presiding.

[The advisory announcing the hearing follows:]

ADVISORY
FROM THE COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON HUMAN RESOURCES

FOR IMMEDIATE RELEASE
 February 12, 1996
 No. HR-9

CONTACT: (202) 225-1025

**Shaw Announces Hearings on
 Governors' Welfare Reform Proposal**

Congressman E. Clay Shaw, Jr. (R-FL), Chairman of the Subcommittee on Human Resources of the Committee on Ways and Means, today announced that the Subcommittee will hold a hearing on a bi-partisan welfare reform proposal adopted unanimously by the National Governors' Association at its winter meeting in Washington, D.C., last week. **The hearing will take place on Tuesday, February 20, 1996, in the main Committee hearing room, 1100 Longworth House Office Building, beginning at 11:00 a.m.**

In view of the limited time available to hear witnesses, oral testimony at this hearing will be heard from invited witnesses only. Witnesses will include Governor John Engler of Michigan and Governor Tom Carper of Delaware, and other interested parties who can provide testimony on the impacts of the governors' proposal. Any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

BACKGROUND:

During the hearing, the Subcommittee will focus on the two dozen or so modifications the governors have requested in H.R. 4, the welfare reform bill passed by both Houses of Congress last year and vetoed by President Clinton on January 9.

"I hope all Members of the Subcommittee will take advantage of this opportunity to examine the governors' proposals in detail," Shaw said. "This proposal gives us renewed hope that the nation will finally get the serious welfare reform that we have fought so hard to enact."

Shaw predicted that the hearing would provide especially close examination of the governors' recommendations on the family cap, the work performance bonus, the calculation of participation standards in the mandatory work program, and the costs of the various recommendations.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Any person or organization wishing to submit a written statement for the printed record of the hearing should submit at least six (6) copies of their statement, with their address and date of hearing noted, by the close of business, Tuesday, March 5, 1996, to Phillip D. Moseley, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements wish to have their statements distributed to the press and interested public at the hearing, they may deliver 200 additional copies for this purpose to the Subcommittee on Human Resources, room B-317 Rayburn House Office Building, at least one hour before the hearing begins.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be typed in single space on legal-size paper and may not exceed a total of 10 pages including attachments.
2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.
3. A witness appearing at a public hearing, or submitting a statement for the record of a public hearing, or submitting written comments in response to a published request for comments by the Committee, must include on his statement or submission a list of all clients, persons, or organizations on whose behalf the witness appears.
4. A supplemental sheet must accompany each statement listing the name, full address, a telephone number where the witness or the designated representative may be reached and a topical outline or summary of the comments and recommendations in the full statement. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press and the public during the course of a public hearing may be submitted in other forms.

Note: All Committee advisories and news releases are now available over the Internet at GOPHER.HOUSE.GOV, under 'HOUSE COMMITTEE INFORMATION'.

Chairman SHAW. We will call this hearing to order.

I want to first of all thank my colleagues, who I think as I did, had to juggle their district schedule in order to be here today. I did sense a historic opportunity to move forward, and accordingly, I felt it was of great importance that this hearing be held this week so we can move the process forward.

I have a brief statement to read. You can tell by my voice I might not make it through it. If I do not, I will hand it to Mr. Camp and let him complete it. Then the Minority has an opening statement, and then we will go to our two distinguished witnesses.

Now, as we are faced today with a situation where the President has vetoed two welfare reform bills, some think that welfare reform will not pass this year. I welcome the bipartisan group of Governors here to prove them wrong. The Nation owes these leaders a great deal. They rode into town during the darkest days of winter and breathed life back into a welfare reform debate that was on life support. Not only does their proposal restore the promise of welfare reform, it reminds us of what is at stake.

If defenders of the welfare status quo win, welfare would remain guaranteed to parents who choose not to work; welfare would remain guaranteed for parents who often are still children themselves, who have illegitimate children they expect others to support. Children would suffer because of fathers who walk out on them and mothers who are too young or too ill-prepared to raise a child in the first place. Taxpayers would keep getting the bill for welfare instead of parents providing child support. The narcotic of welfare would continue to abuse poor families whose welfare spells now average an incredible 13 years.

Welfare would continue to be run from Washington, not from the States and communities where help is best delivered. One hundred thousand drug addicts and alcoholics would keep cashing guaranteed disability checks thanks to a system that emphasizes cash, not treatment; 200,000 children would continue receiving SSI, so-called "crazy checks," worth up to \$5,000 per year. Almost 2 million noncitizens would continue on welfare despite promising not to do so. Federal taxpayers would be forced to spend an extra \$50 billion on welfare and States, untold billions more.

The charts that are contained in the Members' folders list other casualties if welfare reform is stopped.

It would be far more difficult for States to get people off of welfare and into work.

The Governors' proposal, the bipartisan proposal, like the welfare reform bills already vetoed by the President, would place tough work requirements, backed up by time limits, on every family on welfare in every State. Caseloads have fallen whenever these policies have been implemented, which the Governors before us will soon confirm. More families are working, fewer are depending on a government handout, and taxpayers are saving money. Best yet, thousands of children now see their parents as workers and providers, depending on themselves for success, not the government.

Who then would block such reforms? Already we have disheartening evidence that the primary opposition to this bipartisan plan comes from extreme liberals who have opposed real welfare reform all along. They insist that welfare remain an entitlement run out

of Washington. These liberals do not trust the States. Despite the failures of the current federally funded welfare system, they cling to the belief that Washington knows best and that big government is the best government.

Yes, some Republicans are concerned about the dilution of measures like the family cap, which is designed to reduce illegitimacy that traps millions of families into poverty for too long. But any State that wants a family cap can get one under this proposal, just as any State that did not want a family cap could avoid one under H.R. 4. Fighting illegitimacy is a key of welfare reform, and I am confident the Governors' bipartisan approach will get the job done.

The real question that remains is, What is the view of congressional Democrats in the Clinton administration? Will they support this bipartisan approach or will they go a separate way?

Unfortunately, the President already has vetoed welfare reform twice. In addition, the administration has chosen not to send a witness to today's hearing despite the fact that they were invited. I do not know where the administration stands on this, which I hope will be their third opportunity to end welfare as we know it. Who doubts that if he were still Governor, Governor Clinton would be on our first panel today hailing this great bipartisan achievement? Where President Clinton is, however, we are still not sure.

I want to offer a message to my Democratic colleagues and to President Clinton. To those who have defended the States' status quo, you created today's welfare system, believing it was in the best interest of our Nation and it was in the best interest of the poor and our needy. You had your chance. You fought your fight. The fight has been lost. You meant well, but today's Washington-run, federally controlled welfare system is a disaster. I say to you, let it go. Turn it over to the Governors and to the States where help can best be delivered. Washington cannot do it. Break the entitlement and truly help the poor.

To President Clinton I would say, You must make a choice and you must take a stand. You said you were a new Democrat and that you would end welfare as we know it. Instead, you stood with the liberals in your party when you vetoed two welfare reform bills. We still do not know where you stand on the Governors' bipartisan effort. Will you join with the Republicans and the Democrats in putting an end to the dismal failures of the welfare state or will you remain entrenched in the liberal camp?

You have vetoed two welfare reform bills, Mr. President. Three strikes, and I am afraid you will be out.

Let me close by again reflecting on what is at stake if real welfare reform is not approved this year. Imagine what our country will be like in 5 years if the current welfare system continues to hold millions of poor families in its grip. Now imagine if those families were freed from a system that expects nothing from it; indeed, that rewards them for expecting nothing from themselves.

In the course of this debate, it has been made clear that the problem with welfare is not the people who are in it. They are good people, and like all Americans, they simply want a better life for themselves and their children. The problem is a failed system that we risk leaving in place.

This current welfare system is a tragedy. It saps the strength of our fellow citizens who find themselves on welfare. It destroys their dreams for tomorrow and it takes away their hope for today. Allowing it to continue without change, which is the only hope of the liberals who oppose the bipartisan Governors' plan, would be a farce. For the sake of both the poor and the taxpayers, let us not let that happen.

Governors, we owe you a debt of gratitude for your bipartisan welfare reform plan, and I certainly look forward to hearing your testimony as well as other members of this panel.

I will now yield to the distinguished Member from Tennessee, Mr. Ford.

Mr. FORD. Thank you very much, Mr. Chairman, and to my colleagues on the Subcommittee, let me join with the Chairman in welcoming Governor Thompson and Governor Carper to the Subcommittee. It is on the schedule that Governor Engler was going to be testifying as well, and I am sure he will be arriving later.

Chairman SHAW. If the gentleman would yield, the weather is not cooperating. Governor Engler is down in Richmond trying to find his way up here, so I do not know if he will be with us or not.

Mr. FORD. Thank you.

We applaud the Governors' Association for coming up with a bipartisan proposal, even though there are many of us, on this side of the aisle certainly, that would say to you, Mr. Shaw, and to the Republicans on this Subcommittee that we would like to see both Democrats and Republicans trying to come up with a bipartisan welfare package that we can send to the House floor and eventually send to the President and that the President would sign.

I have not seen bipartisanship in this Congress, and I certainly hope with Democratic Governors, along with Republican Governors, working together—even though there are many, many weaknesses in the Governors' proposal—that we in Congress would try to forge some type of bipartisan welfare package. I issue this challenge to you, Mr. Shaw, and your Republican colleagues.

Hopefully, this is not the last session that we will have the Democrats at the table, Governors. Hopefully, the next time we see this bill, it will not be a substitute offered on the House floor that is closed to Democrats and Republicans in trying to forge some type of welfare package that the President could sign into law.

Also, Mr. Chairman, you mentioned several times in your opening statement that the President has twice vetoed welfare legislation. I want you to know, and for the record, that the same piece of legislation has been sent to the President twice. He said on the first round that he would veto the bill, and he did just that. We have not sent him a second bill in any type of compromise proposal on welfare reform.

I am going to yield to Congressman Levin, but I want to just point out—

Chairman SHAW. If the gentleman would yield. They were different. In one of them, we took away the checks of drug addicts; in the other, it did not. One was in the budget proposal, one was not. There was a difference, but it was technically the same.

Mr. FORD. Basically, the Governors certainly give the States all of the flexibility and the money that the States will need for a wel-

fare package, but it does not assure that needy children will be protected under the Governors' proposal. Some have suggested that the Governors would take all of the money and just run back to their States with these dollars with absolutely no real protection for children.

For instance, it adds \$4 billion in Federal child care funds, but allows States to replace current State child care dollars with new Federal funds. That could mean no new child care spending, or a windfall, for the States.

Mr. Chairman, I would also like to point out additional weaknesses. It effectively eliminates the already weak maintenance of efforts test in the conference agreement and lets States spend funds intended to help children for other purposes. It also adds to the ranks of the uninsured.

The plan also allows States to end welfare benefits even when families have played by all of the rules and are willing to and able to work, but cannot find a job. The States' proposal immediately cuts those welfare recipients off at the time limit that is imposed by the States. The plan pays lip service to the idea that States should design fair and equitable programs. And the Federal Government is not permitted to assess the fairness and equitableness of the States' plan.

Governors, I applaud the Governors' Association for forging a bipartisan proposal to the Congress. That is something that we as Democrats and Republicans on this Subcommittee, the Full Committee on Ways and Means, nor Democrats and Republicans in the House have been able to do. Hopefully, we can pick up a note from the Governors and move forward.

I will at this time yield the balance of my time to Mr. Levin of Michigan, who will have the official opening statement for the Democrats.

Mr. LEVIN. Thank you, Mr. Chairman, and welcome to the Governors. We meet today to consider the proposals on welfare reform from the Nation's Governors. Let me continue that this is my perspective on where we go from here.

Our Nation needs welfare reform. That has been clear for a number of years. It is what propelled earlier efforts, such as the 1988 law which endeavored to link welfare to work. The Governors' proposals are important both substantively and procedurally.

Procedurally, they were important in two ways: First, they have given new momentum to undertake welfare reform. Second, they have injected bipartisanship into the welfare debate. This is especially significant, for it sharply contrasts with the failure of the Republican Majority to produce a bipartisan draft of either the original House bill or the conference report. If welfare reform is to succeed, if a welfare reform bill is to be signed by the President, that mistake must not be repeated.

As urged by the Governors in their testimony today, and I quote from your testimony, "It is imperative that the congressional process also be bipartisan." That process should start today in the House. A true bipartisan approach must not only involve the entire Congress, but also the administration.

I just want to add, if I might, I hope that the spirit with which we proceed will be somewhat different than some of the words in

the opening statement. Mr. Shaw, I think perhaps that made sense to some on the staff, but I think that kind of polarizing statement is not going to be helpful. Indeed, my view of the different perspectives that have been brought to this are quite different from the polarized statement we heard earlier.

As I see it in the debate so far, there have been two predominant but unreconciled views on how to break the cycle of dependence for families on welfare. One view is seemingly simple. The emphasis is on a type of shock therapy for the mother by withholding benefits for anyone under a certain age or for anybody who is involved in a repeat pregnancy, by shortening the allowable period on welfare to a very brief timeframe; the advocates of this belief assume that the mother's conduct will change. Under this approach, there is little, if any, emphasis on health care, day care, or preparation for work.

For the second point of view, action is no less urgent. The need to end the cycle of dependency and teenage pregnancy is no less compelling. The solution is somewhat more complex. It involves a combination of obligation of the individual and opportunity for that individual. Individuals must take responsibility for themselves, their families, and for their future. This means going from welfare to work and time limits for doing so. It also means opportunity for day care, if necessary; continuation of health care for the child, if not otherwise available during the transition from welfare to work; and preparation for the workplace, where necessary.

With their proposals, the Governors place themselves in the second group. Where this second group is often divided has been over the appropriate blend of national and State responsibilities in a restructured welfare system.

I hope we can have some intelligent discussion, Mr. Chairman, of this issue without a lot of diatribe, because there is a national interest in breaking the cycle of dependency and moving parents from welfare to work. It stems from the importance of family life to our national fabric.

There is also a clear national interest in seeing that the children with parents on AFDC themselves grow up as healthy and productive citizens. Clearly, the States must have a far greater role, as I see it, in devising new ways to move people from welfare to work. The challenge is to combine enhanced State flexibility and responsibility in a way that is likely to fulfill the three conditions that you yourself mentioned in your testimony.

First, children must be protected; second, States must be protected during periods of economic distress; and third, there must be some national standards.

You, the Governors, urge that such standards must not be "overly prescriptive," and I agree. But in regard to such standards and in several other respects relating to a rebalanced partnership, I believe there are several areas of significant concern about the Governors' proposals.

First, even by the standards of the most recent recession, the contingency fund proposed by the Governors is likely to be woefully inadequate. We want a partnership that protects States and families from the ups and downs of national and regional recessions. During the 1990-92 recessionary period, Federal AFDC funding in-

creased \$6 billion over the 1989 level, and that is more than twice provided in the Governors' plan for 5 years.

Second, because of the way the Governors have crafted the provisions on maintenance of effort of State funds and ability of States to transfer Federal dollars among different functions, the results could be a far larger proportion of Federal dollars as compared with State dollars, a substitution of Federal dollars for State moneys, including child care, and overall far fewer dollars available to implement welfare reform.

Welfare reform must be driven by moving people off of welfare into work. Spending dollars now on that effort can save moneys in the long run, and when that occurs, the Federal Treasury should share in such savings with the State. During this period of reform, the issue is not who is more compassionate; it is a matter of accountability for using effectively the Federal tax dollars allocated to the States for the purpose of welfare reform.

Third, in regard to State accountability, there is a broad reference in the Governors' proposal to fair and equitable treatment of families receiving assistance. More work is necessary to ensure that the provisions are enforceable and that there are procedural safeguards for families seeking assistance.

Fourth, under current law, families receiving AFDC are assured of Medicaid. Under the Governors' plan, a substantial number of present welfare recipients could lose their Medicaid coverage.

Fifth, an optional food stamp block grant threatens to undermine the Food Stamp Program as a safety net for children. Moreover, the Governors' agreement appears to accept massive cuts in the Food Stamp Program, which would have a disproportionate impact on children who receive over one-half the benefits from the program.

There is also a need to review the child care, child welfare, and SSI provision for legal immigrants.

I close with this: In my judgment, these problems are not insoluble. With good will, finding an appropriate new balance is achievable. We need to rebalance the partnership between the Federal and State governments in this area; that is clear. The States must have larger responsibility, but that responsibility must also be blended with a reasonable measure of accountability because the national interest is also clear, to break the cycle of dependency and births out of wedlock, and to help the children in the welfare system, not by punishing them but moving their parents from welfare to work.

If the search here today and later on is for a political issue, then the outlook is indeed dismal for welfare reform. But if the search is for a new structure that reflects sound policy, the outlook is more promising.

I am convinced, from almost 10 years of work on this issue and from discussions over the years in my own district, that there is a mainstream on welfare reform. It is time, indeed past time, for that mainstream to get its act together and to work out its differences.

Thank you, Mr. Chairman.

Chairman SHAW. Thank you, Sandy.

This morning we have a very distinguished first panel. We had hoped that they would be joined by two of their colleagues, Governor John Engler of Michigan and Governor Gaston Caperton of the State of West Virginia. Both of these gentlemen were enroute and got rerouted because of the weather.

The landing lights, I understand, are out at National Airport. Governor Engler is now in Richmond, hopeful to be able to come in here later, and the Governor of West Virginia tried to get in, and I think he had to turn around and go home. But we are most fortunate to have, I think, two of the Nation's leading advocates and, I might say, role models when it comes to welfare reform in this entire country.

Mr. FORD. Mr. Chairman, before you yield to them, may I make a quick inquiry of you, please?

Chairman SHAW. Yes.

Mr. FORD. I want to get some sense of what will be the schedule for the Subcommittee or the Full Committee? How will we proceed after the Governors and the other witnesses testify today?

Chairman SHAW. You mean future hearings?

Mr. FORD. Will we hear from other witnesses, or will we bring this back to the Subcommittee level for a markup; or will this be a Full Committee—

Chairman SHAW. I cannot answer that question. I do not know. I am hopeful we can go through the regular process with a markup in the Subcommittee, then the Full Committee, and then go to the House floor. I do not control the House floor. If someone should choose to bring it up on the floor, I would not have anything to say about it.

Mr. FORD. I wondered whether this is just 1 day of witnesses and we carry it straight to the House floor, or whether we are going to get serious about it and bring it to the Subcommittee and go through the regular channels.

Chairman SHAW. I would say to the gentleman, we are very serious about getting this process done. I do not know about the procedure.

The purpose of today's hearing is to air the differences. We had hundreds of hours of testimony for H.R. 4. This bill was modeled after H.R. 4, and there were some substantial changes made to it. This is what the purpose of this hearing is, to look at those particular changes.

If there is time or if there is occasion or need for additional hearings, I would certainly support that. I do not control the House schedule.

Mr. MATSUI. Would the chairman yield?

Chairman SHAW. Yes, I will yield.

Mr. MATSUI. In followup of Mr. Ford's question, is there a document that is in legislative form? I received about a five-page document from the Governors' Association. Is there something more than that, or is it that document?

Second, do we have CBO or OMB estimates, or has anybody done any studies about whether there will be an increase in poverty, decrease in poverty; do we know these things? That was one of the reasons the administration chose not to participate, because it wasn't fully involved, it was not specific enough.

Chairman SHAW. I would say to the gentleman, I understand the administration is going to send a witness over to the Senate, which is having a hearing on Thursday. I am quite anxious to hear what that witness would have to say.

Mr. MATSUI. Could the gentleman answer my question?

Chairman SHAW. I would say to the gentleman, as far as the administration is concerned, they were present during all of these negotiations, as I understand it, and you can ask the witnesses.

Mr. MATSUI. Could the gentleman answer my question: Do we have any numbers from OMB or CBO? Do we have any numbers in terms of whether it will decrease or increase poverty? Do we know any of these things prior to this hearing, or is this kind of a showcase hearing?

Chairman SHAW. Your CBO estimates are in your folder, if you would make reference to them.

And the other question you asked, is this in legislative form? It is not. It is in narrative form.

Mr. MATSUI. Thank you.

Chairman SHAW. If I might continue my introduction of the two distinguished witnesses.

Governor Carper, as a Member of the House of Representatives, was tremendously helpful in bringing along this type of legislation. He certainly has been a national leader and has set an example for us in the State of Delaware.

The other witness, Governor Tommy Thompson, has certainly gained a national reputation from the good work he is doing in welfare reform. Both of these gentlemen can certainly give this Subcommittee a great deal of insight and leadership in deciding which way we should go.

I made reference to this being a historic opportunity. When else can you possibly remember that the Governors' Association took a piece of legislation that had any controversy to it at all, made some changes, sent it back with a unanimous recommendation for approval? This is as bipartisan as you can possibly get. I am hopeful that we can retain as much of this bill as possible so that we can move this process forward.

With that short comment, I would ask Tommy Thompson if he would share with us what remarks he sees fit.

Mr. FORD. Mr. Chairman, I have one unanimous consent request that I want to get out of the way.

Mr. Neal asked unanimous consent that he be allowed to submit a statement in the record today, if you don't mind. He is not on this Subcommittee, but he is on the Full Committee.

Chairman SHAW. Any Members of the Full Committee or Subcommittee, I would allow them and would be happy to entertain a motion for unanimous consent that anybody can put a statement in the record.

Mr. FORD. Thank you, Mr. Chairman.

[The opening statement of Mr. Neal follows:]

RICHARD E. NEAL
SECOND DISTRICT, MASSACHUSETTS
WHIP AT-LARGE



COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON TRADE
SUBCOMMITTEE ON SOCIAL SECURITY

Congress of the United States
House of Representatives
Washington, DC 20515

Statement of Mr. Neal of Massachusetts
Subcommittee on Human Resources
Committee on Ways and Means
on the National Governors' Association
Welfare Reform Proposal
February 20, 1996

Mr. Chairman, I commend you for holding this hearing to evaluate the National Governors' Association (NGA) welfare reform proposal. We all agree that real welfare reform is needed, but we had trouble reaching agreement on the perfect solution. The NGA proposal gives us the opportunity to renew discussions on welfare.

The proposal adopted by the governors confirms my position that H.R. 4 was not the right way to end welfare as we know it. This proposal makes significant improvements in the areas of work and child care, but the proposal does not address all my concerns with H.R. 4.

Massachusetts is one of several states which has worked hard to change welfare. The Massachusetts legislature focused on the reform of the AFDC program. The legislature changed welfare by changing the rules and changing the incentives. Responsible behavior is rewarded while irresponsible behavior is not. The Massachusetts legislature geared its welfare reform around current federal programs such as AFDC.

The Clinton administration worked with Massachusetts and granted a state waiver so it could initiate its program. I realize many of the governors would like more flexibility to administer welfare programs. The Clinton administration has worked with states to support flexibility and innovation in their welfare programs. States should be encouraged to develop their own welfare programs, but the role of the federal government should not be completely diminished. For example, the federal government should still have a strong role in child welfare. It is not the time to block grant or decrease funding to child protective services.

We must look at the NGA proposal as a starting point to resolve our differences on welfare reform. The Massachusetts legislature enacted welfare reform based on support from the federal government. We have to work on legislation that would not shift the fiscal burden of welfare reform from the federal budget to the state budget.

The NGA proposal provides more federal funding in several instances, but does not require state funds. The proposal adds \$4 billion in federal child care funds, but allows states to replace current state child care dollars with new federal funds. This proposal could result in new funds for the states, but in reality no additional child care spending. The proposal adds \$1 billion to the contingency fund, but eliminates the maintenance of effort requirement. We need a better approach that would provide states with sufficient resources. The NGA proposal is not enough to survive a moderate recession.

We need to work together to establish a partnership between the states and the federal government that would allow welfare reform to occur without allowing individuals to fall through the safety net. I look forward to working towards bipartisan agreement on welfare reform.

Chairman SHAW. Governor Thompson.

**STATEMENT OF HON. TOMMY G. THOMPSON, GOVERNOR,
STATE OF WISCONSIN; AND CHAIRMAN, NATIONAL GOV-
ERNORS' ASSOCIATION**

Governor THOMPSON. Thank you very much, Congressman Shaw, and all the rest of the distinguished members of the panel. It is truly an honor for Governor Carper and myself to appear in front of you, to be able to outline our bipartisan proposal.

I would like to, at the beginning, thank you on behalf of Governor Miller, who is the vice chairman of the National Governors' Conference, of which I am the chair; he also wanted to extend his appreciation and thanks. He could not be here today, and as you have indicated, Governor Engler had to land in Richmond and Governor Caperton had to turn back. Both of those individuals wanted to be here, and I believe Governor Engler is still trying to get here and hopefully will be here before we conclude.

I have a short statement of my own, and then I have a short statement from Governor Engler, and then we would like to have Governor Carper and myself explain a little bit what is in the bill and then open it up for questions. With that, Mr. Chairman, I would like to proceed.

I would like to thank you again. We appreciate this opportunity, as Governors, Democrats and Republicans alike, to appear before you today to present the National Governors' Association policy on welfare reform. Before we get on to the specifics of our policy, however, I would like, as Chairman, to make a few general comments.

The Governors strongly believe it is critical that Congress pass and the President sign three major bills—welfare reform, Medicaid, and employment and training. States do have to have the ability to enact budgets that fully integrate all three of these very important programs in order to provide cost-effective services that assist in moving people from welfare to work.

There is an urgency that you enact this legislation over the next month. The window of opportunity, as all of us know, is very small. Shortly, you will need to begin the budget process for fiscal year 1997. Also, failure to act now means that any reform is unlikely to occur for 2 or 3 years because most State legislators are either adjourned or in the process of adjourning and this is an election year.

States spend, on average, about 25 to 30 percent, almost one-third, of our own State money on welfare and Medicaid. Many Governors have also incorporated restructured appraisals, basing their budgets upon what Congress has already passed and the President has vetoed. They have put those savings into their fiscal 1997 budgets. The failure of Congress to move forward will cause major problems, major fiscal problems and in a number of States.

Today, we would like to present to you the NGA, National Governors' Association, policy on welfare reform, which was adopted with unanimous—and I want to underscore that—unanimous bipartisan support just 2 weeks ago at our winter meeting. We also came together, equally divided, with very strong, different philosophies, different positions. We were able to meld those together and come to a bipartisan conclusion.

With a unanimous bipartisan voice, the Nation's Governors are asking for a new welfare system that allows us to assist individuals in moving from a cycle of dependency to that of self-sufficiency. We are asking you to give us the flexibility to design our own programs and the guaranteed funding we need at appropriate levels, and we will transform the welfare system into a program of transitional assistance that will enable recipients to become productive, working members of society.

All across this country, States led by Democratic Governors and Republican Governors are proving that they are more capable of moving people from welfare into work. We believe that our Nation's leaders are faced with a historic opportunity and an enormous responsibility to restructure the Federal/State partnership in providing services to needy families. The Governors are committed to achieving meaningful welfare reform now, and we believe that Congress and the President share in this commitment. We cannot afford to miss this opportunity.

Indeed, for the past 1½ years we have all invested considerable time and energy in reforming Federal welfare policies. Congress has made significant strides toward allowing States to build upon the lessons they have learned through a decade of experimentation in welfare reform, and the President has also strongly indicated a desire for welfare reform.

Nearly everyone agrees the current welfare system does not work. Every single person on the panel, every single person you talk to will tell you the welfare system currently does not work. Nearly everyone agrees that the system must change, and the Nation's Governors have come up with a meaningful, understandable, bipartisan plan for change. Now is the time to act. We cannot afford to wait any longer.

I would also like to thank all of you for giving me this opportunity to appear as chairman. Now, if I could, Mr. Chairman, I would like to quickly read into the record Governor Engler's preparatory remarks.

STATEMENT OF HON. JOHN ENGLER, GOVERNOR, STATE OF MICHIGAN; AND LEAD GOVERNOR ON WELFARE, NATIONAL GOVERNORS' ASSOCIATION; AS PRESENTED BY HON. TOMMY G. THOMPSON

Governor THOMPSON. Thank you, Chairman Shaw, for once again giving the Nation's Governors the opportunity to testify before this Subcommittee. I am pleased to see Michigan represented on this panel by Representatives Camp and Levin.

Indeed, I believe that February 6 will be remembered as one of the proudest moments in the history of the National Governors' Association. Let me tell you why I believe we took the right course of action, because the NGA compromise policy is being equally criticized from the left and from the right.

Certainly, some hoped for even more dramatic change. This proposal is a solid step forward and lays the groundwork for future progress. Others have expressed concern that protections afforded by the status quo will be lost as the States engage in a headlong rush to the bottom, cutting benefits and slashing coverage. America's Governors are better than that. America's Governors are of-

fended by that completely unfounded charge. What the defenders of the status quo must admit is that it is the current failed system that holds people at the bottom.

Mr. Chairman, when it comes to welfare reform, the NGA proposal defines the middle ground, but it is definitely not the middle of the road. It represents the fast lane to responsibility and independence for at-risk families.

Just consider the Washington Post headline describing what the NGA accomplished: "Governors' Reform Plan Would Break With 60 Years of Policy." Remember what the Governors proposed is changing the law that has been the basis for Federal policy for 60 years, and remember how counterproductive these policies have been. They punish parents who work too much. They punish mothers and fathers who want to stay together. They punish working families who save money. They reward teenagers who have babies out of wedlock with a home of their own, perpetuating the cycle of dependency. And worst of all, it precludes States from effectively sanctioning individuals who refuse to work. That is the upside-down system the current law has given us.

Mr. Chairman, I am here to tell this Subcommittee and the entire Congress, change the law and the States will change the system. I disagree with those who say, change the law and let Washington fix the system; that is how we got into this mess in the first place.

For example, consider the problem of illegitimacy. Do you believe a Washington bureaucrat or the President or a Member of Congress could stop teenagers from having sex? Only families, faith, and peer pressure can do that. You know as well as I do that the key to reducing out-of-wedlock births will be found in strong families, churches, communities, and schools.

With all due respect to the Members of this Subcommittee, let me say this Washington does not know best. That is why our Founding Fathers designed a system that left decisions regarding public welfare at the State and local level, and it is time we returned that authority and responsibility back where it belongs.

The NGA policy does just that by building upon and improving the framework for welfare reform laid out in H.R. 4, the conference agreement to the Personal Responsibility and Work Opportunities Act. The conference agreement includes many elements of welfare reform supported by the Governors. For example, it defines welfare as a transitional program leading to self-sufficiency and provides time-limited cash assistance to beneficiaries. It recognizes that work must be a requirement, that the best work is a private sector job, and that community service can be appropriate, while effective sanctions for those who refuse to work are always appropriate.

It provides guaranteed and predictable funding with a contingency reserve. It supplements State cash assistance programs during periods of economic downturn. It allows flexibility for States to expand and strengthen programs to encourage family stability and reduce teen pregnancy and illegitimacy. It supports tougher child support enforcement efforts, especially for interstate cases. It permits improved coordination and conformity between the States' Cash Assistance Program and the Food Stamp Program.

Certainly, the bipartisan National Governors' Association is here today to offer the conference agreement our full support, and we will if several changes are made. These changes are based on the following principles, upon which I believe the Governors, Congress, and the White House all can agree.

First, welfare reform must foster independence and promote responsibility. Second, as we restructure welfare, children must be protected. Third, the ability of States to meet the needs of at-risk individuals during terms of economic downturn must be protected. Fourth, given agreement on broad goals, States must not be subject to overly prescriptive standards.

The welfare reform policy adopted by the NGA includes specific recommendations to address these concerns. The work of the national Governors was headed by Governor Engler and Governor Carper. Both of those individuals did an outstanding job, and I would like, as chairman of all the Governors, to compliment them.

Now I would like to ask Governor Carper to take over and go into the specific explanation of the plan.

Chairman SHAW. Governor Carper, you may proceed as you see fit.

STATEMENT OF HON. TOM CARPER, GOVERNOR, STATE OF DELAWARE; AND LEAD GOVERNOR ON WELFARE, NATIONAL GOVERNORS' ASSOCIATION

Governor CARPER. Thank you, Mr. Chairman.

I want to express my thanks to Governor Thompson. Throughout the course of 1995, as you wrestled here in Washington with what should be an appropriate welfare reform policy for our Nation, we, as Governors, were wrestling with what we should recommend to you; and we struggled unsuccessfully throughout the course of the last year.

Governor Thompson has taken the helm as chairman of the NGA, and to his credit, he has brought us back to what has made the NGA successful in the past, and that is working together across party lines in a bipartisan way to fashion and to unanimously endorse the kind of proposal we bring to you today.

It doesn't work if we try to do it as Republicans; it doesn't work if we try to do it as Democrats. But what we have done, Governor Engler and his staff, Jerry Miller, who have worked very closely with myself and Carmen Nazario, my secretary of Health and Social Services, and when we set aside our party differences and our political differences, we found we could accomplish rather remarkable things. And I give Governor Thompson a lot of credit for setting this stage and providing the environment where we could work together and be successful.

Governor Engler and I appeared before you about 1 year ago. Just about 1 year ago, you may recall. He sat there; I sat here. One of the things that I recommended to you is that people need to be able to transition successfully from welfare to work. I mentioned, first of all, that people need a job; second, they need a way to get to that job; in some cases people need a little bit of training or education to prepare them for that job. Sometimes they can get that preparation on the job.

I mentioned that folks who go to work need some help with child care. People who go to work need some help with health care, particularly if they are working for an employer who does not provide health care as a condition of employment.

I talked about my own little State of Delaware and I said when somebody fathers a child, or there are children involved and the mom and dad split, in order to try to make sure that both people are meeting the financial needs of those kids, if they stay in Delaware, both parents are in Delaware, it is not too hard to find them. If they slip across the border to Maryland, New Jersey, or Pennsylvania, it gets a little more difficult, and we need your help in child support enforcement, particularly in those instances where we have a custodial and a noncustodial parent in different States.

I mentioned to you that we need help on taxes. The earned income tax credit, which Ronald Reagan described as the most profamily, projobs thing that the Congress has ever done, we need to see that preserved. What we would like to do is for States to be able to take that earned income tax credit and not have to make people wait until the next tax year to file for the tax, but actually to pull it into their paycheck. Put it right in their paycheck and transform a minimum wage job into roughly a \$6-an-hour job.

I mentioned that we need the flexibility to let us be laboratories of democracy. Let us experiment. There are 50 of us out here. In some cases, we will show, as Tommy showed in Wisconsin, some things that have worked pretty well. We have learned from him. Hopefully, we will be able to demonstrate some things that work in Delaware, and Michigan is doing some things there as well.

Finally, we need a safety net. At the end of the day, if there is a recession, a deep recession, at the end of the day if we have a hurricane or an earthquake and there is a natural or an unnatural disaster in our States, we need to make sure we do not turn around and place a lot of people out of jobs, out of work, without anything to eat, losing their homes; that we are not there by ourselves, that you, as a Federal Government, are there to provide a safety net for us.

My job today is to speak to a couple of different elements of our welfare reform plan, and I will do that. I want to run through quickly the major components of what we are suggesting to you, and I will come back and specifically address maybe three or four of those; and then Governor Thompson will address the remainder.

What we propose to do is that we time limit AFDC benefits, and we do that for 5 years. If a State wants to extend cash assistance to people beyond 5 years, they can do that, but they do it with their own money.

We propose to block grant AFDC cash benefits, but at the same time, to provide a contingency fund so that if the economy does go into the tank, or if there is a natural disaster, that we have someplace to go before we end up with a lot of needy people on our doorsteps.

We propose to significantly increase the moneys for child care. I will come back and talk about that specifically.

We propose that there be performance bonuses. On the one hand, H.R. 4, the conference report, would punish States or penalize States who do not do a particularly good job of moving people off

welfare rolls and into work. Why not reward States that do a very good job of moving people onto work, off of welfare rolls and for States who do a good job of reducing out-of-wedlock births?

Maintenance of effort. We will talk a bit about that. I think Governor Thompson will speak to it more specifically, but we recommend a 75-percent maintenance of effort.

Participation rates. I will talk a little more about that, but the idea that when we move people from welfare to work, we think we should be able to count them in a participation rate and not take them out.

Finally, a question of what constitutes work, whether it ought to be 25 or 30 or 35 hours a week. I will talk about that.

The question of whether or not there are some people that should be excluded. We call them "hardship exclusions"—people who are not going to be able to work, ever. I know that, you know that. And what percentage of people physically, mentally, psychologically are unable to work, socially unable to work, and what number should we establish there.

The question of flexibility. Can we give States an option for a food stamp block grant, or maybe a child protection or child welfare block grant? The issue of should there be a block grant of any kind at all for child nutrition programs.

SSI—I think at least one of you spoke to that issue, and Governor Thompson will be speaking to it further.

Child support enforcement we wholly support. I think there is broad support in the Congress for taking steps to enable us, particularly in States where we have custodial and noncustodial parents in different States, to make sure that kids are getting the money and the support they deserve from their noncustodial parent.

The issue of mandates. We have mandates from the left, we have mandates from the right. We as Governors just say, do not give us a mandate from either end of the political spectrum. Give us the flexibility to decide whether we want a family cap or to provide benefits for teen moms and their kids.

On earned income tax credit, I have already spoken to that. Keep those cuts light and give us the ability to put that money in a paycheck.

On the issue of illegal aliens and the kind of support they should get, basically we, as Governors, have said we will work with you. We have no recommendations. We neither endorse nor denounce the comments of H.R. 4, the conference report, but we will work with you, particularly the States like California, Texas, New York, and others that have a strong interest in that.

I want to come back and pick up for another minute a couple of quick comments on the block grant and block granting of cash AFDC.

I sat here before you 1 year ago and I said, what happens when the economy goes in the tank and we have a lot of people—it is 1982. It is not 1995 or 1996, but it is 1982 and the unemployment rate in Michigan is 15 percent, not 5 percent. We have a lot of folks who need help. I don't want you to have said to me in Delaware or any other State, you have a block grant of money, and if the worst happens, that is all you are going to get.

What we suggested to you, if you are going to block grant cash AFDC, you set up a contingency fund. Ultimately, you did that. Working amongst our Governors at our conference earlier this month, we suggested that you increase the size of that contingency fund to \$2 billion. We further suggested that you add a trigger so that it would not only be triggered by an increase in unemployment but also be triggered by an increase of a food stamp caseload of about 10 percent over 1994 and 1995.

So what we bring to you today is a contingency block grant cash AFDC, if you will; create a contingency fund of at least \$2 billion; provide us with two triggers, one an unemployment trigger and the second a food stamp trigger that will enable States to access that money if we absolutely need it for our people.

Second issue. Child care. CBO, by its own estimates, indicated they thought you shortchanged, the Congress shortchanged us on child care by about \$4 billion, given the work participation rates that you were requiring. We have suggested that you add the \$4 billion back in.

On the issue of standards, whether or not States should have standards for child care, we believe that they should. We don't believe that you should set those here in Washington. We believe that you should let us set those in Delaware or Wisconsin or Michigan or any other State. We will set them, we will disclose them, but let us decide what the standards should be.

The issue of participation rates. We are suggesting that, and I will give you a quick example. Let's say there are 100 people in Delaware who apply for and are eligible for AFDC, for cash assistance. And let's say, in the first year, 20 of those people, 20 percent of them actually get a job and move off of welfare. Under H.R. 4, the bill that you passed and sent to the President that he vetoed, we could not count those 20 people that went to work for our participation rate. That doesn't make a lot of sense.

I think what we are trying to do here is to get people to move from welfare to work. And not letting us count those people in our participation rate really doesn't make a whole lot of sense, and we would urge that you let them count.

With respect to what constitutes work, H.R. 4, the bill you passed and sent to the President, said if a person is working 35 hours a week, that constitutes work. We have come back and suggested 25 hours is probably more appropriate, realizing that a lot of the folks that we will be pushing into the work force will need educational help, job training. They may need to finish their high school degrees. They may be in a community college, working on a 2- or 4-year degree. In some cases, as they get those skills, it is helpful that they not have to work 35 hours a week, take care of their kids, raise their family, and also go to school.

So what we are suggesting is 25 hours a week, and for families with kids under the age of 6, we would say maybe 20 is an appropriate option for States to establish.

I think I could hold it right there, and let me bounce the ball back to Governor Thompson and maybe we can then respond to your questions.

Again, we appreciate your letting us be here. A point I want to go back to is the one I started with. The reason why we are here today is because we decided to work across party lines. This man provided the leadership.

Governor Engler, myself, and others followed that leadership. But it is just real important as you go forward to try to set aside the partisan differences and try to work on this together. I would urge you to do that.

[The prepared statement of Governors Thompson, Carper, Engler, and Caperton follows:]

**STATEMENT OF GOVERNOR TOMMY G. THOMPSON, CHAIRMAN; GOVERNOR TOM
CARPER, LEAD GOVERNOR ON WELFARE; GOVERNOR JOHN ENGLER, LEAD
GOVERNOR ON WELFARE; AND GOVERNOR GASTON CAPERTON, MEMBER,
EXECUTIVE COMMITTEE
THE NATIONAL GOVERNORS' ASSOCIATION**

Thank you Mr. Chairman. We appreciate the opportunity to appear before you today to present the National Governors' Association's (NGA) Policy on Welfare Reform. Before we address the specifics of our policy, however, we would like to make a few general comments.

- First, Governors believe it is critical that Congress pass and the President sign the three major bills of welfare reform, Medicaid, and employment and training during the next month. States must have the ability to enact budgets that fully integrate these three programs in order to provide cost-effective services that assist in moving people from welfare to work.
- Second, Republican and Democratic governors worked closely together to craft and pass the NGA welfare policy. To maintain the integrity of what is a strong bipartisan agreement, we believe it is imperative that the congressional process also be bipartisan. Our policy builds upon the work of Congress and adds important changes to promote work and protect children.
- Third, the welfare policy was passed unanimously by the nation's Governors, and therefore we have strong bipartisan support for our position. However, that support may be withdrawn if Congress or the administration makes major changes to our proposal.
- Additionally, while we believe that we have provided you with a considerable amount of detail, we realize that there will be additional questions as you proceed toward drafting the legislation. In some areas we may be providing you with additional details. Nevertheless, we feel very strongly that the nation's Governors want to be deeply involved in working with you to develop and review legislative language. We want to do this on a strong bipartisan basis. We understand that you intend to move quickly and we are prepared to work hard to meet your schedule. It is critical, however, that we keep all Governors informed so that we will be able to support the final bill.
- Finally, we would like to say that there is an urgency that you enact this legislation over the next month. The window of opportunity is very small. Shortly, you will need to begin the budget process for fiscal 1997. Also, failure to act now means that any reform is unlikely to occur for two to three years since this is an election year. States spend on average about 25 percent of their own state money on welfare and Medicaid, and many Governors have incorporated restructured programs into their fiscal 1997 budget. The failure of Congress to move forward will cause major problems in a number of states.

Now we would like to present to you the National Governors' Association policy on welfare reform which was adopted with unanimous bipartisan support just two weeks ago at our winter meeting. With a unanimous bipartisan voice, the nation's Governors are asking for a new welfare system that allows us to assist individuals in moving from a cycle of dependency to self-sufficiency. We are asking you to give us the flexibility to design our own programs and the guaranteed funding we need at appropriate levels, and we will transform the welfare system into a program of transitional assistance that will enable recipients to become productive, working members of our society.

We believe that our nation's leaders are faced with an historic opportunity and an enormous responsibility to restructure the federal-state partnership in providing services to needy families. The Governors are committed to achieving meaningful welfare reform now, and we believe that Congress and the President share in this commitment. We cannot afford to miss this opportunity. Indeed, for the past year and a half, we have all invested considerable time and energy in reforming federal welfare policy.

Congress has made significant strides toward allowing states to build upon the lessons they have learned through a decade of experimentation in welfare reform. The President, too, gave impetus to welfare reform when he proposed the Work and Responsibility Act more than a year and a half ago, and he has continued to grant waivers to states to facilitate experimentation throughout the ongoing debate on welfare reform.

Today, the nation's Governors come to you with a specific list of recommendations for welfare reform that builds upon the work of both the House and Senate. We urge Congress and the President to join with us in support of this bipartisan agreement that will reallocate responsibilities among levels of government, maximize state flexibility, recreate welfare as a

time-limited program leading to work, provide adequate child care, and ensure that all parents assume responsibility for their children.

The NGA policy builds upon and improves the framework for welfare reform laid out in the H.R. 4 conference agreement to the Personal Responsibility and Work Opportunity Act. The conference agreement contains many elements of welfare reform supported by the Governors.

- It defines welfare as a transitional program leading to self-sufficiency and provides time-limited cash assistance to beneficiaries.
- It recognizes that the best work requirement is a private sector job but that subsidized jobs and community service are appropriate in some instances.
- It provides guaranteed and predictable funding with a contingency fund for states' cash assistance programs during periods of economic downturn.
- It allows flexibility for states to expand programs to encourage family stability and reduce teen pregnancy.
- It provides flexibility for states to design their own benefit levels, eligibility criteria, and earned income disregards in their cash assistance program.
- It supports improved child support enforcement efforts, particularly for interstate cases.
- It permits improved coordination and conformity between a state's cash assistance program and the Food Stamp program.

We are very pleased that the conference agreement contains so many provisions that reflect our concerns and priorities and we applaud the progress you have made. However, in order for the nation's Governors to support the H.R. 4 conference agreement, we believe further changes must be made based largely on the following principles:

- Welfare reform must foster independence and promote responsibility.
- Children must be protected throughout the restructuring process.
- States must be protected during periods of economic distress.
- Given agreement on broad goals, states must not be subject to overly prescriptive standards.

The welfare reform policy adopted by the National Governors' Association includes specific recommendations to address these concerns. They are outlined below.

Funding for Child Care

The Governors propose an additional \$4 billion in mandatory spending for child care for the fiscal 1997 through fiscal 2002. This funding would be part of the base funding for child care and would not require a state match. The Governors are strongly united in their belief that adequate child care is a critical component in the success of any welfare-to-work effort. In fact, access to child care is by far the number one barrier to independence. Our experience has shown us that without safe and reliable child care, a young mother will not be able to participate in employment training, find work, or keep a job. The Governors believe that the current funding provided in the H.R. 4 conference agreement is not sufficient to meet the child care needs of welfare recipients engaged in work activities, individuals who are transitioning from welfare to work, and those who are at-risk of going onto welfare. Without additional commitment from the federal government for child care, states may be forced to choose between providing child care for the working poor or providing child care for welfare recipients.

Work Requirements

The Governors propose greater flexibility in meeting the work participation requirements. Prescriptive and narrowly drawn requirements will hamper the states' ability to design work programs that are appropriate to their unique economic situation. We have several recommendations in this area.

- **First, the Governors believe strongly that when states are successful in moving individuals from cash assistance to work, these individuals should be included in the work participation rate calculation as long as they remain employed.** Discounting these individuals from the work participation rate seems contradictory to the goals of welfare reform.
- **Second, the number of hours of participation required for purposes of meeting the work participation rate in future years should be 25 hours a week, rather than the proposed increase to 30 and 35 hours a for single-parent families and the 35 hour participation requirement for two-parent families. Further, states should be given the option to limit the required hours of work to 20 hours a week for parents with a child below age six.** Many states will, in fact, set higher hourly requirements, but this flexibility will enable states to design programs that are consistent with local labor market and training

opportunities and the availability of child care. Lowering hourly requirements for families with young children is also consistent with broader trends in society where a large proportion of women with young children are working part-time.

- **Finally, in the work area, the Governors propose that job search and job readiness be allowed to count as a work activity for up to twelve weeks, rather than just in the first four weeks of participation.** States have found that job search is not only effective when a recipient first enters the program, but also after the completion of individual work components and placements.

Contingency Fund

The Governors propose that an additional \$1 billion be added to the contingency fund for state welfare programs. We believe that states should have access to additional federal matching funds during periods of economic downturns and increases in unemployment or child poverty. During these times, some states may not have the fiscal capacity to meet increases in demand for assistance without an additional financial commitment from the federal government. Given the historical volatility of the caseload throughout economic cycles and the difficulty in projecting future changes in the economy, we believe the additional \$1 billion is necessary.

Our policy also calls for the addition of a second trigger option in the contingency fund that would allow a state to qualify for the fund if the number of children in the food stamp caseload increased by 10 percent over fiscal 1994 or fiscal 1995 levels. This trigger is meant to serve as a proxy for increases in child poverty. The 75 percent maintenance-of-effort requirement for the cash assistance block grant applies to the contingency fund and a state would draw down contingency funds on a matching basis.

Performance Bonuses

The Governors' proposal includes performance incentives in the form of cash bonuses to states that exceed specified employment-related performance target percentages. We believe that it is appropriate to reward states that have high performance. However, these bonuses would not be funded out of the block grant base but would receive separate, mandatory funding.

Flexibility

The NGA Welfare Reform Policy also contains a number of specific proposals to lessen some of the prescriptive requirements in the bill, while also adding flexibility and accountability.

- It provides states with the *option* to restrict benefits to additional children born or conceived while the family is on welfare. A family cap should not be a federal requirement that would require state legislative approval to opt-out.
- It sets the administrative cap on child care funds at 5 percent. The 3 percent contained in the conference agreement is not realistic.
- It raises the hardship exemption from the five-year lifetime limit on federal cash benefits to 20 percent of the caseload.
- It adds a state plan requirement that the state set forth objective criteria for the delivery of benefits and for fair and equitable treatment with an opportunity for a recipient who has been adversely affected to be heard in a state administrative or appeal process.

Child Welfare

In the area of child welfare, we believe that we have developed a proposal which protects children while allowing states the flexibility to focus greater effort on successful prevention efforts such as family preservation. Our proposal would replace Title VII in the H.R. 4 conference agreement.

- First, the Governors' policy would maintain the open-ended entitlement for foster care and adoption assistance maintenance, administration, and training as under current law.
- Second, the policy would create a Child Protection Block Grant, consolidating funding for the remaining child welfare, family preservation, and child abuse prevention and treatment programs. As you know, these programs are not currently individual entitlements. States must maintain protections and standards under current law.

- Finally, states would have the *option* of taking all of their foster care and independent living funding as a capped entitlement (or block grant) and would be allowed to transfer any portion of these funds into the Child Protection Block Grant for activities such as early intervention, child abuse prevention, and family preservation. States must continue to maintain their effort at 100 percent based on state spending in the year prior to accepting the capped entitlement. Again, states must maintain protections and standards under current law.

SSI for Children

With respect to Supplemental Security Income (SSI) for children, the Governors propose to adopt the provisions in the Senate bill that eliminate the comparable severity test and the Individualized Functional Assessment (IFA) for determining eligibility for children. Only children who meet or equal the Medical Listings of Impairments will qualify for SSI. We do not support the two-tiered payment system that was contained in the H.R. 4 conference agreement. We would also set an effective date for current and new applicants of January 1, 1998.

Food Stamp Program

In the Food Stamp Program, our policy would reauthorize the program in its current uncapped entitlement form. We also propose to modify the income deductions as outlined in the Senate-passed welfare bill, which achieves savings through modifications to the standard deduction rather than capping the excess shelter deduction. Governors voiced concerns that the changes to the excess shelter deduction in the H.R. 4 conference agreement would disproportionately impact the very poorest and families with children.

Child Nutrition

In the area of child nutrition, we propose changes to the School Nutrition Block Grant Demonstration that would be authorized in seven states. Within these demonstrations, our policy would maintain the current entitlement for children, and schools would continue to receive per-meal federal subsidies for all lunches and breakfasts under current eligibility criteria. States would, however, receive their *administrative* dollars as a block grant.

There are two final areas our policy addresses – territories and the Earned Income Tax Credit.

Territories

The Governors strongly encourage Congress to work with the Governors of Puerto Rico, Guam, and the other territories toward allocating equitable federal funding for their welfare programs.

Earned Income Tax Credit

And finally, while the Earned Income Tax Credit (EITC) may be considered in the context of budget reconciliation rather than welfare reform, the Governors believe that the availability of the EITC to low-income families is critical to ensuring that a family is better off working than on welfare. The Governors' policy would limit the budget savings from revising the EITC to \$10 billion. We also believe a state option should be added to advance the EITC.

Benefits for Aliens

The absence of recommendations on the restriction of benefits for aliens should not be interpreted as support for or opposition to the alien provisions of the H.R. 4 conference agreement. It is likely that you will be hearing directly from Governors that have concerns in this area.

Governor THOMPSON. Thank you very much, Governor Carper, and thank you for your kind words. It has been a pleasure working in a bipartisan arena, and we came out of our meeting stronger and better, and I think with a better opportunity to assist you in coming up with policy on these three very important areas.

I would like to just finish up with Governor Engler, who was the key leader, with Governor Carper, to come up with this compromise. They both did just an excellent job. Governor Engler was supposed to talk about flexibility, and I would like to go back to his notes.

Flexibility. It is very short, so we will be done very quickly.

The NGA welfare reform policy also contains a number of specific proposals to lessen the prescriptive requirements in the bill while increasing flexibility and strengthening accountability.

For example, our provision provides States with the option to restrict benefits to additional children born or conceived while the family is on welfare. It is an option. It is not mandatory. It also sets the administrative cap on child care funds at 5 percent. It raises the hardship exemption from the 5-year lifetime limit on Federal cash benefits to 20 percent of the caseload. This was a compromise and again it was controversial but we reached an agreement on it. It adds a State plan requirement that States set forth objective criteria for the delivery of benefits and for fair and equitable treatment with an opportunity for a recipient who has been adversely affected to be heard in a State administrative or appeal process.

Under child welfare, with regard to child welfare, the Governors believe we have crafted a proposal that protects children. Indeed, additional State flexibility will allow us at the State level to enhance the States ability to focus greater efforts on prevention. Therefore, we recommend replacing title 7 in the H.R. 4 conference agreement with the following:

First, maintain the open-ended entitlement for foster care and adoption assistance, administration, and training as under current law.

Second, create a child protection block grant, consolidating funding for the remaining child welfare, family preservation and child abuse prevention and treatment programs. These programs are not currently individual entitlements, and States must maintain protections and standards under current law.

Finally, give States the option of taking all their foster care and independent living funding as a capped block grant. States would be allowed to transfer any portion of these funds into the child protection block grant for early intervention, child abuse prevention, as well as family preservation. States must continue to maintain their efforts at 100 percent, based on the prior year, while maintaining protections and standards under the existing current law.

Under SSI for children, we do not support the two-tiered payment system in the conference report, and we would also set an effective date for current and new applicants as of January 1, 1998.

On food stamps, in the Food Stamp Program, NGA policy would reauthorize the program in its current uncapped entitlement form. We also propose to modify the income deductions as outlined in the Senate-passed welfare bill, which achieves savings through modi-

fications to the standard deduction rather than capping the excess shelter deduction. In particular, many Governors voiced concern that changes to the excess shelter deduction in the conference agreement would disproportionately affect the very poorest and families with children.

Child nutrition. With regard to child nutrition, we propose changes to the school nutrition block grant demonstration that the conference agreement would authorize in seven States. Within these demonstrations, NGA policy would maintain the current entitlement for children in schools and would allow them to continue to receive per meal Federal subsidies for all lunches and breakfasts under current eligibility criteria. States would, however, receive their administrative dollars as a block grant.

The earned income tax credit. This was controversial, I know in Congress as well as with the Governors, and we did not come up with any great compromise here. We knew that some people wanted to save \$5 million, other people wanted to save \$15 million. We cut it in the middle and took \$10 million, and that is just how we did it. There is no magic to it except we cut it in half.

On benefits for aliens, the Subcommittee should also note that the absence of recommendations on the restriction of benefits for aliens cannot be interpreted as support for or opposition to the alien provision of the conference report. I am certain that you will be hearing directly from Governors who have specific concerns in this area. The Governors up here did not have that particular problem.

Mr. Chairman, I am encouraged once again by your willingness to work with us, to hear from the Governors, and we look forward to working with you as the Subcommittee, the Full Committee, and the House consider the Governors' proposal.

Thank you again.

Chairman SHAW. Thank you both for a very fine statement.

Mr. Camp will inquire.

Mr. CAMP. Thank you, Mr. Chairman, and I want to thank both Governors for coming today. I know you have both been very active on the issue of welfare reform for quite some time.

Governor Carper, particularly since you are the first Democrat to say you actually support the bill, I certainly appreciate your testimony.

There has been a lot of talk about welfare reform and you both have done something about it, and I commend you both for that. I think this is an important proposal and in your testimony you mention it is about returning government closer to the people where they can impact it in a better way. I think what this proposal is most importantly, is proof that States are capable of the responsibility of doing the legislative heavy hitting that needs to be done to improve a welfare system that has clearly failed. We only need to look at the track record over the last 30 years to know that the current system is not working and this is an actual, real alternative. You have done a great job in trying to break the logjam here in Washington.

So, I appreciate the fact you are doing something about a failed system, and I am grateful for your testimony. I have a couple of questions.

In December a woman from Michigan who testified—she was a working mother of three, receiving welfare—that the two major obstacles she had to getting a job were child care, and you mentioned you are putting more money into the child care portion, and transportation.

Would the increased flexibility in this legislation allow States—and I live in a rural area in the middle of Michigan where transportation is often an issue—the flexibility to use funds in that area? Either Governor Thompson or—

Governor THOMPSON. Yes, it would. It would, considerably. We have been able to do that in Wisconsin. I know Governor Engler is doing it in Michigan. It allows for it, and the big obstacles to getting people moved from being on welfare to work are child care, health care, transportation, and the opportunity to have a job. These three things—transportation, medical care, and child care accomplish that.

Mr. CAMP. There is a chart that I know my colleagues have in their packets and I believe has been handed to you, Governor Thompson, which shows the welfare caseloads when work requirements are enforced; and I know that in Fond du Lac County, Wisconsin, the single-parent caseload has been reduced from 689 in January 1994 to 350 in October 1995. That is a 50-percent reduction in less than 2 years.

Could you tell us why this change occurred, and if given the chance through the flexibility offered Governors, could other States, under your proposal, under the Governors' proposal, achieve this same rate of progress?

Governor THOMPSON. Thank you, Mr. Camp.

What happened was, I had to come to Washington to get a waiver. In the last 10 years that I have been Governor, I have received 172 waivers from three Presidents, Reagan, Bush, and Clinton. This one was under the Clinton administration. It is called Work, Not Welfare.

My problem with having to come and get a waiver is, I wanted to do this beyond just two counties. In order to get a waiver, I had to restrict my pilot program to two counties, and one of those counties was Fond du Lac County. What it does, it allows the welfare recipient to come in. Instead of asking the person, Do you want to go on welfare?, we first have an inventory to find out whether or not they have some capabilities, what kind of job skills they have, and then we match it up with a job.

We have been able to do that very successfully. As you know, we have been able to drop the welfare caseload by at least 50 percent in Fond du Lac, and now it is even beyond that; it is closer to 66 percent. This would work not only in Fond du Lac County, but would work statewide. But instead of being limited to two counties, I would like to try it statewide.

That is what we are trying to do in Wisconsin. That is why the waiver system doesn't work, and the Governors' proposal does work and would allow me as Governor of Wisconsin to try it statewide, Governor Engler in Michigan, and Governor Carper in Delaware.

Mr. CAMP. You had mentioned, too, in your response, do you believe, even though there have been a number of waivers issued by

the administration and previous administrations, should we still move forward with the greater flexibility for States?

Governor CARPER. For sure. My guess is that people in the administration would be just as happy as we Governors not to have us have to apply for waivers and for them to have to go through the waiver process as well.

What I suggested to you 1 year ago was that maybe some of the people who would spend a lot of time in health and human services going through waiver requests and maybe they instead use their time to look out across the States and see what works in Wisconsin, what works in Delaware, for them to be a clearinghouse for good ideas, for what works.

Mr. CAMP. Last, Governor Carper, the Clinton administration's position on this bipartisan welfare plan, if you could characterize it for us.

Governor CARPER. I believe, and the President could certainly speak for himself, from what we have suggested to you and from my conversations—Tommy Thompson has known him a good deal longer than I have and worked with him when he was a Governor and sat here 8 years ago with my predecessor Mike Castle talking with your predecessors about welfare reform. I think this is consistent with what the President would have us do. One, it rewards work. People who go to work are actually better off than those who remain on welfare. Second, it encourages personal responsibility and it fosters self-sufficiency, things that he believes are important. You have heard him say that. So have I. The President has called for time-limiting benefits. Welfare should not be a lifetime avocation, it is something for which there are discrete limits, and this is a transitional program.

As a former Governor, he has also called to give States some flexibility, to let us be the laboratories of democracy that our proposal would let us do. He has said, and you have heard him say, that both parents have a financial responsibility to their kids and ought to be meeting it. You have heard him talk about in the State of the Union most recently about the concern for out-of-wedlock births and teenage parents and the need to encourage the formation of two-parent families. I believe what we have suggested, he is not going to like every single bit, but frankly, neither will you. But I think there is a whole lot more here to like. I am encouraged with his response to us at the NGA meeting and our conversations since.

Mr. CAMP. Thank you very much.

Chairman SHAW. Mr. Ford will inquire.

Mr. FORD. Thank you, Mr. Chairman.

Governor Thompson, you mentioned in your statement that failure of Congress would create major problems for the States. Apparently, some States thought that there might have been a new welfare public policy put in place, and they were working on their budgets under certain assumptions.

Can you elaborate a little bit more on that?

Governor THOMPSON. Sure. Several States have built into their budgets savings that they could make if they had the flexibility under the proposals that have already passed Congress.

Mr. FORD. Where would these savings come from? What kind of savings would the States have?

Governor THOMPSON. Savings under Medicaid.

Mr. FORD. The matching part of the Governors' welfare proposal is the Medicaid match.

Governor THOMPSON. The Medicaid match was 40 percent which was passed originally, that the States would have to put in 40 percent. Other savings. They have put those in their budgets already this year.

The second problem we have is that under all of the 163 work programs that are currently in existence, all of the administrative functions and with continuing resolutions, we are being reduced down to somewhere between 25 and 50 percent. We have less money, the same oppressive rules and regulations, not the ability to consolidate. I know you support it, because I think on a bipartisan basis it passed both Houses in different forms, and that is the job training program. The Governors are putting those savings in there because even though they have not passed yet, they feel that Congress will act on that, and we are urging you to act on that. Those are the savings I am talking about.

If Congress does not act on welfare, Medicaid, and on the job training programs, a lot of States which have built in these savings are going to have a terrible fiscal problem.

Mr. FORD. Right now, the American people want to make sure that we spend their money wisely.

Governor THOMPSON. Sure.

Mr. FORD. We are talking about block granting, handing over to the States billions of dollars. Where are the checks and balances that determine whether or not your performance is good, whether or not children are being protected here? Where are those checks and balances? How will we be able to put those in place under your proposal?

Governor CARPER. Governor Thompson may want to speak to a recommendation in our proposal. For maintenance of effort, we recommend 75 percent for maintenance of effort that gives us some flexibility to move money from child care, maybe to transportation and to some other areas, but also ensures that we don't simply take money that you have given us for family support and use it to build a road somewhere.

The other aspect that I would point to, we have suggested in our proposal that it is not enough that you sanction States that don't do a very good job of moving people from welfare to work, it is not enough that you sanction States that don't do a very good job of reducing out-of-wedlock births, but rather that you provide some financial incentives, we call them "performance bonuses" for States that actually do move people from welfare to work, for States that actually do meet or exceed their targets for reducing out-of-wedlock births.

We are trying to change the incentives. In the past, the incentives for individuals on welfare and for States are, I think, wrong. What we try to do is provide incentives for people to go to work and for States to provide the kinds of tools that we will need for people to be successful.

Mr. FORD. Go ahead, Governor Thompson.

Governor THOMPSON. Quickly. I know you have another question, Congressman Ford. We have been able to reduce in Wisconsin our welfare caseload from 100,000 to 65,000, over a 33-percent reduction. What I want to do, if I have to maintain 100 percent maintenance of effort, I cannot expand the kind of innovative programs I have tried in Wisconsin. What I would like to do is I would like to be able to use some of the flexibility that I am asking for to expand Medicaid to the working poor. I can't do that under the rules and regulations that you currently have. If you have a maintenance of effort at 100 percent, you lock me into a system that doesn't work.

I want to be able to use new flexibility, new systems in Wisconsin to help more people. That is the protection.

Mr. FORD. President Clinton back in the mideighties, then Governor Clinton, he was willing—

Governor THOMPSON. He was just a mere mortal Governor then.

Mr. FORD. He was the Governor that negotiated welfare reform for all of the Governors. I say that only because I have great respect for his ability on this issue of welfare reform.

Governor Thompson, you mentioned in your opening statement that the President did not sign into law the welfare package which did not receive support from the Governors' Association. I don't think the Governors agreed upon the first welfare package that was sent over to the President.

Governor THOMPSON. No, they didn't.

Mr. FORD. I think we all have great respect for his ability on this particular issue as we attempt to change public policy. As a matter of fact, he was able to bring this issue to the forefront. Even in his campaign of 1992, his voice was one voice that we heard throughout America. He made it very clear that welfare should be changed as we know it today.

We have just tried to do that. I compliment the Governors' Association for bringing a bipartisan deal.

However, I am somewhat concerned as to whether or not children in this country will be totally protected when I see the Medicaid Program and the suggestions that children under the age of 12 might not have health care benefits at a time when we know health care benefits are something that should be in the forefront.

I don't know what States will propose in their hand-in-hand welfare and Medicaid benefits. I am concerned about waivers like you have received, Governor Thompson. You probably have received those waivers a lot quicker under the Clinton administration in your State than other States received under the Bush and Reagan administrations.

I know that we want to make sure that welfare recipients become self-sufficient. However, we want to make sure that the 10 million children who are on welfare are in fact protected, and women who are able to work receive the proper training and education, and those who are able to work move right into the work force, with whatever assistance will be needed from the States.

We also know that there is a large percentage of the first-time welfare recipients who come on the welfare rolls because of a bad economy or loss of a job through downsizing of big corporate busi-

nesses. We know that they try immediately to move into the work force.

I am referring to the success of your demonstration, Governor Thompson. Your economy is probably a lot different from the city that I represent. My unemployment rate hit double digits, in the high teens in certain areas.

I don't want my Governor in Tennessee to look at a welfare proposal in your State and think for some strange reason because you have had great success stories in two counties, that my State would have those same success stories.

I know I have taken too much time. I would like for Governor Thompson to respond.

Governor THOMPSON. Thank you very much, Congressman.

May I respond quickly, Mr. Chairman?

Chairman SHAW. Yes.

Governor THOMPSON. You have raised several things. All of us are concerned across this country, Democrats and Republicans alike, for children, for the poor, for the sick, for the elderly. We think as Governors, Democrats and Republicans alike, that we can do a much better job if you give us the flexibility.

You ask what kind of protection. Under our proposal we have 100 percent capped block grant for foster care and independent living. We also, under our Medicaid Program, cover all AFDC clients. We also cover all children up to the age of 12 under Medicaid. That is in our Medicaid policy that we agreed to by the NGA on a bipartisan basis. And as for the waivers, I got as many waivers under Bush and Reagan as I did under Clinton. I was persistent. I may be different from other Governors.

Mr. FORD. Why did you select such small counties for your waivers, rather than selecting some of your major cities like I represent and others, Governor?

Governor THOMPSON. Congressman, because that is what the White House and HCFA required me to do. They limited—

Mr. FORD. They required you to submit those two?

Governor THOMPSON. It was limited to 1,000 cases. That is the problem. One size does not fit all, in Wisconsin or Tennessee. But the former Governor, a Democrat Governor, Ned McWherter, tried something called TennCare, and it is working out in Tennessee.

Mr. FORD. With mandates from the Federal Government, though—standards.

Governor THOMPSON. That is the problem. It is the mandates. It could work better if it didn't have the mandates. Give us the chance. What works in Wisconsin may not work in Tennessee, may not work in Delaware. What I want to have is the opportunity and what I think that this country wants is 50 Governors, Democrats and Republicans, and the Independent in Maine, being innovative, to try new things.

One size does not fit all. Wisconsin is not like Delaware, it is not like Tennessee. Give me the opportunity to set up a program that works in Wisconsin and moves people off of welfare into work, from dependency into independence. That is all we are asking for.

Set some Federal standards, some general standards that we have to comply with, and come back year after year, if you want to, and see whether or not we are hitting that bar, and I will as-

sure you, just as I am sitting here, we will surpass those bars and we will be able to demonstrate to you and to all Members up there that we can do a better job if we have the flexibility and the opportunity to set up individual programs in our respective States, be you a Democrat or a Republican.

Chairman SHAW. Thank you, Governor.

I would say to the Members, I have been extremely lenient on the time limitations. I am now going to change that policy and enforce the 5-minute rule.

I would also like to ask at this time unanimous consent that the statement by Mr. Nussle be made a part of the record.

[The prepared statement of Mr. Nussle follows:]

STATEMENT OF HON. JIM NUSSLE

Thank you, Mr. Chairman, for calling this important hearing on the bipartisan welfare reform proposal adopted unanimously by the National Governors' Association. I am sorry I am unable to join you and the Subcommittee today. However, my previously scheduled town hall meetings in Iowa do not permit me to travel to Washington for this event.

I would also like to thank the distinguished witnesses, Governor Engler of Michigan and Governor Carper of Delaware, for taking the time to travel to Washington for this hearing. Both individuals have made significant contributions to the advancement of real welfare reform.

Last year at this time the Subcommittee on Human Resources initiated the process of reforming the Federal welfare system. We started by examining the current Federal welfare system which is composed of more than 300 separate Federal programs and costs the taxpayers \$153 billion annually, not including the \$87 billion spent on Medicaid.

We learned that despite all of these well-intentioned government programs and the \$5.3 trillion in today's dollars spent on welfare initiatives, the poverty rate has not dropped below the level at the time the war on poverty began in the sixties. In fact, the current system not only has failed to lower the poverty rate, but it has also trapped individuals in a cycle of dependency, discouraged work, and discouraged marriage.

The Subcommittee launched an unprecedented effort to change the Federal welfare system. We attempted to design a welfare system that emphasizes personal responsibility, work, and family.

We suggest that Washington does have all the answers to the problems that occur every day in our communities. That is why the Personal Responsibility Act empowers States to give people who need assistance a hand up, instead of a life of dependency the current system offers.

The success of the States will be measured by the number of individuals who are freed from the welfare rolls and brought into the work force—not by the amount of money spent. States will be given Federal funding to provide nutrition programs, child care, job training, and many other services. States will also be granted freedom from the costly mandates and paperwork requirements of the current system.

The President decided to veto this landmark legislation and has chosen to perpetuate welfare as we know it despite his campaign pledges to end welfare as we know it. Fortunately, the Nation's Governors, who we hope to have as our senior partners in restructuring the welfare system, recognize the status quo with the current welfare system is unacceptable.

In fact, each of the 50 Governors across this country has endorsed a modified version of the Personal Responsibility Act. That is why we are holding this hearing today, to learn more about the modifications to our welfare bill the Governors have recommended. I look forward to continuing our work with Governors Engler and Carper and many others who have contributed positively to this debate.

In closing, we are challenging the States to design innovative ways to prevent people from falling into a cycle of dependency. However, if society is going to be successful at restoring hope to those trapped in the current welfare system and give them a shot at the American Dream, the real challenge falls on you the American citizen to come up with innovative ways to help their neighbors and their community. The compassion of a government check can never replace the compassion of a friend or neighbor.

Chairman SHAW. I would also ask unanimous consent that if Governor Caperton has an opening statement, that it be made a part of the record as we put Governor Engler's statement in the record.

I would make a further unanimous consent for all Members that any of the witnesses that were scheduled to be here but were unable to be here because of the problems they are having at National Airport, that their prepared statement be made a part of the record.

Without objection, so ordered.

Chairman SHAW. Mr. Levin may inquire.

Mr. LEVIN. Thank you, Mr. Chairman.

I think the last colloquy was very much on point between Mr. Ford and the two of you. I don't think the issue is whether one size fits all, because it clearly doesn't. The question is whether a new structure will fit everybody who should be covered and whether there won't be many who simply fall by the wayside. Those are the two things we have to combine somehow. Let me ask you, take a few points, there won't be time for all of them.

The contingency fund—I looked at the figures for the last recession. The last recession was not nearly as bad as the recession in the early eighties. In the last recession, in 3 years, AFDC went up \$6 billion; that is \$2 billion a year. There is a provision here, even if the triggers were to work, and I have questions about the way they are constructed, in 5 years, \$2 billion. Now, that on its face is a problem, isn't it?

Governor CARPER. When I testified before you 1 year ago and said if you don't retain the individual entitlement under cash assistance, for God's sake, create a contingency fund. What I like, more what I feel, as an old economist—put on my old economist hat—

Mr. LEVIN. Sure.

Governor CARPER [continuing]. I think that you could argue for more. Having said that, we have some people who didn't want any and felt that it wasn't an appropriate expenditure of funds at all.

What we have done, we have taken a contingency fund that didn't exist when the block grant was first proposed; you made it \$1 billion, we have encouraged you to double it to \$2 billion. We think we ought to have two triggers that are pretty workable. The question is in a bad recession, will it be enough? We don't know. But keep in mind we also have moneys that we can draw from our unemployment compensation funds, and will.

Mr. LEVIN. From your unemployment compensation fund?

Governor CARPER. Sure. If people lose a job, they draw unemployment in at least our State, and I would suspect others, for as much as 26 weeks.

Mr. LEVIN. Some of these people won't be employed.

Governor CARPER. I guess what I am trying to say is cash and AFDC are not the only resort for people who are thrown out of work and lose their jobs. We do have other ways to help them.

Mr. LEVIN. I just want to remind everybody, only about one-third of the people who become unemployed are covered today by unemployment compensation. It is unlikely that people who move from

welfare to work, in many cases, under present structures, will be covered by unemployment compensation.

So I don't get it, under your approach, putting into a proposal a contingency fund that is most likely, if there is a mild recession, not one like in the eighties, to be inadequate.

So then let me ask you about, maybe Governor Thompson will want to join in on that, or on the maintenance of effort, because you have adopted what was in the conference report instead of the Senate provisions on maintenance of effort, and on transferability. You have a 75-percent maintenance of effort.

It is interesting that you have 100 percent for the foster care provision, but only 75 percent here. And also you have a transferability of 30 percent among a wide variety of programs.

Governor Thompson, it says children must be protected. Children must be protected. How are we going to be sure children are protected when there can be a 75-percent maintenance of effort, considerably below what the States are now providing, and transferability of up to 30 percent of AFDC funds for other functions?

Governor THOMPSON. First off, Congressman, Governors are just as concerned about children as you are. We will not allow children to go on without protection, without food, without subsistence, without dwellings.

The 75 percent is put in there because what happens under the existing system, you lock us in. The current system doesn't give us the flexibility to be innovative.

Tom Carper has got some nice programs that I would like to try but I can't unless I get a waiver. John Engler is doing a lot of nifty——

Mr. LEVIN. Stay with your 2-year flexibility of maintenance of effort.

Governor THOMPSON. But maintenance of effort is a big one for me in Wisconsin because I have reduced the caseload from 100,000 cases down to below 66,000. Those people aren't on there anymore.

If you lock me into 100 percent, you are preventing me from being innovative. You are penalizing the Governors that are out there doing a good job. I want to be able to expand the program to the working poor. I want to be able to allow Medicaid to be given out to the working poor and have some sort of copayment. I can't do that under your laws.

I think you are hurting the working poor in Wisconsin, I know you are, but also across this Nation, because it is not only me. Governor Wilson wants to do that in California. Governor Engler wants to do it in Michigan. Governor Carper, I am sure, wants to do it in Delaware. It is a bipartisan thing.

We as Governors come together and we plagiarize from each other. Instead of having a run to the bottom, we are always trying to outdo each other to develop better programs, more efficient programs, more ways to help our people, and that is why we need the flexibility. That is why the 75 percent is in there. You have got your insurance up to 75 percent. Give me the flexibility on the other 25 percent so I can use that extra money to help more people in Wisconsin.

Chairman SHAW. The time of the gentleman has expired.

Mr. English will now inquire.

Mr. ENGLISH. Thank you very much, Mr. Chairman.

First of all, without objection, I would like to place a letter from Mr. Robert Carleson in the Subcommittee record.

Mr. Carleson is a gentleman of massive expertise in this area, having directed the welfare programs for President Reagan both in California and in the Nation's capital.

The substance of Mr. Carleson's letter is that Congress should adopt the Governors' proposal because it fulfills President Reagan's initiative for welfare reform, including the end of the AFDC entitlement and the creation of a cash block grant.

[The information follows:]

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February 16, 1996

The Honorable Newt Gingrich
Speaker of the House of Representatives
The Capitol
Washington, D.C. 20515

Dear Newt:

I have been asked to present to you my views on the current situation in welfare reform. Anticipating that this letter may be circulated to others who are not familiar with my credentials in welfare policy I will summarize my experience.

I have been working on the welfare issue since August 1970 when then Governor Reagan "drafted" me into welfare; first as a member of his Welfare Reform Task Force, and then as Director of the California Department of Social Welfare. I was considered the chief architect and implementor of his very successful welfare reforms of 1971 and 1972.

When Cap Weinberger became Secretary of Health, Education and Welfare in the second Nixon Administration he appointed me U.S. Commissioner of Welfare with instructions to carry Reagan style welfare reform to other States. As a result, the nation's welfare rolls dropped in 1974 for the first time since World War II; as they had done with our earlier reforms in California.

I wrote AFDC block grant bills for the House and Senate in 1978 as alternatives to President Carter's welfare expansion proposal. These bills, respectively, won the support of all House Republicans, many House Democrats and the bi-partisan leadership of the Senate Finance Committee. As a result, the Carter reform died in the Finance Committee.

As Special Assistant to the President for Policy Development in the Reagan White House, I wrote the successful 1981 welfare reforms which were a part of the Gramm-Latta Budget Reconciliation Act. I left the White House in 1984 and was not a part of the 1988 Moynihan inspired welfare reform.

President, Robert B. Carleson & Associates, 1975-81 and 1987-95
Special Assistant to the U.S. President for Policy Development, 1981-84
U.S. Commissioner of Welfare, 1973-75
Director, California Department of Social Welfare, 1971-73
Chief Deputy Director, California Department of Public Works, 1968-71
City Manager, California Cities of Pico Rivera, 1964-68 and San Dimas, 1960-64

Since 1971, Ronald Reagan and I have had several lengthy discussions about welfare reform. It has been his most fond dream that the Aid to Families With Dependent Children be repealed and replaced with finite block grants to the States with no federal strings attached. I have been working to this end for 25 years. We are now close to achieving 90% or more of his goal. We may never have this opportunity again. It is a near miracle, achieved particularly by Governors Thompson, Engler, and Leavitt, that the National Governors' Association, UNANIMOUSLY, (Republicans and Democrats) adopted a welfare plan which virtually would enact Ronald Reagan's dream. Predictably, it is being aggressively opposed by the welfare industry which has so long fought Ronald Reagan every step of the way.

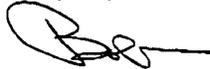
We should not quibble about truly insignificant details and let this opportunity slip away, maybe forever. Those who worry about the budget should observe that the repeal of this historically "uncontrollable" open-ended program and its replacement with finite appropriations will for the first time make it eminently controllable. Without this repeal any budget numbers, however they may appear to be cut or reduced, will be based on ephemeral policy changes which will be meaningless and which have historically resulted in increased expenditures. (see the 1988 welfare "reform") The additional spending called for in the Governors' plan would be finite appropriations and thus controllable -- well worth it from a budget point alone because of the repeal of the open-ended uncontrollable current system.

For those who worry about the family cap, don't let the perfect defeat the good. Current law permits a State no family cap, unless a federal waiver is given. These waivers are slow to be granted and when they are given are burdened with conditions and expansions which make them self defeating. The Governors' plan gives the States complete control without the possibility of interference from the federal government. With no reform, in my opinion, State waivers will end as soon as it is politically expedient. Holding out for a mandatory State opt-out provision is virtually a distinction without a difference and would kill welfare reform.

In this year of Ronald Reagan's 85th birthday the Governors' welfare plan should be enacted quickly, WITHOUT CHANGE, and laid on the President's desk. No changes should be made to ensure that absolutely no excuse can be used by any Governors who may be pressured to back off their commitments or for the President to veto any bill except that which received the bipartisan support of the nation's Governors.

In summary, the Governors' welfare plan is not a compromise with Ronald Reagan's dream of true welfare reform. It achieves at least 90% of his dream. We must not let this historic opportunity slip away. Any statements to the contrary come from people who do not know Ronald Reagan's long-held views on true welfare reform. I do.

Very Truly Yours,



Robert B. Carleson

Mr. FORD. Mr. Chairman, I don't object, but I just would like to make a note; that I am familiar with this person and I would like to also reserve the right to respond with a letter along with the letter that is being submitted by my colleague, Mr. English.

Chairman SHAW. The record is getting longer and longer, but without objection it is so ordered.

[The following was subsequently received:]

I note, for the record, Mr. Carleson's comments on the family cap provision in his letter of February 16, 1996. He advises us that "Holding out for a mandatory State opt-out is virtually a distinction without a difference and would kill welfare reform." Nonetheless, my Republican colleagues plan to ignore Mr. Carleson's advice. While examining the virtues of expanding State flexibility, the Republicans are determined to make it complicated for States to use that very flexibility when it comes to opting out of the family cap provision. Mr. Carleson fears that this will be the death knell of welfare reform. Could that, perhaps, be the real goal of my Republican colleagues?

Chairman SHAW. The gentleman may continue.

Mr. ENGLISH. Thank you, Mr. Chairman.

Out of courtesy to the distinguished people we have testifying today and on further panels, I am going to keep my remarks within the time limit.

We have heard, gentlemen, some criticism in the past of the original proposal that came out of this Subcommittee and then was modified, that it was weak on work. What you have proposed, as I understand it, is that you are shooting for a more modest work participation requirement, moving toward 25 hours per week.

I wonder, do you believe that that could be legitimately criticized as weak on work or do you believe you can take this provision and run with it?

Governor CARPER. Let me take a shot at that first.

You would probably find all kinds of things to criticize from one direction or another in what we are suggesting here. What we are suggesting is a floor, that being 25 hours per week of work for a single-parent family, that that will constitute work. As I said earlier in my opening statement, a lot of the people we are trying to move from welfare to work don't have much education. A lot of them dropped out of high school.

What we are doing in my State when somebody shows up at a welfare office, we are not interested in saying we want to spend 2 or 4 years training you to be ready to go to work. We want to try to get them to work right away. Sometimes the best training a person can get is actually on the job.

What we anticipate doing while people are working, getting into work, maybe they go to work at McDonald's flipping hamburgers, but the idea is not for them to continue to flip hamburgers for the next 20 years, the idea is for them to get the skills on the job, maybe going to school part time, so they become the night manager, maybe eventually day manager and eventually maybe own their own franchise themselves. That should be what we are about.

We suggest these numbers as a floor. If States want to have a tougher requirement, they can do that, and they should have that flexibility.

Mr. ENGLISH. Thank you.

Governor Thompson, my next question has to do with something that is technically out of the jurisdiction of the Subcommittee but

I think is essential to the architecture of welfare reform. You have offered a more modest proposal than was in the original bill having to do with food stamp reform. Do you believe that the proposal that is before us today gives you the flexibility to address some of the fundamental abuses that we have seen in the Food Stamp Program?

Governor THOMPSON. I think we could have done better. But I think this is a giant step forward. You are not going to cure all of the ills in one proposal. This is a giant step forward.

It goes back to my original thoughts, that one size does not fit all. This gives us, the abuse, a lot more control that I would personally like, but as Chairman of the NGA, I think this is a giant improvement over the existing law and it was something that we agreed to on a bipartisan basis. I fully agree that it does recognize some of the problems, it starts moving in the direction to correct some of them, and I think we have made a great deal of progress and I hope that you can buy it.

Mr. ENGLISH. You would agree with that, Governor Carper?

Governor CARPER. Mr. Matsui has mentioned three specific things that we have done that I think are worthy of consideration: We give States the option in our recommendation of continuing the individual entitlement or to have a block grant. We also recommend that you reauthorize food stamps in their current uncapped form, which Governor Thompson has said. But within the context of that reauthorization we give States the option of having a block grant or running the program as an entitlement.

However—important, however—for States to be able to exercise the block grant, they have to do two things: First, they have to be a full EBT State, fully electronic benefit transfer State, which we know would cut down on the fraud in the trading of food stamps that we all know goes on.

Second, we provide for—States can't even offer that option unless their error rate is brought down to a certain level, I think it is 6 percent. I don't know of any State right now that does both. I think everyone here would agree we would sure like to encourage EBT in our States. We would also like to encourage lower error rates. You would as well.

Third, different from the conference report that the President vetoed, we adopt and we recommend that you adopt the Senate language for income deductions. The problem with the conference report is there are a lot of people, very low-income families that are paying a lot of money for shelter, rent and utilities that under the conference report language would be ineligible for food stamps. We have come back and encouraged them to take the Senate language on that. If you do those things, you would cut down on the fraud and meet the needs of a lot of poor people.

Mr. ENGLISH. Thank you, gentlemen.

My time has expired, but I want to compliment you for coming together on a bipartisan basis. I realize there are some in Congress who distrust turning over to the States and localities greater flexibility and giving them the resources. I have heard characterized a fully funded mandate as a windfall. I would like you to know that I think you have come together in a very bipartisan manner and

you have given this process a real push on what may be the most important legislation we consider in Congress this year.

Thank you.

Chairman SHAW. The time of the gentleman has expired.

Mr. Stark may inquire.

Mr. STARK. Thank you, Mr. Chairman.

Mr. Chairman, as you have preempted my discussion here by suggesting that the primary opposition comes from liberals, and that liberals don't trust the States, I will have to approach this somewhat differently.

First of all, I understand that Governors can get together whenever greed is involved. There was not a Governor in the country who did not oppose repealing the deductibility of State and local taxes because it would have cost him money, and obviously they all support this because it will save them a lot of money. But that's all.

Having said that, who else opposes this? The Catholic Church opposes the Governors' proposal. They were stunned last year by the welfare bill as approved by the House and Senate, and the opposition of the Catholic leaders was not limited to a few details but to the completely flawed philosophy on the basis of which your proposal rests. The opposition to the National Governors' Association by the Catholic Church today rests on those same principles. What are those?

First, you all repeal Federal protection for children and the poor, and you allow the States to turn their backs. Whether Governor Thompson says he would or wouldn't, the question is, somebody might replace Governor Thompson, certainly somebody will replace Governor Wilson, and there is no assurance that all Governors will protect the children.

Second, the Catholic Church opposes this because it would repeal the right of children to receive protection against abuse and neglect. You repeal the right of children to go to Federal court, and there are now some 20 or 30 States that are under orders by Federal courts because they don't protect children from abuse. It is unconscionable.

Third, the Catholic Church opposes, unanimously the Catholic Church, I might add, the bishops and cardinals from every part of this country oppose this. You do little to foster care for work; 35 hours a week for a monthly \$500 check. Figure that one out in terms of the minimum wage and tell me who is going to be dumb enough to buy into your proposal.

Fourth, the Catholic Church says that you permit the denying of aid to children of teenage mothers, and you deny additional aid to mothers on welfare.

I don't care what us liberals in Congress think, you are doing wrong. Listen to the Catholic Church.

I have heard Governors talking this morning about their great reforms. Governor, I was in Wisconsin long before you were born, and I will tell you, Pierce County isn't as big as the smallest city in my district. Fond du Lac County isn't as big as the largest city in my district.

And what did you do? You had 191 single parents on the welfare roll in Pierce County. Big deal. You dropped it by 74. I could do

that in 2 weekends in Wisconsin just using a want ad. You have no evidence that those 74 people even went to work. They probably moved from Pierce County to Eau Clair, where they could get benefits. You only knocked 100 or so people off the welfare rolls in Fond du Lac County. Big deal. How do you suppose that would work in Chicago? You wouldn't go into Milwaukee.

Governor THOMPSON. We did go into Milwaukee.

Mr. STARK. You would not because you asked the legislature not to and your new plan costs more than your last plan.

Governor THOMPSON. You are absolutely wrong, Congressman.

Mr. STARK. Your new plan is going to cost more because of administrative overhead and you want me to give you extra money to kick people off welfare? No thanks, Governor.

Governor THOMPSON. Could I respond?

Mr. STARK. There is not much time.

Chairman SHAW. The time belongs to the gentleman, but I would be glad under my time limits—

Mr. STARK. Why don't you respond to the bishop or the cardinal?

Governor THOMPSON. I would rather respond to you, because you are absolutely wrong.

Mr. STARK. I am not the Catholic Church. I am a liberal. Respond to them. See what you say to the Catholic Church in Milwaukee.

Mr. CAMP. Let him talk, if you want to hear the answer.

Mr. STARK. I want to hear what he is going to say to the Catholic Church.

Governor THOMPSON. I agree that every county in Wisconsin, including Milwaukee County, has had a reduction in welfare.

Mr. STARK. What do you say to the Catholics?

Mr. CAMP. Let him answer.

Regular order, Mr. Chairman.

Chairman SHAW. Regular order.

The Chair yields to the gentleman from California.

Mr. STARK. What do you say to the Catholic Church, Governor?

Governor THOMPSON. I say the Catholic Church is wrong, just like you are wrong.

Mr. STARK. They are wrong?

Thank you very much.

Governor THOMPSON. Thank you, Congressman, for listening to my response.

[The following was subsequently received:]

February 28, 1996

VIA HAND DELIVERY

The Honorable Pete Stark
United States House of Representatives
239 Cannon House Office Building
Washington, D.C. 20515-0513

Dear Mr. Stark:

We wish to provide additional information regarding the hearing on welfare reform proposals on February 20, 1996 at which Tommy Thompson, Governor of Wisconsin, testified on behalf of the National Governor's Association.

Wisconsin tribes support welfare reform that improve the opportunities of poor people and mothers on AFDC. However, examples being used by the Governor could hurt all economically or depressed areas and especially rural areas.

State claims of welfare "reform" programs, such as Wisconsin's, would not be credible unless those programs had been fueled by private sector jobs.

In Wisconsin, the major source of private sector jobs has been the tribal gaming industry, which includes jobs in tribally-owned casinos, restaurants and hotels. Since 1991, approximately 15,000 jobs have been created, only 70% which have been filled by **non-tribal** members.

Jobs have not only been provided by tribal operations, but using any type of economic multiplier, the number of jobs and the entire state of Wisconsin's economy have been positively impacted. The types of private sector job opportunities that have been noted above are the types that will truly reform welfare.

It is not only the number of jobs that are significant. Approximately 50% of jobs created can and are filled by individuals formerly unemployed and 20% by individuals formerly on welfare. The communities surrounding tribal gaming facilities in Wisconsin have seen a 15% reduction in AFDC since the development of tribal gaming.

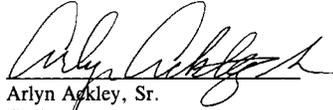
Another significant fact concerning tribal employment is that the tribes have implemented medical benefits and supplemented their day care facilities making entry level jobs feasible for

February 28, 1996
The Honorable Pete Stark
United States House of Representatives

single parent families. The Wisconsin state programs provided no additional day care facilities. It puzzles us that the present Wisconsin program fails to address day care and lacks an educational component.

We request that these facts be taken into account when evaluating welfare reform proposals.

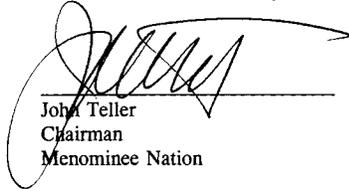
Sincerely yours,



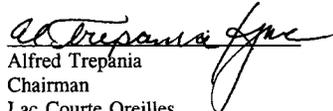
Arlyn Agkley, Sr.
Chairman
Sokaogon Chippewa Community
(Mole Lake Band of Lake Superior Chippewa)



Rose Gunoe
Chairperson
Red Cliff Band of Lake Superior Chippewa

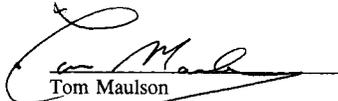


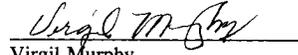
John Teller
Chairman
Menominee Nation



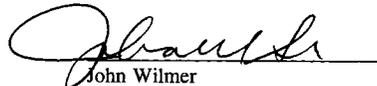
Alfred Trepania
Chairman
Lac Courte Oreilles
Band of Lake Superior Chippewa

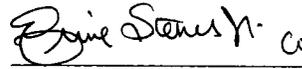
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Tom Maulson
Chairman
Lac Du Flambeau Band of Lake
Superior Chippewa


Virgil Murphy
Chairman
Stockbridge Munsee


Byron Thundercloud
Vice President
Ho-Chunk Nation


John Wilmer
Chairperson
Bad River Band of Lake Superior Chippewa

 *conclusion for:*
Deborah Doxtator
Chairperson
Oneida Business Committee

Governor CARPER. Could I make a comment, Chairman Shaw?

Chairman SHAW. I will get back to you. I haven't used my time as yet and I will get back to you.

The gentleman from California, Mr. Matsui.

Mr. MATSUI. I thank the gentleman.

I appreciate the fact that Mr. English wanted Mr. Carleson's statement in the record, because I think that those who have been around understand that in 1981 under Gramm-Rudman, and in 1988 under the Family Support Act, we did have a Republican President in the White House, Ronald Reagan, and much of the waivers that the Republican and Democratic Governors are seeking right now are because of some of the activities that occurred in 1981 and 1988.

What is interesting, what is frightening to me is that the Governors and others are being advised by some of the same people that were involved in the 1988 and 1981 bills. It is kind of ironic, because at that time, they wanted to prevent fraud so they added all these regulations, such as valuations of automobiles, disregards, and the definition of work, which just created more paperwork and redtape, and now they are all of a sudden saying give us flexibility. It is a little strange that this is actually occurring.

But I would like to ask Governor Carper a question to follow up on Mr. Levin here; Mr. Levin indicated that \$6 billion was the additional AFDC cost in the early nineties when we had a recession. You have suggested a \$1 billion increase, a total of \$2 billion. Do you feel that is an adequate amount honestly, Governor?

Governor CARPER. Since you are asking me to be honest, Congressman, let me just say, let's just run some numbers through for 1 minute.

Mr. MATSUI. If you could answer these questions in a rapid way, because I do only have 5 minutes. I am sure the gavel's going to hit as soon as my 5 minutes are up.

Governor CARPER. I will try to move quickly. In my State, we spend about \$340 a month on cash/AFDC benefits for a family of three. Some States provide more. We will just use an average of \$400 a month in cash/AFDC. That works out to about \$5,000 a year. For \$1 billion you could provide for a year cash assistance to about 200,000 families nationally, \$5,000 a family; that is with a contingency fund for 1 year. If you double that to \$2 billion, you can provide cash/AFDC to an additional 400,000 people for a whole year. Most recessions last anywhere from—

Mr. LEVIN. The last recession lasted better than 5 years, Governor.

Governor CARPER. Most recessions last anywhere from 12 to 18 months, as we know.

I said to you earlier, we started from two primary positions as Governors. One, to document cash/AFDC with no contingency fund. The other was to provide for the individual entitlement without any—where we come to as a compromise is we both had to give. We have given as Democrats to say not only do we want term-limited benefits but we will take a block grant. Republicans have given because they have gone from saying we don't want any contingency fund to a bigger one that is at least \$2 billion.

Mr. MATSUI. What was your starting point on this?

Governor CARPER. In Delaware, we cash-limit benefits to 2 years. After 2 years people have to be working.

Mr. MATSUI. I am talking about on the contingency fund.

Governor CARPER. I think I support Senator Daschle in the center for about \$4 billion as a need.

Mr. MATSUI. We have \$4 billion in Federal funds allocated for a general entitlement on child care. That is the additional amount you are recommending. But there is no requirement of a State match. I understand that both you and Governor Thompson have said that you are concerned about children and you would never do anything that would be harmful to them. So, you wouldn't have any problems, I take it, then, if we required a maintenance of effort that is currently the same amount that the Governors and the States are putting in. If we put that in there, you would support it, in fact, advocate that, is that right, since you want to make sure we protect these people?

Governor CARPER. In our State, we spend a whole lot more money.

Mr. MATSUI. Do you support that, in other words, if we put in a provision saying that there shouldn't be any reduction in maintenance of effort in this area?

Governor CARPER. Let me put on my NGA hat. There are some Governors who say this isn't an important issue. That is they do not want to be required to spend their dollars in order to match the \$4 billion. I suspect in Wisconsin—

Mr. MATSUI. You took no position on the whole issue of immigration mainly because if we restrict money and benefits to legal immigrants, it would increase the cost to States. I would imagine it would be better for you not to take a position on that.

I would also like to mention some of the payments made for a family of three in different States. Alabama, \$164 a month; Mississippi, \$120 a month; Arkansas, \$204; Texas, \$204; about 15 States that are at that level. Right now, they are getting food stamp benefits that make up the difference, but if you block grant food stamps, you could put them in a jeopardizing situation.

Let me conclude, Mr. Chairman, because my time is up, but I think what Mr. Stark has said is absolutely correct. If I were a Democratic Governor, Governor Carper, in fairness to you, I would like this plan, too. Federal Government raises the money, we give it to you, you spend it any way you want. We have to be accountable to the taxpayers and you can do whatever you want with it, there is no accountability.

My thought on this, you would be more intellectually honest if you would say cut the program out, reduce people's taxes, you raise the taxes and you come up with the programs.

Chairman SHAW. The time of the gentleman has expired.

After the outburst of my colleague from California, Mr. Stark, both Governors have requested an opportunity to respond. On my time, I would be glad to yield to the Governors for a response. But before I do so, it is interesting to note where you call for help.

I haven't noticed Mr. Stark adopting the bishops' recommendations on abortion nor some of the other things which we find that the Catholic Church has a very strong feeling about. I have met with the bishops in my office myself. I am a Roman Catholic my-

self. The Chairman of this Full Committee is a Roman Catholic. Both of us believe very strongly in our religion but that doesn't mean we are going to let our religion focus the direction of this Congress on legislation as it appears to us from our hearing process as the best way to go forward in order to help people.

I would like to at this time yield to Governor Thompson and then to Governor Carper.

Governor THOMPSON. I am a Catholic, too.

The truth of the matter is, Congressman Stark, is that you picked two counties. If you want to pick on Wisconsin, that is fine. But you want to take a look at the total thing we have done in welfare. We have been able to reduce our caseload by over 33 percent. That is more than any other State anywhere.

Those individuals are working. They are not working for minimum wage. We have a Cadillac program in Wisconsin for Medicaid, which you should endorse. We have some good programs on moving children off of welfare and their parents off of welfare.

We also are doing it in every county, not just the rural counties, the urban counties. Every county has gone down. You can pick out two isolated incidents. It was not what we wanted to do, to pick those two counties. It was what your waiver system under HCFA, under Health and Social Services and what the White House would allow us to do.

We wanted to go into the urban areas and we wanted to expand our work, not welfare. Our W-2 program that we are working on right now is going to do that. It is going to go statewide, it is going to go into Milwaukee County. It is nice for you to sit out here and say that we can't do this and we have got to keep the system as it is.

Give us a chance. If you are so afraid that we are going to do something bad, put some general standards in that we have to meet, and then have Tom Carper, and myself, and John Engler and other people come back, and we will come back on bended knee and say how we are doing and show you and kiss your ring, but give us the opportunity during the period of time and allow us the flexibility to set up a program that actually does work. That is all we are asking for.

Chairman SHAW. Governor Carper.

Governor CARPER. I am glad that one of us here is not Catholic. Let the record show that you have a Protestant, a Presbyterian sitting here with Governor Thompson. I think one need not be Catholic to actually feel fairly comfortable about what we are doing with respect to helping people become self-sufficient in my State. I will just give you a couple of examples.

We time-limit benefits in Delaware. When somebody goes to work and they work for somebody who doesn't have health care as a condition of employment, we let them come in for Medicaid. If they are earning less than 100 percent of poverty, they are indefinitely covered by Medicaid. If their income exceeds 100 percent of poverty, we will cover them for 2 additional years beyond that.

In Delaware when somebody goes to work, we will help them with child care. We used to have waiting lists in our own State of about 1,700 people, waiting for help on child care. Today we have zero. We have entirely eliminated the waiting. We have done it be-

cause of some money from you, and we have also done it with money from our own State. The thing I have found and I think the Catholic Church maybe found most troubling about what actually came out of this Subcommittee and out of the House of Representatives was on the mandate side.

You said to States like ours, even if you want to have a family cap, even if you do want to pay extra benefits for people that have kids who are on welfare, you can't do that, you have got to impose your mandate on the family cap. We don't like that. Give us the flexibility, the option.

The other thing you have said is even if you want to provide benefits to teenagers who have kids, you couldn't. As Governors we reject those, what I call, mandates from the right, just as we would mandates from the left. Leave it up to us. Give us the option.

The two most important things we can do to help people be successful and also to look out for kids, is child care, decent money for child care and helping people with health care. Those are the two major impediments to people going to work. I think our proposals that were submitted to you on welfare today and on Medicaid later on in the month help to address those two greatest needs.

Chairman SHAW. I would like to thank both of the witnesses. You have certainly—and I made the point at the beginning—that you are role models. You certainly are role models for what it is to attack the problem and to be rewarded for the solution.

We have got to quit measuring compassion here by how much money you throw at a broken program. We all know the existing program is an absolute disaster. It is the cruelest one of all. These people who are on welfare, we must have faith in them, have faith in the human spirit. They are the descendants of people who went to the cities and went to these places where there are no jobs today, they are descendants of the ones that went there for the work. The only difference out there between them and their grandparents and great grandparents is the fact that the jobs are not readily available but that the system is set up in such a way that it rewards them for not working, not getting married and having more and more children. It perpetuates poverty.

I thank you both for being with us. We very much appreciate your comments.

Chairman SHAW. I understand that everybody is here right now for the second panel. If they would take their seats at the witness table and they will proceed in this order: David Ellwood, a professor of the John F. Kennedy School of Government, Harvard University in Cambridge, Massachusetts; Eloise Anderson, director of the California Department of Social Services in Sacramento, California; Gerald Whitburn, secretary of the Massachusetts Executive Office of Health and Human Services in Boston, Massachusetts; and Robert Greenstein, the executive director of the Center on Budget and Policy Priorities here in Washington, DC.

I don't believe that any of these witnesses are strangers to this Subcommittee and it is my privilege to welcome you back.

If you would proceed, we will keep you in the order in which I introduced you.

OK, Dr. Ellwood, if you would proceed. We have each of your prepared statements if you have submitted them, and it will be a part of the record.

You may summarize if you see fit.

STATEMENT OF DAVID T. ELLWOOD, PROFESSOR, JOHN F. KENNEDY SCHOOL OF GOVERNMENT, HARVARD UNIVERSITY, CAMBRIDGE, MASSACHUSETTS

Mr. ELLWOOD. Thank you very much, Mr. Chairman, Members of the Subcommittee. It is a pleasure to be back again to appear before you. It has been a while. A lot has happened. I am happy to talk about the NGA proposal. Let me just say that any welfare reform worthy of its name is going to do two things: It is going to put a lot more people to work, and it is going to reduce poverty among children.

I think I can summarize in just a couple of sentences what my major point for you is. If you do move forward with this plan, you have got to deal with the maintenance of effort issue. Better you should put back a match of State funds with Federal. Second, you have to eliminate the food stamp block grants. I have much more than that to say, but those are absolutely vital if you want to avoid a race to the bottom.

Let me make a couple of points quickly. First, real reform must support working families and families that are willing to work. The NGA got it right here when they said that the EITC is absolutely vital, we shouldn't cut it much at all. Cutting the EITC is like cutting pay for working families. That will interfere with welfare reform.

The NGA also got it right in saying we need more money for child care. Moreover, I endorse the statements of the Governors who said medical care is absolutely critical. Putting more money into the contingency funds is not nearly enough for dealing with recessions, but it is a good start. I favor some of the proposals to do performance bonuses.

Still, I am very concerned, especially in the lower benefit States, about where things are headed. It is very hard to get a sense of how much variation there is across States and what is feasible. I think the simplest way that I have found for understanding the differences in benefit levels in these block grants is to simply say, let's suppose we put all the money together, AFDC block grant money, the child care money, the work and training money, and ask how much money is there per poor child per week.

In the higher benefit States, you get a number like \$40, \$45, even with the money put in by the Governors. The States themselves are contributing \$40 or \$45, so you have got about \$80, \$85 a week for child care, for training and for cash aid. That is not a lot of money but it is at least enough to get started, to think about moving people from welfare to work and provide some services.

But in the lower benefit States you get a number more like \$15 in the Federal grants for cash aid, child care, and training combined. That is \$15 per poor child per week. Come on, what can you do for that?

My real fear is in some of those lower benefit States, you can't realistically do very much. What States will be forced to do since

they can't do the impossible, they will do the possible. The possible is cutting people off, lowering services, I am afraid some of those States may find it much more efficient and inexpensive to move people from welfare to the State border than from welfare to work. That is how the race to the bottom begins.

I also fear that will happen at the Federal level. I wonder what will happen next year as we think about cutting Medicare further or reducing its growth, whatever terminology you want to use, or creating more tax cuts, and some suggest cutting the welfare block grant. Who will stand up and support the welfare block grant, especially recognizing that there is these enormous differences between rich and poor States in terms of how much block grant money they get? Item one is you have got to be aware of the fact that there is a real danger in the race to the bottom.

That brings me to item two. States have got to be expected to pay their fair share. It is not very surprising that when the Governors come to town they ask the Federal Government to do more and they offer to spend somewhat less themselves.

What is significant, however, is that unless you find a way to put back a match, preferably, or at least a maintenance of effort, States will have an enormous incentive to cut benefits rather than move people from welfare to work.

What you need is a simple match of State dollars with Federal dollars. It is only fair and only reasonable. I have some calculations in my testimony that show you how much greater the incentive is to cut benefits rather than putting people to work under this plan and others.

I much prefer match to maintenance of effort. Maintenance of effort is complicated and it penalizes States who are success stories. Let me just say that is the single best way I can imagine to fight a race to the bottom is making sure you have a serious match.

Finally, a couple of quick points. If we are going to a much more State-oriented system, I do not understand why we need to mandate time limits at 5 years without any work. Why can't we leave that up to the States. It doesn't save any Federal money since you have block grants. I don't see why it is fair cutting people off if they can't find a job, especially if the States don't want to do it.

Finally and critically, please do not block grant food stamps under any conditions. That is the core of our safety net. If we start racing to the bottom on food, we will have hungry children and that will be widely unacceptable.

I do think you face a choice. At its best, welfare reform is an opportunity to help poor children and to focus the welfare system around work. At its worst, it can be a start on a race to the bottom and real harm that can come to our Nation's children. I believe the National Governors' Association proposal is a good place to start, but I urge you to make important changes.

Thank you.

[The prepared statement follows:]

**Testimony of David T. Ellwood
Regarding the National Governors' Association Welfare Reform Proposal**

Mr. Chairman and members of the Committee. It is a pleasure to have the opportunity to appear before you again today.

All my life I have worked for real welfare reform, reform rooted in the values of work and responsibility and family and community. I have fought for reform mostly because I believe that the only way to really help our children and preserve our future is to ensure that families are given a hand rather than a hand out. I have always maintained that real reform will help children because it will help their families to a brighter future. I even believe, some say naively, that welfare reform can bring people together, that we can escape some of the stereotyping and "us versus them" attitudes that too often characterize reform debates. After all, the harshest critics of welfare remain the recipients themselves.

Any welfare reform worthy of the name ought to do two things: get many more people working and leave fewer children poor. It's easy to assert one is increasing work by simply cutting people off welfare, but one will surely increase poverty in doing so. It is easy to reduce poverty by raising benefit levels, but that will surely come at the expense of less work.

I have been saddened and distressed by the twists and turns of welfare reform. The sensible work focussed reforms proposed by the President in 1994 and by Republicans in this Committee in 1993 seemed lost in the frenzy of budget cuts and political hostility of the past year. Happily at least some states have taken leadership in doing the hard work of advancing welfare reform. After almost a decade, the Family Support Act is finally taking hold. The emphasis on work oriented reform has been taken to heart by some states. But welfare reform remains a very delicate issue. It remains easier to cut than to support work. If reform becomes mostly about budget cuts and gutting the federal safety net, then I fear for our children.

I am happy to comment on the welfare reform proposal of the National Governors Association (NGA). I must tell you that I remain skeptical, though I admire the bipartisan way in which the reforms were developed. I think the only hope for viable reform is genuine bipartisan cooperation. Let me offer 5 simple messages:

- Real reform requires a strong EITC and resources to support work, training and child care. The NGA proposal still leaves poorer states facing severe fiscal pressures.
- States should pay their fair share. The NGA proposal lets states off the hook. A match is your surest protection from a race to the bottom.
- Mandating arbitrary time limits without work is a mistake.
- Avoid block granting food stamps under any circumstances.
- Monitor state performance and learn from state experience.

I will briefly discuss each.

Real reform must support working families and families who are willing to work. That implies continued strong support for the Earned Income Tax Credit and adequate resources for work, training and child care in good times and in bad. Even with the additional resources in the NGA proposal, poorer states will face severe fiscal pressure if they try to do real reform. If you are serious about work, you must be serious about the things that make work possible. There is precious little money here, especially for poorer states.

The NGA proposal is a real improvement over the conference bill. It limits cuts in the EITC to \$10 billion. In my view, the EITC should be cut very little if at all. There is good reason it was Ronald Reagan's favorite low income program. It really is the most pro-work, pro-family support program we have. Cutting the EITC is equivalent to cutting the pay of low income working families. Few things can hurt work centered welfare reform efforts more than cutting the EITC.

The additional money called for in the NGA proposal for child care, contingency funding and performance bonuses will also help. In many states, the combination of state and federal resources probably will allow real reforms. Still, particularly in the poorer states, work oriented reform will be very difficult indeed because so little money is provided to them in the block grants.

The most recent data I have is for the Senate version of the bill, but I think the conference proposal would be very similar. In wealthier states such as California, New York and Massachusetts, the total amount of money provided in the block grants for cash aid, work programs, training, job placement and child care in the year 2000 is roughly \$2000 per poor child per year. Those states contribute a roughly equal share, so there may be \$4000 per poor child per year--roughly \$80 per poor child per week for child care, work, training and cash aid. The governors proposals might add another \$3-5 per poor child per week. That is not a lot, but it

does allow some opportunities for reform, especially when one remembers that in these higher benefit states, moving someone off of welfare leads to fairly sizable savings in welfare dollars which can be used to help pay for things like child care.

But now consider the poorest states with the lowest benefits. They will be getting less than \$600 per poor child per year. That is less than \$12 per week for work, cash aid, training, and child care! Even if they maintain their own contributions where they are, the total will be much less than \$20 per poor child per week. Twenty dollars per week for everything needed to move people into work and out of poverty. Let's be realistic. And remember benefits levels are very low in these states, so that welfare savings from moving people from welfare to work are very unlikely to cover even the costs of increased child care.

When a recession hits, things will look even tougher. There will be many more needy people and many fewer jobs. Under these conditions, Federal rules about work levels may be simply unsustainable.

States cannot and will not do the impossible. But they will do the possible. The possible is to cut people off, to offer less service, to provide less child care for the working poor not on welfare. Some states may find it much easier to move people from welfare to the state border than from welfare to work. And so the race to the bottom may begin. Even governors and legislators who want to focus on work-based reform may find the economic and political consequences too serious in the face of the activities of nearby states. At least in some states welfare reform may be about cutting people off and moving them around--not about work.

Further cuts are also quite likely at the federal level as well. Who will defend the welfare block grant when the hard work of further slowing of Medicare or finding money for tax cuts is before the Congress? How can a set of block grants long endure when they give some wealthier states four times more money per poor child than they give poorer states?

States must be asked to pay their fair share. If taxpayers across the nation are contributing resources for welfare reform, it seems legitimate to ask taxpayers in each state to do their fair share. States should not be allowed to displace federal dollars, especially new federal dollars, with old state ones. Yet the NGA proposal allows just that. Although the proposal calls for \$4 billion in new federal spending on child care, it seems to allow states to cut their own spending for child care. Thus, the states could simply use the new federal child care money to offset state expenditures. This hardly seems fair, and it will do nothing to help people move from welfare to work.

The lack of any match or maintenance of effort requirements for child care are really just part of a much larger problem involving state contributions. The NGA proposal seriously weakens maintenance of effort provisions already in the existing bills. By reducing the level of effort required, and by changing the rules for the contingency fund, states are put in the position of having very strong incentives to cut people off rather than put them to work. Changed incentives spell serious problems.

Consider a hypothetical state spending \$100 million total on AFDC which currently has a 60/40 match. Then the federal government will be paying \$60 million and the state \$40 million. Under current law, if the state were to cut its total aid by 10% by lowering AFDC payment levels and cutting people off, it would save \$4 million in state funds, but it would lose \$6 million in federal dollars. But if the federal money were instead in the form of a block grant, a 10% benefit cut would save the state \$10 million and cost the state nothing in federal aid. The incentive for cutting is magnified manifold with block grants. The same cut saves the state 2.5 times as much money and costs them nothing in lost federal aid. This incentive would apply even with a strict 75% maintenance of effort rule.

Higher maintenance of effort rules would help, but they are notoriously hard to enforce. Maintenance of effort proposals where large portions of the money can be moved around, make them even harder to enforce. And maintenance of effort proposals really don't make sense if a state is able to move large numbers of people from welfare to work due to its own efforts or the impact of an improved economy or changed demographics. Then both the states and the federal government can rightly spend less.

You could easily implement a block grant with a state match. Set block grant levels in whatever manner seems fair and simply maintain a requirement that federal dollars be matched with state funds. This will give states all the same flexibility of the current proposals with far less

of an incentive to cut state spending and begin the race to the bottom. You can lower the match rate somewhat if the goal is state fiscal relief, but it is vital that a match be maintained. If a state does not draw down its full allocation, the remaining money could be put in a reserve fund to help other states which need additional resources. This would help the lower benefit states which may need more resources for work or child care, without costing the federal government anything more.

A match would sharply reduce incentives for state cuts. And it would also increase the political viability of the block grants in Washington, since the allocations would continue to be linked to what states were willing to spend, not simply a formula from the past. Indeed, in my view the best mechanism we have to prevent a race to the bottom is one that does not cost the federal government a dime--a state match. States and the federal government currently share the responsibility and the risks for the costs and the benefits of welfare reform and they should in the future. And matches are both simpler and fairer than complicated maintenance of effort rules.

Avoid mandating time limits without work. I continue to be deeply troubled by the differing interpretations of time limits in state and federal plans. I strongly favor time-limits on cash aid for the healthy. At some point people ought to be expected to work if they are to receive further aid. But I vehemently oppose "cold-turkey" time limits where people are cut off arbitrarily after some period, even if they are willing to work and cannot find a job. There are times and places and people for whom no work is available. Simply cutting them off will create further desperation. That is poverty, not reform.

If states insist on work after a time limit is reached, preferably in an unsubsidized job, but in a subsidized private, non-profit or public job if necessary, then they can ensure that no child will suffer when the parents are willing to work and help themselves. Any publicly subsidized jobs should pay the minimum wage and probably not receive the EITC. Then if there really are private jobs available, people will have a strong incentive to take them. Since I believe there usually are some private sector jobs available, few subsidized jobs will likely be needed. But if people really cannot find work, how do we justify doing nothing for them and their children?

If we really are moving toward state based reforms, with capped funding, I see no logic whatsoever to having cold turkey time limits after 5 years. Let states experiment. Such time limits do not save federal money because block grants are fixed expenditures. Why can't states be allowed to do what they think is best? If you decide to maintain the 5 year limits, then the 20% exemption should be increased significantly. Significant numbers of children are at risk of poverty.

Do not block grant food stamps under any conditions. I realize that the food stamps program is not in the jurisdiction of this committee. But I believe protecting food stamps as the one fundamental element of a national safety net is absolutely essential. Nothing is more essential to our future than having children who are adequately fed. Food stamps assure that regardless of where a child lives, regardless of the resources available in the state, the family should have enough resources to buy food. Coordinating food stamp rules with AFDC makes sense, allowing cash-out demonstrations makes sense. But welfare reform is proceeding quite well without putting this essential child nutrition program at risk.

Monitor state performance and learn from state experience. I applaud the fact that some money for research is included in the legislation, but I continue to wish that more could be done to monitor the well-being of children and to ensure that particularly innovative programs are carefully evaluated. Much of the rapid progress in recent years in welfare reform has come from the fact that state waivers nearly always included strict demonstration rules so states have been able to learn from themselves and each other. The truth is that states often resisted doing careful demonstrations on their own, and that the waiver rules forced them to be evaluated. As a result we have learned more in the past decade than we learned in a generation prior to this period. With the passage of block grants, current demonstrations will likely end. New information will be even harder to find. Losing the opportunity to learn from the diversity of state experiences created by block grants is a tragedy.

A related but different concern comes from the need to monitor the well-being of children in states. If federal dollars are going to help poor children, we really need to keep track of how children are faring. Ideally, there would be grounds for federal intervention when children's

situation is seriously deteriorating. States must be expected to report in detail on what is happening to their children.

Next Steps

I do not know whether welfare reform will pass again this year. I must say that as we move into the election season, I find myself torn by an urgent desire to put-off further consideration of welfare reform until next year when reason and the well-being of children are not mixed with the often ugly election year political dynamics, and a recognition that passing welfare reform will likely prevent it from becoming the grist of competing presidential sound bites.

Personally I think you should wait. You can do much better than this. You risk far too much with this reform package. In the meantime, state innovation and reform will continue. One thing should not wait, however. The bipartisan child support enforcement provision. If welfare reform does not move forward, child support enforcement should be moved separately this year. One more year waiting for welfare reform will make little difference in light of state waivers. One more year waiting for child support enforcement will make a discernable difference.

Welfare reform is fundamentally about our future. If the reform you pass unleashes a race to the bottom and leads to the ultimate decay of federal support for state efforts to help people help themselves, the legacy of this effort could be a cruel one indeed. If instead, it helps people really move to work and reduces poverty, then we are all better off. I am very worried that the outcome will be the former rather than the latter.

If you do proceed, I cannot emphasize enough how important it is to reinstate some form of state match and to eliminate the food stamp block grant option. Neither will cost the federal government anything. But they could make a very big difference in determining whether this conception of welfare reform is the start of a race to the bottom or a new beginning for at least some families and children. There is too much at stake to risk our children's future.

Chairman SHAW. Ms. Anderson.

**STATEMENT OF ELOISE ANDERSON, DIRECTOR, CALIFORNIA
DEPARTMENT OF SOCIAL SERVICES, SACRAMENTO, CALI-
FORNIA**

Ms. ANDERSON. Thank you, Mr. Chairman, and Members of the Subcommittee for providing another opportunity for me to speak to you about welfare reform and the recent agreement by the Nation's Governors.

Governor Wilson and I continue to be optimistic that we will see an end to welfare as we know it. We continue to believe that the Nation is ready for reform. We in California are ready, we believe that we at the State level have a much better understanding of our needs and that we take care of our needy.

As you know, AFDC is no longer a rational program. AFDC policy, as we now operate under, is the result of 60 years of layering policy after policy on the core, a policy of deprivation. This program has been asked to solve many different problems over the years. Its purpose until recently hasn't been questioned.

Over the past 60 years since its inception, we have changed its people and the people and the circumstances in which it was designed have also changed. We no longer expect a parent, particularly a mother, to stay at home with her children. More mothers work outside the home today than they did in the thirties, when this program was implemented.

We don't expect men, particularly husbands and fathers, to be the sole income provider in the family. However, the program operates under those assumptions because the core policy is one that believes the father is the major income provider and mothers should remain in the home with children. The AFDC discourages work, it creates dependency, it supports out-of-wedlock births, and it contributes to family breakup and discourages marriage and the formation of two-parent families, particularly among the poor.

Governor Wilson believes so much in the block grant concept, that it will happen, that he has proposed a new program for the State of California. I believe that our proposal is an indication of how other States will treat its poor.

Our proposal is based on the five principles which you find in our waivers: First, mutual obligation between the recipient and society. Second, fathers and mothers equally responsible for the financial support and nurturing of their children. Third, work should pay more than welfare. Fourth, welfare should not contribute to family breakup. And fifth, recipients should be treated with respect and dignity and be held responsible for the direction of their own lives.

In our proposal, we added two to the five principles, a single program design cannot meet the varying needs of families receiving public assistance and program administration should be simple.

The one thing that I found when I moved to California is that we had 9 feet of rules and regulations by which we should operate this program. That is absolutely outrageous. We must put what we have learned from our demonstrations, our local tallying, and what recipients are saying and their research shows to our design. We believe that States must be allowed to set their own policies and run their own programs consistent with Federal goals and objec-

tives, but the Federal Government should get out of the business of directing and dictating.

In providing State flexibility for block grants, we understand that you may want assurances that the States will offer basic safeguards for people. I am concerned about the potential for widely varying levels of benefits and services.

Well, right now, different grant levels exist between the States. Based on a family of three, a grant level in my State is \$120, in some States it is \$923. Your concerns about equal access statewide and due process were more relevant in the fifties than they are today. In the welfare area the law has developed to such an extent that today we have constitutional protections which will remain in place even with block grants that we didn't have in the fifties.

The National Governors' Association block grant proposal is a giant step in the right direction. Please do not send us back to using the waiver process as a means of trying to get change. We do not want to use the waiver process to create change we feel is needed.

It is a process that was not designed for the States to be innovators and develop their own policy. It is a research and demonstration process for the Federal Government to change its policies which over the past 2 years have changed, an innovation that it has not chosen to do.

In our final look at what you do, please allow us to have more flexibility. Governor Wilson voted in favor of the policies that the Governors have put on the table because he believed that we should support that, but he still supports three things: The family cap as a national policy, an opt-out for States; the issues around legal and illegal immigration in California is very important; and we need some technical changes in the child support provision.

Thank you very much.

[The prepared statement follows:]

Testimony of Eloise Anderson
 Director of The California Department of Social Services
 Before the Ways and Means Subcommittee on Human Resources
 U.S. House of Representatives
 February 20, 1996

Thank you Mr. Chairman and Members of the Committee for once again providing me with the opportunity to speak to you about the urgent need for federal welfare reform providing block grants to states. I am speaking to you today not just from a policy position but also as a person with thirty years of management and administrative experience, including providing services in a community agency.

First, I want to applaud all of you for your tenacity in keeping welfare reform on the front burner. There is a groundswell of support among Democrats and Republicans for Congress' efforts to fashion AFDC policy that makes sense for the 21st century.

AFDC is no longer a rational system and is widely recognized as outdated. It discourages work. It creates dependency. It supports out-of-wedlock births, and it contributes to a family breakdown by discouraging marriage and the formation of two-parent families. These outcomes were never intended.

As you are aware over the past several years, the states have been trying to bring AFDC into the 1990's. In order for a state to consider significant reforms, they have to use the federal waiver process which was not designed for program change. The waiver, as you know is for research and demonstration, and was not designed for states to institute individual policy changes. Furthermore, the process is extremely cumbersome, needless and time consuming. This process is subjective with no set standards and criteria, by which states are given permission to demonstrate a policy. Even if states show that their demonstrations work, the federal waiver is time limited. They are not permanent. All the "reforms" states have done will go away at the end of the demonstration period, which is usually five years.

California has firsthand experience with this waiver process. In order to carry out Governor Wilson's priority of revamping welfare policy, California has had to submit a dozen waivers in the past four years. In one instance, it has taken the Federal Government eighteen months to respond with draft terms and conditions and final approval has still not been given. There are others for which we await final decisions. In spite of these hurdles, California has undertaken major reforms in the past five years. We have built our reforms on the following five principles:

- o **There is mutual obligation between the recipient and the government.** The society has the obligation to provide temporary assistance to families when they are in crisis. Recipients have an obligation to join or rejoin the work force as soon as possible.
- o **Fathers and mothers are equally responsible for the financial support and nurturing of their children.** Child support enforcement and the AFDC program should be linked, so that both fathers and mothers share the responsibility for meeting the needs of the child. Current federal mandates do not fully support the principle of mutual parental obligation.
- o **Work should pay more than welfare.** The value of the welfare package should never be more attractive than work. An important policy objective in any welfare program is to ensure that no job goes unfilled simply because welfare rules make it unprofitable for able-bodied recipients to take jobs. We have attempted to remove this work disincentive and want to continue our effort to reinforce the expectation that every able-bodied recipient must work.
- o **Welfare should not contribute to family breakup.** We need to take a hard look at which policies currently discourage two-parent families, such as the current deprivation requirements.
- o **Recipients should be treated with respect and dignity and be held responsible for the direction of their own lives.** The attitudes and policies of the program should be designed from the belief that recipients are adults who are rational and in charge and responsible for their lives. Government cannot be responsible.

Based upon these principles, Governor Wilson just last month unveiled a comprehensive welfare redesign under block grants that will fundamentally change the way we view and administer public assistance in our state. We are proposing to: (1) eliminate the eligibility rule that a family should be deprived of a parent as a condition of receiving aid. This policy is the core of the AFDC program, the policy that we believe has historically been a contributing factor to the breakup of poor families in our society. By discouraging the father's presence in the home, it is my belief that this policy (deprivation) also interferes with family formation. (2) Our new welfare proposal establishes a flat grant not based on marriage or family size but on income and assets. We propose to target services aimed at the specific needs of families in crisis to expedite their transition from welfare to work. We would offer intense services to those who have barriers to establish a work equivalency benchmark. The benchmark against which welfare eligibility and benefit packages will be structured is fairness and equity with low income working families. (3) We are proposing to change the overall purpose of welfare. The proposal is focused on achieving independence through work while at the same time strengthening and supporting children and families. Incentives to work are at the core of the policy; allowing recipients to keep earning to the extent they do not exceed the work equivalency benchmark; transitional aid payments; income assistance in a form other than a direct cash payment; and for most families, time limits. (4) Elimination of the ineffective "one size fits all" approach. The Governor's proposal recognizes that families need help for a variety of reasons and require different responses from the system if they are to move rapidly to work and self-sufficiency. We propose to target services aimed at specific needs of families in crisis to expedite their transition to work. The proposal is to offer intense services to those who have barriers to employment and require those who are ready to be freed of the system within two years.

Our present efforts and demonstrations have been focused largely on three major themes:

- o Work Incentives;
- o Promoting Education and Training;
- o Encouraging Personal Responsibility.

We have improved work supports by:

- o Increasing child care;
- o Increasing resource limits;
- o Eliminating time limits on income disregards; and
- o Removing the 100-hour rule for two-parent families.

To promote education and training, we have also implemented:

- o The Cal-Learn program to encourage pregnant teens and teen parents to graduate from high school.
- o Important reforms to our Greater Avenues for Independence (GAIN) program, which will allow counties to move participants into the labor market much more quickly.

Because we believe it is important to encourage personal responsibility, California enacted legislation that:

- o Disallows additional aid when a child is conceived and born while a woman is on welfare. This is not to punish the families because they are poor, but to provide the incentives for mothers and fathers on welfare to take personal responsibility in avoiding pregnancies until they are self-sufficient.
- o Requires a minor parent to live with her parents or another adult relative.

In providing state flexibility through block grants, we understand that the federal government may want assurances that states will offer basic safeguards for people, and are concerned about the potential for widely varying levels of benefits and services. Unequal benefits among states are already reality. Different grant levels exist now without block grants. Based on a family of three, grant levels range from \$120 to \$923, depending on the state. Concerns about equal access, statewideness, and due process were more relevant in the 1950's. In this area the law has developed to such an extent, that today we have constitutional protections that will remain in place even with block grants.

The National Governor's Association (NGA) block grant proposal is a giant step in the right direction. Please remember that the final product needs to provide states the flexibility to develop innovative, effective and affordable solutions to our many pressing social problems.

At this time I would like to address four major issues in the NGA proposal, which supports the HR 4 Conference Report with NGA Policy recommendations.

- o Family cap needs to be a national policy.
- o The NGA policy is silent on the issue of legal and illegal immigrants. Those provisions in the Conference Report are critical to California and must be included in the final bill.
- o Although California is generally very pleased with the child support provisions of the HR 4 Conference Report, there is still a few outstanding issues which we would like addressed in the final product. These include enhanced funding for automation, the scope of services, details of the paternity establishment performance goal and the mandatory disqualification from Food Stamps for anyone who owes back child support.
- o Further, any final bill should allow states to ensure that fraud, waste and abuse is to be prevented. Specifically, it should allow Federal Tax Refund Intercept of TANF overpayments. In addition, it should exempt Electric Benefit Transfer (EBT) from Regulation "E" requirements. Last, it should retain the 1992 Food Stamp Quality Control Reforms which revised the method of establishing state error rate sanction.

In closing, I once again applaud you in your continued efforts and perseverance in welfare reform. By your continued interest in this more flexible approach, you are acknowledging that states have been the laboratories for welfare redesign and are giving us the tools to continue in those efforts and to take even bolder, more effective steps that make sense in our communities.

Chairman SHAW. Thank you, Ms. Anderson.
Mr. Whitburn.

STATEMENT OF GERALD WHITBURN, SECRETARY, MASSACHUSETTS DEPARTMENT OF HEALTH AND HUMAN SERVICES, BOSTON, MASSACHUSETTS

Mr. WHITBURN. Mr. Chairman, thank you very much, it is nice to be here.

I have just one message today, and that is that I do hope that you will finish this legislation and get it done immediately. From my perspective, not enacting this reform would be a genuine tragedy for this country, particularly for those of us who are in the business of working to move people out of poverty and for those people who are in poverty.

I do think that I have probably overseen the negotiations of more waivers, significant waivers over the last 6 years, across both the Bush and Clinton administrations, than anyone else. During my 4 years as Tommy Thompson's secretary in Wisconsin, in separate submissions we received waivers to implement the so-called Bridefare Program under which we permitted couples to marry without losing their AFDC eligibility, to expand the Learnfare Program to include younger children, to implement the two-tier benefit experiment to address significant welfare migration issues, and we were one of the first States to get a family cap waiver. Most importantly, we gained approval to implement the Work, Not Welfare—2 years and off, really off, Project in the two counties that Governor Thompson was talking about earlier.

Last February 10 when Governor Weld in Massachusetts signed the broadest reform that any State has enacted, we immediately started to work on the necessary waivers and promptly submitted them on March 31. Then we waited and we waited, and we negotiated and we negotiated, and I came to Washington to push our case with Assistant Secretary Bane. More waiting.

Finally in August, Secretary Shalala did something very unusual, she announced agreement on waiver terms and conditions that we had not agreed to. Governor Weld refused to accept them. He then wrote an appeal to the President. Still no agreement. Totally frustrated, in September of last year we agreed to most of the waivers so that we could begin implementing our program—legislation, by the way, that passed overwhelmingly in both houses of our legislature.

It is interesting our lead negotiator kept a log of all the contacts with HHS, all the calls, all the faxes back and forth, all the conference calls. Recently, she shared that log with me; 81 back-and-forths with HHS; 19 with USDA; another 11 with HCFA; effectively more than 100 rounds of conversation and negotiation. That was just the lead negotiator, didn't include the lawyers and the other legal beagles working on it.

Talk about begging. It was an excruciating process. Once our legislation, though, was signed, throughout last year we saw the largest month-to-month reductions in caseloads that we have had in memory. During 1995, the Massachusetts caseload dropped from 105,000 cases to 89,000. That is a drop of almost 16 percent and

one of the very largest reductions experienced anywhere in the country last year.

But back to this business of waivers for just a moment. As I mentioned, we didn't accept all of the waivers that HHS tried to negotiate with us last summer, and Bill Weld refused to go along with the Federal Government in what they wanted to do with our time limit provisions. We enacted a clean cutoff after 24 months. After the youngest child becomes 2, the law provides recipients 2 more years of benefits. But the law did give the commissioner the authority to approve extensions in hardship cases. But HHS wanted us to effectively guarantee jobs, to take no one off the rolls unless the case head had a job that paid at least as much as the benefit, a benefit in Massachusetts that is one of the highest in America.

With 90,000 cases, how in the world are we meant to case manage motivation across all of these families? We told the Federal Government no, and so we are waiting now for you to finish this legislation so that we can get out from under the business of entitlement and out from under the limitation of waivers.

As you may know, the Clinton administration has not granted any State a clean statewide-2-years-and-you-are-off limit. But Mary Jo Bane and I did negotiate such a waiver in two Wisconsin counties in 1993. Governor Thompson earlier reported on the results in those counties. The caseload dropped very significantly once that program was implemented.

I have noted the caseload records across the country in 1995, as a number of States have undertaken major reforms. In Indiana last year, major reform, caseload down almost 24 percent; in Massachusetts, as I said, down almost 16 percent; in Michigan where Governor Engler has been so active, caseload down 13 percent; in Maryland, almost 18 percent; in Virginia last year, almost 10 percent.

When you look around the country at States where action is being taken to reform the program, to change the rules as we start to expect more of people on this program, the results are in fact pouring in.

I should stress, though, that we do need to do these reforms carefully and with prudence. We need to monitor and keep track. We need to view all of our efforts at the State level, and for that matter, at the Federal level, as works in progress, and be prepared to come back to the table if modifications are indicated.

Let me reiterate in closing, again, I would strongly encourage this Subcommittee to move this legislation forward and to get it enacted in the immediate future. Not doing so would be a sad commentary for this Congress.

Thank you.

Chairman SHAW. Thank you, Mr. Whitburn.

Mr. Greenstein may proceed.

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

Mr. GREENSTEIN. Thank you very much, Mr. Chairman.

The legislation before you blends the goals of achieving both welfare reform and deficit reduction, both very important tasks. In fact, our center, just by way of background, is probably one of the few organizations in town that has for a number of months supported the Coalition budget which has more deficit reduction in it than any other deficit reduction plan. But my concern involves how the Governors' plan goes about both of these tasks, welfare reform and deficit savings. The plan the Governors have brought to you would increase Federal resources available for income support and work and child care while enabling States to withdraw very substantial amounts of State money without losing any Federal funds.

The board that we have up here shows that under the plan, States would be able to withdraw \$28 billion over 7 years in State money without losing any Federal funds, if they went to the 75-percent maintenance provision, and to transfer up to \$30 billion and use it to supplant State funds elsewhere because of the transfer provision.

While I don't mean to suggest that every State would do this, this shows that up to \$58 billion, and certainly some substantial amount, not \$58 billion, but some substantial amount, probably would disappear from the work and income support system.

Let me be clear that I do think States need greatly added flexibility, but that there is a distinction between according States flexibility and setting up a financing structure in which States can withdraw large sums of money and in which if caseloads fall, States get all the savings and the Federal Government gets none of them. But that is what the Governors' plan would do.

I would note that under the welfare conference report, given this argument about falling caseload, you did note that during recession, when caseloads rise, you provided that States maintain 100 percent of their 1994 level to access additional Federal contingency funds.

What did the Governors do? They removed that requirement. So that States could secure contingency funds when caseloads rose while withdrawing State funds at the same time and using the contingency funds to supplant State dollars rather than be additions to them.

Similarly, in the child care area, the \$4 billion in additional child care funds would be entirely unmatched and the likely effect would be that States would spend somewhat less in State child care money, again using a portion of the additional funding to supplant State funds.

Governor Thompson indicated that States need flexibility and the maintenance of effort provision wouldn't give it to them and that a stronger maintenance such as 100 percent maintenance, in general, would unfairly require States with declining caseloads to maintain spending at 1994 levels.

Mr. Chairman, I think that argument is entirely unpersuasive. No maintenance of effort requirement forces States to spend money. The 75-percent requirement doesn't either. States could

spend less than 75 percent. All the maintenance provision says is that when a State goes below that level, the Federal Government and the States each share in the savings on a matching basis.

A stronger maintenance requirement would simply ensure that the Federal Government shared in the costs, shared in the savings, if they were actually achieved while a meaningful contingency provision, or best yet, a provision that provides matched funds on an automatic or entitlement basis ensures that the Federal Government bears its share of the additional cost when it rises.

I would also like to briefly comment on Governor Thompson's statement that he needs a lower maintenance requirement to shift money to Medicaid for the working poor. In fact, if money is to be saved in the area, the State could take the State share of the savings and use that to serve more of the working poor on Medicaid. We are acting as though the maintenance requirement is some provision below which States are forbidden to go, and it is not.

I would also ask the question that if serving the working poor is so important, and I agree that it is important, why does the Governors' plan appear to repeal the requirement of current law for States to provide transitional Medicaid for those families that work their way off of welfare in the first year?

I would add, Mr. Chairman, that if you look at the evidence from the States today, a number of States, including three of the largest, New York, California, and Pennsylvania, currently have budget proposals that would reduce State funding in the welfare area in the anticipation of this legislation and use the money not to expand Medicaid, in most cases, they would reduce State Medicaid funding as well as State welfare funding, and in these three cases, use the savings, at least in part, to finance tax cuts disproportionately aimed toward higher income groups and corporations. So, I think the record does not suggest that the majority of States might use any such savings in that fashion.

The second column on this board, if we could leave that up, deals with the transfer issue. The Senate welfare bill would have limited transferability of the Federal welfare funds to the child care block grant, which makes sense, since child care is key to making work programs function effectively.

But the conference report and the Governors' plan would allow up to 30 percent of the money to be transferred to the social services block grant. Today, States pay for an array of social services with State dollars. As a result, the State could save a lot of State money by diverting funds from the welfare block grant, from work programs as well as cash support, and using them to supplant State dollars now used to provide social services.

The States could then take the saved dollars and use them for anything—roads, highways, tax reductions, whatever. I would note, the funds that go into the social services block grant don't even need to be used for poor families with children, they could be used for the elderly, disabled, and they could be used for families well above the poverty line, since the income limits in title XX are generally much higher.

Let me just add a few quick points in closing, that if there is interest, I can elaborate on during questions.

I think there are some areas of the Governors' plan that need refinement. The notion of using food stamps as a trigger for the contingency fund makes sense, but I think the particular food stamp trigger will not work as the Governors themselves intended. I think they didn't take into account that the food stamp cuts in this bill will reduce the food stamp caseload. Since the lower caseload has to rise 10 percent above the 1994 food stamp level, it may amount to such a big increase that States won't qualify for the contingency fund when the Governors anticipated they would.

Last, I would just mention that I think the Governors retained a provision that, it is my understanding, they didn't know was in the Welfare Conference Report. This was a provision you did not have originally, Mr. Chairman. It was a Senate provision, that was retained in conference, that would over time raise the eligibility age for SSI from 65 to 67, with the ultimate effect that 65- and 66-year-old poor elderly women, most of them widows who can't find work in the private sector, would lose their safety net.

My understanding is that in the budget negotiations with the White House, congressional leaders quickly agreed to drop that provision. It produces no savings in the next 7 years.

I think the Governors didn't know that was in the package. It wasn't in the document they worked from explaining the conference report. I would urge that if you go forward, that you reaffirm your decision and drop that provision.

Thank you.

[The prepared statement and attachment follow:]

TESTIMONY OF ROBERT GREENSTEIN, EXECUTIVE DIRECTOR
 CENTER ON BUDGET AND POLICY PRIORITIES
 before the
 Subcommittees on Human Resources
 House Committee on Ways and Means
 February 20, 1996

I appreciate the invitation to testify before the Subcommittee on this important issue. As you know, I direct the Center on Budget and Policy Priorities, an independent non-profit policy institute that specializes both in federal and state fiscal issues and in programs and policies affecting low-income people.

The nation now faces difficult policy decisions on several fronts. The long-term fiscal forecast requires that we institute strong deficit reduction measures. The current state of welfare and poverty dictates that we reform the welfare system.

As a member of the Bipartisan Commission on Entitlement and Tax Reform in 1994 and a supporter of its "call to action" on deficit reduction, which is sounded in both the Commission's interim and final reports, I believe the time for strong measures to reduce long-term deficits is at hand. The Center on Budget and Policy Priorities is one of the few organizations that has supported the budget-cuts in the "Coalition" or "Blue Dog" budget, which contains the largest amount of deficit reduction of any balanced budget proposal and calls for — among other measures — increases in Medicare premiums and a reduction in cost-of-living adjustments, along with no tax cuts.

The approach taken to reduce the deficit should entail broadly shared sacrifice, not a highly disproportionate sacrifice on the part of the poorest families. In assessing the effects of federal policy changes on different income groups, state responses to these policy changes need to be considered along with direct federal actions. In this regard, the Governors' welfare proposal gives cause for serious concern. It would facilitate the state withdrawal of extremely large amounts of resources from basic income support and work programs for poor families with children. It also would cut too deeply in several other areas such as food stamps. At the same time that the NGA proposal allows states to withdraw substantial resources it provides few real protections for poor children and families.

I. NGA Proposal Would Permit States To Withdraw Up To \$58 Billion from Income Support and Work Programs

The welfare proposal approved by the National Governors' Association (NGA) would increase *federal* resources available for income support, work and child care programs as compared to the welfare conference agreement. But the NGA proposal also would enable states to withdraw very substantial *state* resources from these programs without losing any federal money. States would be able to withdraw from these programs or to divert to other uses some \$58 billion between 1997 and 2002.

NGA Proposal Embraces Weak Maintenance-of-Effort Provision

Under current law, the federal and state governments share in the cost of providing AFDC benefits and funding welfare-to-work and child care programs. States contribute between 20 percent to 50 percent of these costs, with wealthier states contributing a higher proportion than poorer states. This structure provides states with an important incentive *not* to reduce state resources for these programs; under the current matching structure, if a state withdraws \$1 of state resources from AFDC or work programs, it loses between \$1 and \$4 of federal AFDC funds. This incentive structure has provided a counterweight to potential efforts to save state money by cutting AFDC benefit levels or reducing the scope of work programs.

Under the block grant structure endorsed by the governors, this matching structure would be fundamentally altered. States would receive a block grant with essentially fixed funding. Block grant funding levels would be based on state

expenditures for AFDC and work programs in 1994.¹ To receive its *full* block grant allocation, a state would simply be required to contribute state funding for work, income support, and child care programs equal to 75 percent of what it spent on these programs in 1994.

- If every state expended only what was required to receive its full block grant allocation, state funding would fall \$28 billion below what the Congressional Budget Office projects states would provide under current law. Compared to current law, this represents a 30 percent reduction in state funding. (The \$28 billion figure assumes that the 75 percent maintenance-of-effort requirement is in place each year between 1997 and 2002. As drafted in the welfare conference agreement, it appears that there would be no maintenance-of-effort requirement in 2001 and 2002, suggesting that a state would receive its full federal block grant funding in those years whether or not it put up *any* state funding. It is unclear whether this is a technical drafting error or a policy decision to sunset the maintenance requirement. The \$28 billion figure cited here assumes this is a drafting problem. If there is no maintenance requirement in 2001 and 2002, states could withdraw substantially more than \$28 billion in state resources.)
- As long as a state provided funds for these programs at no less than 75 percent of its 1994 funding level, there would be no financial incentive for a state to provide any additional state dollars. If a state were to provide \$1 above the 75 percent "maintenance level," it would secure no additional federal funds. Similarly, if a state withdrew \$1 in state resources, it would not jeopardize any federal funding so long as the state met the 75 percent maintenance requirement. The disincentive to cut benefits for poor children and families that the current matching rate structure provides would largely be eliminated.

An Unbalanced Partnership: NGA Proposal Would Provide Additional Federal Dollars To States That Withdraw Substantial State Resources

While the 75 percent "maintenance-of-effort" provision is part of the welfare conference report, the governors altered the maintenance requirements in the Congressional legislation in one key respect. Both the conference agreement and the Senate welfare bill contained a provision which required that state funding must equal 100 percent of the state's 1994 expenditure level for the state to qualify for "contingency funding." The governors deleted this requirement, enabling states to receive contingency funds while cutting their own state expenditures to 75 percent of their 1994 level.

- The 100 percent maintenance-of-effort requirement attached to the contingency fund in the welfare conference agreement provided the bill's only incentive for states not to withdraw substantial state funding.
- Removal of this requirement would enable states to receive federal contingency funds when poverty and unemployment climbed, while withdrawing state funds at the same time. The federal contingency resources could simply supplant state spending. Instead of a federal-state partnership to assist increasing numbers of poor families, the federal government could end up providing states increased resources with little effect on the overall amount of aid available to poor families.²

¹ To be precise, block grant allocations would be based on the highest of 1994 spending, 1995 spending, or the average of spending between 1992 and 1994.

² While states would need to match the federal contingency funds, the amount of state matching funds required would generally be far less than the amount of funding a state could withdraw if there is no requirement that states maintain 1994 funding levels to receive contingency funds.

THE NGA CONTINGENCY FUND PROPOSAL

The NGA proposal includes an additional \$1 billion in federal funding for the contingency fund. Under the NGA proposal, states would be eligible for the contingency fund if they met either of two "triggers." A state in which the unemployment rate was above 6.5 percent *and* which had an unemployment rate that was still rising would qualify, as would a state in which the number of children receiving food stamps was at least 10 percent higher than it was in either 1994 or 1995.

While the addition of federal resources and the addition of a food stamp trigger are important improvements to the contingency fund, a few additional changes are needed if the contingency fund is to work as intended and to afford protection to states and to poor families during recessions and other times of increased need.

- The requirement that the number of children on food stamps increase a full 10 percent before states can access the contingency fund should be carefully evaluated. This level may preclude many states with significant increases in need from securing contingency funds because their food stamp caseloads have increased substantially but not by 10 percent. In developing this recommendation, it appears the governors overlooked one key point — the food stamp cuts likely to be included in a welfare bill will *reduce* the number of children receiving food stamps, with some states seeing a larger reduction than others. (States with large numbers of immigrant children receiving benefits could face particularly large reductions.) Thus, it is important that for the purposes of the contingency fund, state food stamp caseloads in 1994 and 1995 are adjusted to reflect the fact that if the food stamp cuts included in the welfare bill had been in effect in 1994 and 1995, state food stamp caseloads would have been lower than they actually were.
- The unemployment trigger also needs some refinement. States that see their unemployment rate rise relative to their unemployment rate in the year or years on which their block grant funding is based should be eligible for contingency funds. Since state unemployment rates varied in 1994, the level of unemployment required to qualify for contingency funds also should vary. In addition, states should not be required to have both high *and rising* unemployment rates. A state experiencing a protracted recession could be barred from receiving contingency funds even when its unemployment rate remains well above the 1994 level — perhaps even at double-digit levels — because its unemployment rate would no be longer rising.
- During a national recession, uncapped resources should be available to states with increased need. Similarly, states with particularly severe recessions should have access to open-ended funding even if the national contingency fund has been exhausted and the country is not in a nationwide downturn. Access to uncapped resources in these cases will ensure that states facing particularly large increases in need will have the funds necessary to provide a safety net for those additional families needing assistance.

The governors' proposal also provides an additional \$4 billion in federal child care funding. States would not need to provide any additional state funding to qualify for these federal funds — states would still face only the overall requirement to maintain 75 percent of their 1994 spending on income support, work, and child care combined. With the addition of these federal child care resources, it is likely that many states will spend less state money on child care than they would have without the addition of these federal funds.

In short, some of this additional federal child care spending may simply supplant state resources. As long as the state maintained overall spending at the 75 percent maintenance level, it would face no negative repercussions from allowing these federal funds to replace state child care resources in part or in whole. Thus the addition of \$4 billion in federal child care resources is likely to result in a *net* addition of less than \$4 billion.

*A Strong Maintenance-of-Effort Provision Does Not
Unfairly Punish States With Falling Caseloads*

Some have suggested that a strong maintenance-of-effort provision unfairly requires states in which caseloads are falling to maintain spending at 1994 levels. This argument is flawed. The maintenance-of-effort provision applies to aggregate spending on work, cash assistance, and child care. If welfare caseloads are declining because more families are working, then presumably the number of low-income parents needing child care would increase. Under the maintenance requirement states are free to shift spending from cash assistance to child care. In addition, if states are to expand significantly the number of families participating in work programs, then additional resources will need to be devoted to this effort.

Moreover, a stronger maintenance-of-effort provision than that in the NGA proposal would *not preclude* states from reducing state funding levels below the maintenance level. If states reduce funding below the designated maintenance level, the federal government would share in the savings, rather than having the states garner all of the savings. A stronger maintenance requirement simply ensures that the federal government shares both in the costs of providing aid and in any savings that may be achieved. Given the federal government's serious deficit problems, why shouldn't it share in these savings?

The most efficient way to ensure that resources are provided to families in need is through an entitlement structure in which poor families meeting program requirements receive assistance and federal funding follows state caseload increases and decreases. A funding structure that provides federal matching funds to states based on the number of families served ensures that both levels of government share in the cost of providing aid when need increases and also share in savings secured during more prosperous times.

If the entitlement funding structure is replaced with a block grant, however, a federal-state fiscal partnership is still needed if both states and families are to be protected. A strong maintenance-of-effort requirement addresses this issue, ensuring that states and the federal government share both in costs and in savings while providing an important disincentive for states to reduce spending by more than is warranted by decreases in need.

*NGA Proposal Would Permit States To Divert Billions of
Federal Dollars Away From Income Support and Work*

Like the welfare conference report, the governors' proposal also would permit states to transfer up to 30 percent of their federal Temporary Assistance for Needy Families (TANF) block grant funds to several other programs, including the Social Services Block Grant, the child protection block grant, and the child care and development block grant. This provision is much more expansive than the transfer provision in the Senate welfare bill; the Senate bill allowed welfare block grant funds to be transferred only to the child care block grant. The transfer provision in the governors' proposal would place in jeopardy roughly \$5 billion per year — or almost \$30 billion between 1997-2002 — of federal block grant dollars that could be diverted from income support and work programs.

The provision that would allow TANF block grant funds to be transferred to the Social Services Block Grant is particularly problematic. States currently pay for an array of social services largely with state dollars; the cost of these services substantially exceeds the modest federal funding provided under the Social Services Block Grant. As a result, a state could save substantial state money by diverting funds from the TANF block grant to the Social Services Block Grant and using these resources, in lieu of state dollars, to fund existing social service programs. There is likely to be pressure to divert TANF block grant funds to various social services since in many states; social service providers are organized into effective lobbies. There usually is no lobby of equal influence for welfare recipients or work programs.

Adding to the concerns about this diversion authority, TANF block grant funds diverted to the Social Services Block Grant would not even need to be used for services for poor families with children. Resources under the Social Services Block Grant are used to fund organizations providing services to an array of groups, including the elderly and disabled. Social Service Block Grant funds pay for services including in-home care for the elderly and disabled, juvenile justice services, and substance abuse counseling and treatment. Moreover, the income limits for services supported under the Social Services Block Grant are typically well above the poverty line.

The governors' proposal also permits the transfer of TANF block grant funds to child protection services as well. At present, 22 states are under court order to improve child protection services because of inadequate performance in this area in the past. A state could transfer TANF block grant resources intended to fund income support and work programs to child protection services so that fewer state dollars had to be spent in this area.

The structure of the Senate welfare bill is preferable here, limiting transfers to the child care block grant, the one other program most directly related to making welfare-to-work efforts effective.

The Bottom Line: States Could Withdraw Up To \$58 Billion

Taken together, the weak maintenance-of-effort provision and the provision allowing states to divert federal block grant dollars to other purposes would place \$58 billion in federal and state funding for income support and work programs in jeopardy between 1997 and 2002. Under the governors' proposal, states could withdraw or divert these resources and still have access to their full federal welfare block grant allocation, *plus* an additional \$4 billion in federal child care resources, the additional \$1 billion in contingency funds, and additional job performance bonus funds.

To be sure, it is unlikely every state would reduce state spending to the full extent allowed under the governors' proposal. But evidence is already accumulating that many states will withdraw significant resources. New York's governor has proposed a 26 percent cut in cash assistance benefit levels for poor families with children in that state. California's governor has proposed steep cuts in benefit levels and the imposition of time limits significantly harsher than those the federal welfare legislation would require. And in a number of other states, including Louisiana, Nebraska, South Carolina, and Virginia, governors have proposed time limits much shorter than the maximum five-year time limit included in the NGA and Congressional proposals. Reductions in benefit levels and the institution of very short time limits both provide ways for states to save money and withdraw substantial state funds from programs for poor families with children.

II. Entitlement Protections for Children

Under the governors' plan, as under the conference agreement, children would no longer have an assurance of receiving basic income support, even if they were very poor and their parents were willing to comply with all work requirements. States would have broad discretion to curtail eligibility for basic income support for any category of needy families with children. States would be free to set state-imposed time limits of any duration (as long as the time limit did not exceed five years) without regard to whether parents can secure jobs to support their children. States could impose one or two-year time limits and terminate families' benefits without providing the parent with work-related services. States could deny aid to families with young parents or temporarily incapacitated parents. States would once again be permitted to deny aid to two-parent families.

The block grant contains virtually no standards or protections for needy children, not even for those deemed eligible under a state's own criteria for its state-designed program. Under H.R. 4, states have no obligation to provide assistance

DESIGN OF PERFORMANCE BONUS SHOULD BE CAREFULLY CONSIDERED

If a performance bonus is included in the final welfare bill, care should be taken to ensure that states with successful welfare-to-work programs are the ones rewarded with bonus funds. The performance bonuses included in the conference agreement would reward some states that did *not* have successful work programs but instead reduced their caseload by instituting austere time limits or narrowing eligibility as well as states that improved their job placement rates by serving more employable families. The bonus also would likely reward states that saw their caseloads fall and job placements rise simply because their economy was robust. While the NGA proposal endorsed the concept of a performance bonus, it did not provide details explaining how such a bonus should be designed.

In the context of a block grant program in which states have discretion to determine which families are served, it is difficult to design a performance bonus that rewards states with successful work program. To increase the likelihood that the performance bonus actually rewards states that have successful welfare-to-work programs, the following should be considered:

- The “performance measure” should be tied directly to how many aid recipients were able to find work. States should not be rewarded, for example, simply for reducing their caseloads. Such a measure would reward states that reduced their caseloads without moving parents into jobs. It also would provide a disincentive for states to use block grant resources to provide supplemental assistance to working poor families.
- States with high unemployment and more disadvantaged caseloads should be judged in comparison to states with similar economies and caseload characteristics. States with very low unemployment and states in which a large proportion of aid recipients have recent work experience and a high school diploma will typically have a higher job placement rate even if they have a weaker welfare-to-work program

even to families that qualify under state rules and a state could close intake at any point during the year or place new applicants on waiting lists at its discretion.

The NGA Proposal and Basic Safeguards

The governors do propose that states set forth “objective criteria for the delivery of benefits and for fair and equitable treatment” in their state plans. But it is not clear what this language is intended to mean. On its face, the language suggests that families seeking assistance should not be treated in arbitrary and capricious ways. It also could mean that families in similar circumstances must be treated the same way. Since the block grant in the underlying legislation has virtually no standards or protections, however, the vague language in the governors’ proposal could fall well short of providing meaningful protections for children and families.

For example, the conference agreement does not require states to develop eligibility rules for assistance or to follow their own rules. Are the governors suggesting that states have a duty to establish rules and to operate their programs according to those rules? Or could states write rules into their state plans without having to comply with them? Similarly, under the conference agreement, there are no requirements for states to establish procedures for applying for assistance or to process applications within any reasonable period of time. Is the concept of “fair and equitable treatment” meant to ensure that the state programs operate with fair and clearly prescribed applications procedures? If so, the legislative language of the federal statute will have to be more specific.

The governors’ fair and equitable treatment language has another serious problem. Their proposal does not alter the provisions of the conference agreement that prohibit the federal government, except in certain limited circumstances, from

assuring that states operate programs in compliance with federal law. (The statute gives the federal government the authority to impose penalties on states for several specific violations including failure to meet work rates, failure to comply with data requirements, and for expending funds in violation of the statute.) In practical terms, this means the federal government is precluded from taking any action if a state fails to set objective rules for its program, fails to follow such rules, or fails to comply with certain federal requirements.

For example, both the governors' proposal and the conference agreement prohibit states from sanctioning a mother of a young child if the mother can prove to the satisfaction of the state that she is unable to comply with work requirements because of the unavailability of child care. If a state did not implement or comply with this provision of federal law, however, the federal government would have no authority to take any action against the state. As long as the block grant is funded with federal dollars, it is entirely appropriate for the federal government to require states to meet basic federal conditions for the expenditure of those funds and to take steps to assure that states comply with those conditions. The governors' welfare proposal precluding federal enforcement diverges even from their own Medicaid plan which provides that the Secretary of HHS could bring action in federal courts on behalf of individuals who believe they have been aggrieved by the state.

The Strength of the Safety Net for Children Threatened

The combined effect of fiscal incentives that encourage states to reduce aid and the absence of protections for poor families is likely to be to heighten the possibility that substantial numbers of poor families with children are left with inadequate assistance. When this subcommittee contemplated this possibility last year during consideration of H.R. 4, there were assurances by Members supporting the bill that families denied cash assistance would still be guaranteed the protection of a noncash safety net that includes Medicaid and food stamps. Neither the conference agreement nor the governors' proposal adequately reflects this commitment, however. Families adversely affected by the new TANF block grant also could lose eligibility for food stamps and Medicaid.

Food Stamps

The governors' proposal would give states the option of converting the food stamp program into a block grant. In contrast to the food stamp program, which is highly responsive to fluctuations in need due to economic or population changes, block grant funding would be frozen with no adjustments for population, poverty, or food prices and no contingency fund. As a result, food stamp block grant funding would fall steadily further behind need, with the food assistance benefits provided to poor households providing less food purchasing power with each passing year. The funding crunches would be most acute during recessions, when poverty and unemployment climb.

If AFDC is converted to a block grant, it becomes even more important to preserve the nutritional safety net provided by the food stamp program in all states. Under the TANF block grant, many children will no longer be assured of receiving cash assistance. States could run low on funds and turn families away, or families reaching state or federally-prescribed time limits could lose assistance without being able to find work. Under the current food stamp program, there would at least be an assurance that a food assistance safety net of last resort is in place for these children.

Under a food stamp block grant, however, there would be no assurance that food stamp funding would be sufficient to provide aid to these families. In states operating both a TANF and food stamp block grant, an increase in poverty could exhaust funding in both programs simultaneously and force states to institute waiting lists for cash and food aid at the same time. Moreover, under a food stamp block grant, a state would no longer have to provide benefits to all groups of the poor.

States could, for example, increase food stamp benefits for poor elderly and disabled beneficiaries at the expense of benefits for families with children.

The food stamp proposal is likely to affect states that do not elect the block grant as well as those that do. Once a substantial number of states opt for the block grant, the regular food stamp program is likely to become increasingly difficult to sustain. In future years when further budget reductions are needed, Members of Congress from block grant states are likely to prefer deeper reductions in the national food stamp benefit structure — since such reductions would have no impact on their states — to reductions in other programs that could affect their states. The stage would be set for steadily deepening cuts in the food stamp eligibility and benefit structure over time.

It should be noted that providing a food stamp block grant option is not necessary to accord states greatly increased flexibility in operating the food stamp program. The welfare conference agreement allows states unprecedented flexibility within the regular food stamp program to align their food stamp rules with the rules they establish under the new TANF block grant in order to simplify administration and use the food stamp program to promote welfare reform goals.

Medicaid

In addition to the possibility that many families with children could lose the federal guarantee of cash assistance and food stamps, the governors' proposal also dispenses with the assurance that many of these families will receive health care coverage through Medicaid. Under current law, families receiving AFDC are assured of receiving Medicaid. Both the House and Senate versions of H.R. 4 included provisions that maintained Medicaid coverage for families that would have been eligible for AFDC under current law.

In contrast, a substantial portion of the 1.6 million AFDC children over age 12 — and of the more than 4 million AFDC parents — could lose Medicaid coverage under the governors' plan. (Children through age 12 would be covered by Medicaid if their incomes are below the poverty line.)

The NGA proposal would essentially give states two options for determining Medicaid eligibility for these parents and older children. States could provide Medicaid coverage just to those parents and those children over age 12 who are eligible for the state's new TANF block grant program. This is problematic because the new program could have eligibility criteria much more restrictive than the existing AFDC program. Alternatively, states could provide Medicaid to those who would be eligible for AFDC under current law, an option similar to the requirement in the House and Senate bills except for one key change. The NGA proposal would permit states that now have AFDC income limits above the national average to limit Medicaid eligibility to those parents and children over age 12 who meet the national average AFDC eligibility limits. The maximum AFDC benefit for a family of three in the average state equals just 39 percent of the poverty line and is far below the AFDC income limits in states such as California, New York, Connecticut, Massachusetts and Minnesota. Some 1.1 million AFDC children over age 12 live in states with AFDC benefits above the national average. In short, under the NGA proposal, large numbers of poor parents and children over 12 could join the ranks of the uninsured.

While this hearing is not about the governors' Medicaid proposal, it is worth noting that even those children who retain eligibility for Medicaid could find their benefit package far weaker than at present. States would have virtually complete discretion to scale back the health services that Medicaid covers. They could establish stripped-down benefit packages that fall short of providing adequate medical care for children.

The NGA proposal would give states fiscal incentives to follow such a course, because it would enable them to withdraw extremely large amounts of state Medicaid money without affecting their federal Medicaid allocations. In large part because

state Medicaid matching requirements would be reduced, states would be able to withdraw \$182 billion to \$214 billion in state Medicaid funding over the next seven years while still receiving their full Medicaid block grant allocations. Studies by CBO, the Urban Institute and others indicate that only a fraction of savings this large could be achieved through health care efficiencies such as greater use of managed care. The bulk of such savings would have to come from reducing the number of people insured under Medicaid, scaling back the health services that Medicaid covers, or both. As a result, states could scale back Medicaid eligibility for poor parents and older children, strip back the health services Medicaid covers for children who remain insured, and withdraw substantial amounts of state funding without losing any federal Medicaid dollars.

Here, again, there is a problem of balance. While states could withdraw these large sums, other features of the governors' Medicaid plan make it likely that much of the *federal* Medicaid savings which leaders of both parties have sought in budget talks would disappear. When CBO "scores" the governors' Medicaid proposal, the federal savings it produces may be found to be substantially below the savings envisioned under both the Administration and the Republican budgets.

The imbalances under the Medicaid plan are even more serious than this brief account indicates. The plan also would make legal various financing gimmicks and dubious financing schemes that a growing number of states were using to meet Medicaid matching requirements without providing the requisite amounts of states funding until the Bush Administration and Congress outlawed these schemes in the early 1990s. Making such schemes legal again would mean that states could withdraw even larger amounts of state resources from Medicaid without losing federal dollars.

IV. NGA Proposal Would Deny Elderly Poor Between Ages 65 and 67 SSI Benefits

The governors' proposal improves the conference agreement by eliminating the two-tier payment structure for disabled children remaining eligible for SSI. But whether knowingly or not, NGA effectively retained a little noticed-provision that would raise from 65 to 67 the age at which impoverished elderly individuals may receive Supplemental Security Income (SSI) benefits.

This provision was *not* in the House version of H.R. 4 and produces no savings. I would emphasize that this provision was not identified in the document prepared for the governors which enumerated the provisions of the conference agreement. It appears that when the governors deliberated on these issues in early February, they were unaware this provision was part of the conference bill.

Under rules that date back to the establishment of SSI under President Nixon, the elderly poor may qualify for SSI when they reach age 65. The welfare conference agreement would raise this age in tandem with the scheduled increase to 67 in the age at which people may retire and receive full Social Security retirement benefits. If this provision were fully effective today, it would deny SSI assistance to more than 100,000 poor elderly people in any given month. A number of those losing assistance also could lose Medicaid eligibility as a consequence of losing SSI.

SSI disproportionately serves people who have low job skills and whose prior employment may have involved substantial manual labor. Most of these workers have little opportunity to continue working when they are 65 or 66, in contrast to more affluent and skilled persons who work at white collar jobs and can remain employed longer.

Many of the rest of SSI recipients in this age bracket are women who did not accumulate enough quarters of work outside the home to qualify for Social Security. In fact, *some 74 percent of SSI recipients between the ages of 65 and 69 are women*. Poor elderly women living alone would be disproportionately affected by this change.

When this matter came up in late December during budget negotiations between the Administration and Republican Congressional leaders, this provision was quickly dropped. I would recommend it be deleted from future welfare legislation. It tears a new hole in the safety net, with those injured primarily being impoverished 65- and 66-year-old women living alone who are unlikely to find private sector employment.

V. Immigrant Benefit Issues

The NGA proposal is silent on the question of how welfare reform legislation should treat immigrants. In past statements, various governors have expressed concerns that restrictions on immigrants' eligibility for federal benefits not result in large cost-shifts to states.

For a welfare reform bill both to be workable for states and to avoid stranding legal immigrants who have nowhere else to turn for help, significant changes from the conference report should be made in this area. This is particularly true in several areas where the burdens imposed on the states would be out of proportion to the savings achieved for the federal government.

Counting the income of a sponsor as though it were part of an immigrant's income is appropriate; sponsors are supposed to help support the immigrants whose entry they sponsor into the United States. On the other hand, banning legal immigrants who have no sponsors or whose sponsors have died from receiving benefits is unduly harsh. By denying subsistence benefits to legal residents who have no place else to turn, this approach risks either causing severe destitution or shifting costs to state and local governments.

Changes also are warranted in several other areas. These include: exempting Medicaid, school lunch and other child nutrition programs from new immigrant benefit restrictions; either exempting discretionary programs from these restrictions or making application of the restrictions to discretionary programs a state option; exempting the very old and those who have become disabled since entering the United States; and simplifying the calculations of how many quarters of work an immigrant has. These issues are discussed in more detail in an appendix to this testimony.

VI. Conclusion

The NGA welfare proposal would provide additional federal resources to states while at the same time permitting states to withdraw large amounts of state funding for income support and work programs without losing any federal funds. The Administration previously projected that the conference agreement on the welfare bill would add 1.5 million children to the ranks of the poor and make many who already are poor still poorer. Taken as a whole, there is little to suggest the governors' proposal would significantly reduce the number of children added to the poverty population or made poorer, given the potential for such large-scale withdrawal of state resources along with the depth of the reductions in areas such as food stamps. Substantial changes are needed to the plan to make it more balanced so it does more to promote work and reduce poverty, and less to provide a mechanism for state fiscal relief.

APPENDIX: IMMIGRANT BENEFIT ISSUES AND THE WELFARE CONFERENCE AGREEMENT

Exempting Medicaid from Restrictions on Immigrants

The conference agreement would make most legal immigrants ineligible for Medicaid (except for emergency services) during their first five years in the country. After the first five years, the income of an immigrant's "sponsor" would be counted as though it were part of the immigrant's income. The effect of this provision would be to make virtually all immigrants with sponsors ineligible for Medicaid until they became citizens and to make poor immigrants without sponsors ineligible for Medicaid for five years. By contrast, the Administration's proposal exempts Medicaid from restrictions on benefits for legal immigrants.

Exempting Medicaid is the preferred course to follow. For many legal immigrants, purchase of individual health insurance would be prohibitively expensive.

If immigrants are denied Medicaid, public hospitals and state and local indigent care programs will be left with the burden of caring for low-income immigrants. Making immigrants ineligible for Medicaid also would increase uncompensated care costs, which could interfere with state efforts to hold down provider reimbursements for Medicaid and for state employee health care coverage.

Exemptions for Certain Elderly and Disabled Immigrants

The House welfare bill exempted legal immigrants aged 75 or over who have been in the United States for at least five years from its restrictions on eligibility for public benefits. At their age, many of these immigrants have little practical prospect of naturalizing as U.S. citizens, especially since that entails developing a detailed knowledge of American history and government. As a result, eligibility restrictions imposed on them are likely to apply for the rest of their lives. By limiting the exemption to elderly immigrants over 75 who have been here at least five years, the House bill assured that only those immigrants who have supported themselves or been supported by their families for an extended period after entering the country and who are unlikely to naturalize would be affected.

The House bill also exempted legal immigrants too disabled to naturalize. Some have criticized this exemption as too costly. Fortunately, a more modest alternative exists: exempting immigrants who became disabled after entering the United States. This latter exemption, which already applies to deeming in the SSI program, would protect immigrants that came to this country prepared to work but became disabled in a workplace accident or developed a disabling disease. In such cases, the needs of the immigrant are likely to have grown substantially over what could reasonably have been anticipated when the immigrant applied for entry into the United States or, in the case of sponsored immigrants, when the sponsor signed an affidavit of support. It is not reasonable to deny such immigrants benefits under any means-tested programs.

Deeming Sponsors' Incomes Instead of Banning Immigrants Completely

The conference bars immigrants from receiving federal benefits during their first five years in the United States and bars them from receiving SSI or food stamps until they naturalize as U.S. citizens. The Administration's proposal takes a different course. It achieves savings by counting ("deeming") sponsors' income in determining the eligibility of immigrants whose entry to the United States they assisted.

While available data indicate that few immigrants subjected to deeming qualify for benefits, there is a large difference between deeming and banning. For an immigrant admitted to the country on the strength of a sponsor's affidavit, deeming effectively requires the immigrant to turn to the sponsor for help rather than to federal programs. But the benefit bans that the welfare conference report contains also would deny benefits to immigrants who have no sponsor to whom they may turn: immigrants admitted without sponsors and those whose sponsors have died.

For example, some categories of immigrants admitted because they are in danger of persecution in their countries of origin may enter the United States without knowing anyone here. Denying them assistance under a broad ban may cause serious hardship. (The conference report exempts refugees and asylees for five years, which may not provide insufficient time to naturalize, but does not exempt public interest parolees and immigrants in several other persecution-related categories.)

Exempting Child Nutrition and WIC from Immigration Restrictions

The Senate welfare bill exempted the school lunch and other child nutrition programs from its immigrant restrictions. The immigration bill reported by the House Judiciary Committee contains a similar provision. The welfare conference report limited this exemption to certain immigrant categories, barring various other categories from the child nutrition programs. The result would be to impose large new administrative burdens on states, schools, child care providers, and WIC clinics.

The conference provisions would require schools, WIC clinics, and child care providers that operate nutrition programs for children in attendance to determine the immigration status of *all* applicants for benefits. To comply with these requirements, schools would have to obtain verification of citizenship or immigration status from tens of millions of schoolchildren, most of whom are citizens and come from middle-class families. The increase in paperwork burdens would be great. The conference agreement also would require schools, providers, and agencies operating child nutrition programs to train their staffs to understand complex immigration forms and categories and to devote significant staff time to carrying out these immigration checks.

Furthermore, the Supreme Court has ruled that under the U.S. Constitution, schools must enroll immigrant children. Denying school lunches to such children seems unwise. If immigrant children are denied lunch and then returned to classrooms with citizen children, the environment that results may not be the most conducive to learning.

Exempting Discretionary Programs from Restrictions on Immigrants

All of the savings that the Congressional Budget Office attributes to the immigrant provisions of the welfare conference agreement fall into four areas: SSI, food stamps, Medicaid, and child nutrition. (Almost two-thirds of the savings come from the SSI program.) Yet the conference agreement also would impose restrictions on numerous health, education, and other human services programs, many of which are administered by state and local governments. In these programs, barring immigrants would save the federal government no money since the budgets of these programs are set at fixed levels each year through the Congressional appropriations process. Administering the immigrant restrictions in these programs would, however, impose significant administrative burdens on state and local governments in many cases.

This is particularly true because many of these programs operate without the sort of complex application procedures that characterize large programs such as

welfare, food stamps and SSI. Requiring a health clinic, counseling center or food pantry to administer immigration restrictions could force it to enlarge its administrative bureaucracy significantly, quite possibly at the expense of delivering services. Accordingly, federal programs that are not entitlements and are funded on a discretionary basis should be exempt from restrictions on immigrant participation. At a minimum, the immigrant restrictions should apply in these programs only at *state option*.

Simplifying Calculations of Immigrants' Quarters of Work

The conference agreement would exempt legal immigrants from its prohibitions once they have amassed 40 quarters of work. This would allow immigrants who have consistently paid taxes that support public programs to receive the benefits of those programs when they are in need. Unfortunately the conference agreement's definition of a quarter of work would create serious administrative difficulties, however, and impose significant costs on state agencies administering programs subject to the bill's restrictions. The legislation would prohibit a quarter of work from counting if the immigrant received virtually *any* means-tested public benefit during the quarter. Thus, a state or local agency could not assume that an immigrant with 40 quarters of work in the Social Security system is exempt from eligibility restrictions unless the agency could determine that the immigrant had received no means-tested benefits during those quarters. If an immigrant applied for benefits and reported that he or she had amassed 40 quarters of work over the past 10 to 15 years, state agencies would have to be able to determine whether a recipient received any means-tested benefit years earlier, perhaps in a different state. As a practical matter, this would be impossible.

This prohibition would not be limited to immigrants receiving welfare or SSI: receipt of almost any means-tested benefit — a pre-natal check-up or counseling session at an agency that charges on a sliding scale, a bag of surplus commodities, emergency fuel assistance to prevent a utility shut-off, a home-delivered meal — would prevent a quarter of work from counting towards the 40-quarter test.

As a practical matter, state and local agencies would have no way to determine how many countable quarters an immigrant had. They could be subjected to federal audit exceptions as a result. To make this provision administrable, the definition of a quarter of work should be conformed to the definition in the Social Security system so administering agencies can count any quarter of work the Social Security Administration shows on its records, without worrying about a benefit that may have been received years ago.

Chairman SHAW. I thank all the witnesses for their testimony. Mr. Ford may inquire.

Mr. FORD. Thank you, Mr. Chairman.

Mr. Greenstein, on your chart that you have before the Subcommittee, do those numbers reflect cuts that might be there where States now provide some matching funds under the different programs; or are these just the cuts that we would be funding to the States via block grants?

Mr. GREENSTEIN. Under the current funding structure, if a State puts up an additional State dollar, it gets at least \$1 in Federal funds. If a State withdraws a State dollar, it loses at least \$1 in Federal funds. And the fact that if a State withdraws \$1, it loses Federal funds and operates as a break politically, we are talking political reality here, I think, in keeping some States, whether it is the Governor or the legislature, from going too far.

This isn't because States are less compassionate than the Federal Government, I don't believe that, but political reality being what it is and budget pressures and constituency strengths being what they are, when we move into the situation that States can remove money without losing any Federal dollars, the risk accelerates that that will occur.

What the chart shows is that if States went to the 75-percent maintenance level, they could withdraw \$28 billion over 7 years, compared to what CBO forecasts they would expend under current law. If they transferred 30 percent of the Federal block grant funds to areas like the social services block grants so they could reduce State services funding, that would involve \$30 billion over 7 years. Even if the figure is one-third of that or one-half of that, we are talking very large amounts of money, and that is the concern, that adequate funding will not remain to do work programs as we should and to have the necessary levels of income support.

The corollary is that if indeed States can save this much without harming anybody, then why shouldn't the Federal Government with its deficit problems share in those savings?

Mr. FORD. What about child care. The Governors' Association proposes an additional \$4 billion. It will also permit the States to take some of their current funding for child care programs and use it elsewhere. Dr. Ellwood, could this result in no new changes in actual dollars spent in child care?

We heard Governor Thompson indicate earlier that we need to act and move quickly on this because the States have already put in place new welfare reform policies.

I am concerned, though, when I look at child care or when I look at any matching funds that might be coming from the States, with the impact this will actually have on the children that we are trying to protect under an entitlement program today.

Mr. ELLWOOD. I think the fact that the money comes with no strings attached, no match, no maintenance of effort is a serious problem, because it makes it very easy for a State simply to say, this is new money that is arriving at my doorstep. I will stop spending State dollars.

Mr. FORD. Governor Thompson is saying it will help the States bring their costs down.

Mr. ELLWOOD. Governors are going to respond differently to this. Some of the Governors will, in fact, use that as more money, for more child care to help more people move from welfare to work. But some won't. Some will find fiscal pressures too great.

By the way, in the next recession every Governor is going to be looking desperately for money to find ways to pay for many things when your State revenues go down. If people are so willing to do the right thing, I don't understand what the problem is with the match. Both parties contribute.

If one State says, No, I am not going to contribute any more, we say fine. Then our responsibility at the Federal level is lessened as well.

I think both parties—I have worked with State Governors also at the Federal level, who will try to do the right thing. But I fear there are other pressures that will get in the way. Go ahead and create more flexibility but please also maintain the shared partnership. Both should share the costs, both share the savings.

Mr. FORD. Sixty years ago, when the first public policy on welfare was proposed, did we have problems with States who claimed to be Southern or poor States that could not afford the match? With this history, could we create some other problems for poor children in this country?

Mr. ELLWOOD. Absolutely. I think the place where this is especially important is food stamps. Part of the reason for a national Food Stamp Program was that we did have hungry children in America, and that wasn't very long ago. We still have some, but not nearly as many.

The one thing children can count on no matter where they live, no matter what the politics are or what the legislature or the Governor has decided, is that at least there is enough money for food or there ought to be. I think block granting food stamps is an especially dangerous thing to do.

Mr. FORD. Thank you, Mr. Chairman.

Chairman SHAW. Mr. Camp.

Mr. CAMP. Thank you, Mr. Chairman.

I know you note in your testimony this Subcommittee doesn't have jurisdiction under the food stamp issue, but I appreciate your comments regarding it anyway, and I want to thank all the witnesses for testifying. But I think it is important to note that States don't have the same benefit levels now. We don't have this magical uniform Federal system now.

In fact, benefit levels vary quite a bit, I think from just about \$200 on average in some States, to over \$600 in other States. There is a significant difference.

The question I wanted to ask Mr. Whitburn, does the record show that when States have reduced their welfare levels and have moved people to work, do they in fact reinvest that money? If you have any specific information on that, I would appreciate your sharing it with us.

Mr. WHITBURN. I appreciate the question, Representative Camp. The answer is that in those States where there have been significant caseload drops, and we haven't had significant drops until recently except in Wisconsin and one or two other States, reinvestment has occurred; let me give you an illustration. When Tommy

Thompson was elected, the welfare department sent out \$47 million in cash grant checks every month, \$47 million when he came in in the beginning of 1987. When I left at the beginning of 1995, the department wasn't sending out \$47 million anymore, it was sending out approximately \$35 million. We were down about 25 percent at a time when the caseload had dropped from 100,000 cases to 75,000 cases.

We talked 1 minute ago about child care. When Thompson came in, we spent \$12 million in Wisconsin in child care with 100,000 cases. When I left 8 years later, we were spending not \$12 million, we were spending \$65 million, so we had a fivefold increase.

We took heat all across the country as he was out talking about these demonstrations and why were we spending more money in our welfare programs, because we were investing in that State in the JOBS Program in particular. The proof is in the pudding—in that case in the Midwest, at the bottom line, more investment, more commitment to help people that need help.

In Massachusetts, as I said in my introductory comments, our caseload dropped last year almost 16 percent. This year as we go to the legislature asking for money, we don't need as much money for cash benefits. We need \$72 million less. That is the problem that I have with Mr. Greenstein's chart over there, because I find it puzzling.

Should we be on a course to figure out ways to spend that extra \$72 million? In some areas, it is prudent to make additional investment, in others, it may not be necessary.

Let me tell you what Bill Weld is doing. This year in our budget we are taking \$50 million of the \$72 million savings and we are investing it in additional child care. We are going to spend next year in Massachusetts \$288 million in subsidized child care. Pound for pound, I don't think any other State in the country will make that commitment. New York, thought to be as generous as any State, with 18 million people will spend approximately \$400 million. Our per capita investment in child care is twice that of New York.

Mr. CAMP. Thank you.

Dr. Ellwood, excluding what States may do in regard to child care, which we just heard about, and one of the reasons the President vetoed the welfare bill was he said it was inadequate in terms of child care dollars. The Governors in their bipartisan approach have added \$4 billion in additional child care. Is that enough in your opinion?

Mr. ELLWOOD. I never know what the right number is, because it seems to vary. As you know, child care with younger children is more expansive. I think we are getting close to the right range, but your opening clause, I can't let you just say—ignoring what States will do. I don't know what Massachusetts would do if all of a sudden 50 million new Federal dollars came in for child care. Would that all go on top of it?

Mr. CAMP. Assuming they invest more, as Mr. Whitburn said, assuming States put more into child care, would the Federal role, in a sense, the \$4 billion, be sufficient? His comment is that there would be more resources available.

Mr. ELLWOOD. No, as long as you ensure that States continue to spend what they are spending now and contribute to it, then I think this is a very good addition and gets us very close to what we need. If, on the other hand, States simply spend less to offset it, then the cost to you of insisting that States continue to do their share, is nothing in terms of the budget. But the impact on children could be enormous because it means your dollars aren't displacing State dollars, they are supplementing them.

Mr. CAMP. And the bill has a 75-percent maintenance of effort.

Mr. ELLWOOD. Not on child care money.

Again, I think on all these things, the statement is not that States can't spend less, it is not that they can't have other alternatives. The idea is simply if a State spends less, let's not reward benefit cuts, which is another way in which you can cut the caseload, let's instead share those responsibilities.

Mr. CAMP. Thank you.

I see that my time has expired.

Chairman SHAW. Mr. Levin will inquire.

Mr. LEVIN. Mr. Chairman, I just hope that this dialog that has gone on the last couple of minutes will be remembered by us all as we look at further legislation.

The point is that when it came to the \$4 billion extra in child care, States could simply take the \$4 billion and substitute those for their State dollars. That is what the Governors allow. And if there is an inadequacy in child care, why would we want to structure the system that way? The same with the contingency fund, where the 10-percent maintenance of effort is removed to qualify for the contingency fund.

I am not sure what the figure should be, but I think to remove it essentially will allow the substitution of Federal dollars for State dollars. That is not what we are after.

So, I hope we just aren't going through the motions here. Indeed, I want to ask Dr. Ellwood quickly to just sum up, addressing if you want or I might ask your comments to the colleagues in the majority.

You talk about a shared partnership. You talk about—Mr. Camp says States have different levels, different heights of the safety net. But this is a safety net. Sure there are different heights. There is something there. To just sum up, you talked about food stamps, about match, about the contingency fund, about transferability of 30 percent.

Why does there have to be, in your judgment, some changes in what the Governors did in those critical areas for you to think the proposal is viable in terms of meeting the objectives of protecting kids?

Mr. ELLWOOD. I just simply restate. I think the danger here is that some places will not behave as Governor Thompson and others have said they will. Some States may choose another route which is just as feasible and that route means cutting their benefit levels, throwing people off, not providing child care.

The danger is if your State does that, what about the State next door? That State next door may be wanting to do the right thing, but if they are worried that people are going to move right over, they are suddenly in a situation. Even the States that want to do

the right thing may find themselves in trouble. That is called the race to the bottom. The incentive is to move people from welfare out of State, rather than from welfare to work. Believe me, I have had many conversations with people around the country who are in government who say that is precisely what they will do.

The problem here is straightforward. When you are changing the incentives, you change behavior. We are worried about people working less when we raise taxes, if we say to a State, cut your benefits, you are going to save a lot of money, States will choose to do that.

All I think we are saying here is, look, if you care about kids, yeah, trust the States, but one way of trusting them is to say, You say you're going to keep spending the money, fine. You want to do it, let's share the money. If you cut back a lot or you create savings, we will share that. After all, it is Federal taxpayer dollars that are the fear we will have to raise, as you all know. Why not share in the savings as well as share in the costs?

One final point. You have a match, and suppose a State didn't draw down its full amount of a block grant. That money could be available to some of these Southern States, such as in Florida and others, where I am very worried about the capacity of States with the low level of this block grant to do real welfare reform. That money might be available for other States during recessions or whatever else.

I just don't see the downside, I don't see any cost to the Federal Government. Frankly, I believe many of the Governors would not be hurt because they would spend it. Those who would not, you ought to take it seriously.

Mr. LEVIN. Mr. Greenstein, if you could quickly, there is just 1 minute or less, talk about the Governors' language on protections for individuals and what you think is necessary.

Mr. GREENSTEIN. The Governors added some language calling for objective criteria in the delivery of benefits and for fair and equitable treatment in the State plans. I think the problem is that language is sufficiently vague that it isn't clear what it means.

For example, does it mean that States could write these rules into their State plans but be under no obligation then to comply with them?

Does it mean, for example, that States have fair procedures for applications, like having them processed in 1 or 2 months. It is not clear what it means.

I think what is needed here is to take the principle they embody but to make it real in terms of legislative language. It is important that the legislation require that there would be rules, the States would decide what they are, not the Federal Government, but they would not only have to be in the State plans but that States would have to follow them. And that there would be some Federal enforceability of them.

It seems perfectly reasonable if the States have the flexibility to decide what they are, there should be some Federal role given all the Federal money involved in at least backing up that the States enforce the rules they themselves set. You would have, in effect, Federal enforceability with various incentives on the work requirements. I think they would be needed here, too.

Mr. LEVIN. Thank you, Mr. Chairman.

Chairman SHAW. Mr. Stark.

Mr. STARK. Thank you, Mr. Chairman.

Dr. Ellwood, when you studied and did your doctoral work on welfare issues, I presume that is what you did it in. You did your doctoral work in—

Mr. ELLWOOD. That area of economics.

Mr. STARK. Did you study Jonathan Swift?

Mr. ELLWOOD. Yes. Actually that was not part of required reading, but in other areas I have seen Jonathan Swift.

Mr. STARK. You remember Dr. Swift's suggestion that we make children commodities and be allowed to sell them for food if they were under 1 year old?

Mr. ELLWOOD. That is one of his proposals, yes.

Mr. STARK. I trust that is a suggestion that you dismiss in seriousness.

Mr. ELLWOOD. Yes, I think so.

Mr. STARK. Let me just read you a quote. Again, the liberals are getting bashed around here today, but see how you react to this. It says, "Any time, like now, that liberals raise their head and talk about how Republicans are harming children, tell me what the well-being of children is. Us, the liberals, have no measurement for it. We liberals don't know what is happening, do not care what is happening. To say that children will be harmed by block grants is absolutely ludicrous."

Against a measurement of what? We don't know what kind of harm we are doing to kids now, because we don't ask the question.

Could you comment on that?

Mr. ELLWOOD. Yes, it is an interesting comment. A couple of things, first of all. Kids can get harmed if they are left home alone. If they are left home alone and they are 7, 8 years old, after school, and there is nothing to happen for them. Kids can get harmed if there is no money for food and so they go hungry, whatever else. Kids can get harmed if they become the object of ridicule. There are many different ways in which kids can get harmed.

But, look, welfare reform is about helping kids. I have spent my life doing this. There is no harsher critic of the current welfare system than me. But there is also no one more firmly opposed to just simply withdrawing aid.

I believe there should be a different strategy, one that actually helps kids. How do you measure that, whether it helps kids?

Are the families working? Do they have more income? Is there more food on the table? Those things are all things that are about child well-being.

We can also measure using carefully designed developmental measures. But the bottom line is if you make life tougher for families, you are going to make life tougher for kids. You can measure it any way you want, but that is a simple matter.

Mr. STARK. Do you know, Dr. Ellwood, of any study that would indicate that by making economic deprivation part of a program, that it would encourage an adult to go to work? In other words, if you deny—we had this problem years ago on this Subcommittee where disabled people wouldn't want to risk going to work because they couldn't make enough money to cover the loss of medical in-

surance, and if you are disabled that is far more critical than it is for many people.

Do you have any academic or government study that would indicate that punishing children, denying them medical care, educational opportunity, denying them food or punishing adults by denying them food, that it increases the likelihood that they will go to work?

Mr. ELLWOOD. You may not like my answer because it is true that if you lower welfare benefits, you have a small increase in work, and you also end up with much more poverty. I think the wrong strategy for getting people to work is cut them off. I think the right strategy is to make the things feasible that people need; provide the child care, provide the training. Ultimately, if people can't find a job, even provide a job.

I think the problem with the welfare system is it is an alternative to work. Let's make it a part of a transition to work. That is what real welfare reform is about.

By the way, that was exactly the principle in your proposal, Chairman Shaw, of several years ago. The notion is we are trying to move people from welfare to work because that is what is best for kids and for families. I think everyone on this Subcommittee shares it. But what we are arguing about is how to make sure that both the States and the Federal Government do that, as opposed to use the much simpler strategy, simply cut them off and hope more people out of desperation find jobs.

Mr. STARK. Thank you very much, Dr. Ellwood.

Chairman SHAW. Mr. English.

Mr. ENGLISH. Thank you.

Dr. Ellwood, welcome. You may not be aware, but Jonathan Swift's writing, a modest proposal which the preceding speaker referred to, was actually a satire.

I would like to move out of the realm of satire and ask you a couple of questions specific to your testimony. I was intrigued that you had indicated in your testimony that you favor time-limited welfare benefits which for many is a very radical position. I applaud you for it.

You object, however, to a 5-year, time-limited benefit that is included in both the Governors' proposal and the conference proposal even, I presume, with the increase in the hardship exemption which is suggested by the Governors.

Can you suggest any Federal time limitation on welfare benefits that you would feel comfortable with and where should we go with this?

Mr. ELLWOOD. Let me be very clear. I favor time limits when after the time limit is reached, you say you must go to work, preferably in a private sector job, but if there is no job available, if someone says, look, I live in a very high unemployment area, if there is no job available and someone is willing to work for minimum wage and not even get the EITC, then it seems to me it is someone that is desperate.

I think providing them some sort of work at the end of that makes sense. Again, it was a proposal that came out of this Subcommittee some years back from the now Majority Members when they were in the Minority.

What I do not favor is simply ever saying arbitrarily at the end of 2 years, I am sorry, we don't care whether there are any jobs for you, we don't care whether your child is sick or what the rules are, it is too bad, that is the end of the line.

My statement is very simple. If you are going to block grants, if that is your proposal, why dictate to the States what their time limits ought to be. Why not say to them, if at the end of 5 years, you are in a big recession, you have got a huge problem, you need more than 20 percent, let them do that. There is no cost to you. Give the States extra money.

Mr. ENGLISH. The hardship exemption that is in there is, from your standpoint, inadequate?

Mr. ELLWOOD. I don't understand why you need the 5-year limit, but, yes, it is quite inadequate. Because there are going to be States and there are going to be times when 20 percent seems like a very small number.

Mr. ENGLISH. You also indicated that you would oppose block grants for food stamps under any circumstances. As I said before, that is out of the jurisdiction of this Subcommittee. But can you suggest any direction short of block grants that we could go in as part of an overall welfare bill to actually reform the Food Stamp Program, which I think you would have to agree badly needs reform?

Mr. ELLWOOD. I think there are some proposals that are before you that are good ones. I think coordinating benefits more closely makes some sense. I don't think if someone is penalized for failing to show up on a job or something else, on welfare, that their food stamp benefits should go up. I am comfortable with that kind of coordination. But what I do not think you ought to do is get into a situation where a State can simply decide no food for this family for whatever reason.

Mr. ENGLISH. Thank you.

Ms. Anderson, I understand the President's position is that if we move this forward this year and we are unable to pass a welfare reform bill, that the administration feels that we can continue to reform welfare at the State level simply by granting waivers. I wonder if you would comment on the consequences of that policy for California.

Ms. ANDERSON. It would be pretty devastating for us for a lot of reasons. The waiver process was never designed to create what the States are trying to do, which is to reform welfare. There are research and demonstration grants, which I talked about, which sets up, not necessarily change, but sets up research and demonstration for a short period of time. Five years is usually the maximum. In that you need to establish, like we have done in California, experimental groups, control groups. That doesn't get the States to the welfare reform or the change that they need, it just continues the relationship we now have with the Federal Government.

The other thing is that it is a very difficult process to get waivers from the administration.

Now, think about this; if it is really for a research and demonstration, if you have got four or five States out there already doing something and another State asked you to do it, why would you do it? Simply because, for what reason? We have already dem-

onstrated by saying in Massachusetts, Michigan, and Wisconsin, so why should we demonstrate it in California? It is the wrong vehicle for trying to get where we want to get, which is why I suggested that we not do that.

The other thing you have talked about was a partnership, Professor Ellwood talked about the States and Federal Government having the partnership. A partnership suggests some equality, and the relationship we have now has no equality in it. It is the Federal Government who is the sole owner and we are the operators of the system, but not necessarily the owners of the system.

So I suggest if we are talking about partnership, then we need to step up with a very different way in which the States and the Federal Government behave in this.

Mr. ENGLISH. Thank you for coming such a distance and making such a powerful case for reform. This is a very distinguished panel.

Thank you.

Chairman SHAW. Mr. Matsui.

Mr. MATSUI. Thank you, Mr. Chairman.

We all want reform. We know the current system needs help. Certainly the 1981 bill and the 1988 bill have some items in it that we probably should not have put in it. It resulted in many of these problems that we currently have at this time.

Ms. Anderson, let me ask you a question. You favor a 2-year time limit, is that correct? That is what the Governor has proposed.

Ms. ANDERSON. The Governor did not propose that. The Governor proposed, and I am informed we have on the table right now, 2 years for able bodied, and 5 years, in some cases, and no time limit in other cases, if you look at the proposal. You would find a different proposal for different people.

Mr. MATSUI. Thank you for that answer.

What about the fact that if there is no job available? What happens if one is able bodied? I understand in one of the provisions there is certainly no public service job.

Ms. ANDERSON. What we have found in our State, and you should know this—

Mr. MATSUI. I just want to know. If there is no job available, they are still cut off; is that correct?

If you could just answer my question. Is that correct?

Ms. ANDERSON. Yes.

Mr. MATSUI. Right.

Let me ask you this, because under the block grant proposal of the Governors, I understand from the Governors' budget that there will be a \$41 billion shortfall on child protective services, like foster care services, family preservation, independent living, adoption services.

I understand that you came up with 70 percent as a State match, and the counties put in the 30 percent. I don't know where the counties are going to get their money.

As you know, LA County just wanted about 200 million more dollars in health care from the Federal Government, which the President kindly gave them. Where they are going to come up with the additional money, I don't know.

But assuming then that these people are cut off and there is no job available after 2 years, and you need more money for foster

care because you are going to be cut back by \$41 billion a year, where are these kids going? Are they going on the list of homeless, or have you thought that through?

Ms. ANDERSON. We come from a different place than you do. We believe that the turning that we have seen in California even in the recession, there are jobs available and that in some of our most highly—

Mr. MATSUI. Ms. Anderson, what was the most successful program in California?

Ms. ANDERSON. Let me finish.

Mr. MATSUI. Wasn't it the Riverside County Program?

Ms. ANDERSON. That is the one that under the demonstration that was the most successful. But we have had other programs that have been more—

Mr. MATSUI. That is the most successful, though?

Ms. ANDERSON. That is the one under the administration.

Mr. MATSUI. What is the success rate? About 25 percent maximum, right?

Ms. ANDERSON. Right.

Mr. MATSUI. What is going to happen to the 75 percent of the people that don't have jobs?

Ms. ANDERSON. That is because the program didn't fund all of the people to go into the program. We have restructured it so that we take care of that.

Mr. MATSUI. You didn't take the Federal match under the Jobs Program because you couldn't do it, because you didn't have the money to do it because you were in the middle of a recession.

Ms. ANDERSON. Some of that is true. Some of it isn't. The way our GAIN Program is structured we really could not get to a larger number.

Mr. MATSUI. Dr. Ellwood, you mentioned something about the block grants. Can you tell me a little about your thoughts on the notion of the entitlement versus the block grant approach on AFDC benefits?

Mr. ELLWOOD. I think the thing to understand is it is an entitlement actually to the States, not to individuals primarily.

Mr. MATSUI. I know. Right now the block grants are entitlements to the Governors, but—

Mr. ELLWOOD. In some way it is. The State spends money and we will match it. One of the most critical features of that is the shared relationship. If the State spends more, they get a little more. They get more from the Federal Government, and if the States spend less, they will get less. Particularly in the Southern States, even a small cut can lead to a large loss in Federal dollars.

If you lower benefits 10 percent, you might lose a lot of assistance. There would be a lot of incentive to cut. The right thing to do when someone doesn't have a job is to find them a job. That is what you must do. The easy thing to do is just to ignore them.

If you have financial incentives lined up with that as well I am afraid there is a real, real danger. That is why the entitlement, which includes a guarantee that everyone is treated the same way as the State, has the match and has the capacity when times get bad to get additional dollars when you have a recession.

Those three elements make up the heart of the entitlement. You can do some of those in the block grant, but we are not doing them. I think the loss of entitlements is very serious.

Mr. MATSUI. Thank you.

Mr. Greenstein, there was mention of the rainy day fund, \$2 billion. There is no requirement that the States put up millions of dollars of effort. Will you please give me your thoughts on that?

Mr. GREENSTEIN. I think there are two problems there. The bill, as it stands, would require States to be at 100 percent of the 1994 level in order to access the fund. When there is caseload reduction and States would provide less money, which David and I are both saying, the savings ought to be shared between the Federal Government and the State anyway. If it is not, there are incentives to cut too much even beyond what normal caseload reduction would give you.

In a recession, caseloads increase. They don't go down, so the idea that States would be able to reduce their funding to 75 percent of the 1994 level while grabbing Federal contingency funds during the recession could effectively mean that during a recession the Federal contingency funds are in part replacing or supplanting State funds, and there isn't enough there to actually meet the needs of the additional numbers of families that become poor.

I think you add that to the fact that, I think here that the Governors had good intentions, that the trigger in their plan for when a State would qualify for the contingency funds is flawed, you could actually find States with significant increases in poverty and unemployment that don't meet those triggers.

Mr. MATSUI. Thank you.

Thank you, Mr. Chairman.

Chairman SHAW. Ms. Anderson, you were trying to answer some questions from Mr. Matsui that he was not allowing you to answer. Would you like to expand on any of those answers?

Ms. ANDERSON. Yes.

Chairman SHAW. You may use my time.

Ms. ANDERSON. Our work program at Riverside is called our GAIN Program. It is not designed to fully fund every person on AFDC in order to get them to work, therefore we have a lower amount of usage in terms of that program. The 25 percent is pretty high when you don't have very many people going through the program in the first place.

The second thing is our 2-year program has only been for adults. If the adult doesn't find work within a certain percent of time, we don't take the child off assistance. We take only the adult off assistance. The Governor has never stepped away from supporting children. It is supporting the adult that he begins to walk away from.

Thank you.

Mr. MATSUI. If the gentleman would yield.

Chairman SHAW. I will not yield. You did not even yield to the witness a while ago.

Mr. MATSUI. Will you yield to me, so—because the MDRC said that that is absolutely incorrect.

Chairman SHAW. The gentleman will be given time with the next round.

Mr. MATSUI. Can I ask her a question again?

Chairman SHAW. You could if you had allowed her to answer when you questioned her.

Mr. MATSUI. Can we go around a second time? We do need to get this out after all.

Chairman SHAW. Ms. Anderson, could I ask you a question? You have a distinguished career having worked both in Wisconsin and California, two States that I think are under excellent Governors who have led the way and have shown us very much in welfare reform.

Do you see, or would you contemplate a race to the bottom in the event that we were to pass the bill endorsed by the Governors?

Ms. ANDERSON. Not in my experience would Governors do that. I have also worked in Ohio. What you would see is, because the States are so different, they would respond very differently. That concern kind of—I know where it comes from, but I believe that as a nation we are not the same as we were in the fifties. We are a very different people, and I think what we have to have some confidence in is that the people in the States, if their Governors and their leadership did that, they would throw them out and they would get someone else. The same people that vote you in are the same people that vote the Governors and the legislatures in. Why do you think there would be a different kind of response to the Governors and the State legislature than there is to the Federal level?

So my view is I don't think you will see a race to the bottom. You will see different States responding to their different needs differently.

Chairman SHAW. As a matter of fact, wouldn't you anticipate a race to the top as to who could get people into the work force and out of poverty rather than paying them to stay in poverty as the existing system does?

Ms. ANDERSON. What I have seen the Governors do, as Governor Thompson said, is compete with each other to try to have a better program. I have seen more of that than I have seen the other. I also see a recognition on the part of Governors that what we are trying to manage isn't working, and trying to find something else other than what we are doing and what I believe the Governors are trying to do is manage a program that is very outdated.

I think what they have tried to put on the table is that when we need reform, we need change. We cannot continue to have this 60-year-old program govern how we deal with people in 1996 getting ready to go into 2000. We need to do something different. This is not working.

Chairman SHAW. Mr. Whitburn, you certainly also—seems everybody goes to Wisconsin to steal good people—you also have a distinguished career, and also are working under an excellent Governor, Governor Weld in Massachusetts, and you have been part of a most successful program. Do you anticipate any rush to the bottom, race to the bottom, as Dr. Ellwood referred to?

Mr. WHITBURN. Absolutely not, Mr. Chairman. I spent 6 years working in the U.S. Senate as well, and my experience across my career working for three different Governors and two different

States, and working here in Congress is that, frankly, the Federal Government should now get out of the way.

The rubber meets the road in these programs at the State, and in some cases, county levels. We have not seen a drive toward the bottom. As I mentioned earlier, in Massachusetts we are taking the money that we are saving in cash grants and we are investing elsewhere.

I think the argument is on base.

Chairman SHAW. Thank you.

Thank you. Thanks to the entire panel for being with us. You have given us enlightening testimony.

Thank you very much.

The final panel of witnesses, if they would come to the witness table and take their seats. Sharon Daly is deputy to the president for Social Policy of Catholic Charities, USA; Hon. Cardell Cooper, mayor of East Orange, New Jersey, and chairman of Health and Human Services Committee of the U.S. Conference of Mayors; Deborah Weinstein, director of Family Income Division of the Children's Defense Fund.

We will hear the witnesses in the order which I have called them with Sharon Daly being the first witness. Ms. Daly, you may proceed as you see fit. I assume we are in receipt of your prepared testimony.

**STATEMENT OF SHARON M. DALY, DEPUTY TO THE
PRESIDENT FOR SOCIAL POLICY, CATHOLIC CHARITIES USA**

Ms. DALY. Mr. Chairman, Members of the Subcommittee, thank you very much for this opportunity to testify on the welfare proposals advanced by the National Governors' Association. I want to first thank Mr. Stark for reading part of my testimony. If he would like to come back and read the rest, that would be fine or you, Mr. Shaw, you are very familiar with what the bishops and Catholic charities have been saying.

We appreciate this chance to clarify that regardless of what Mr. Shaw believes about the opponents of the Governors' plan, they are not all extreme liberals. We in the Catholic community are called extreme conservatives on other issues, and as you know, we are not liberals or conservatives, but we are consistent in Catholicism and our interpretation.

Catholic Charities USA is the national association of 1,400 local Catholic charities agencies and institutions that have 235,000 staff and volunteers, and last year served over 11 million people. People of all religions and of no religion and of every racial, social, and economic background come to us for help.

As Mr. Stark mentioned, last year many people were stunned by the vehemence with which the Catholic bishops and leaders of Catholic charity agencies rejected the welfare bills approved by the House and Senate. The opposition of Catholic leaders was not limited to just a few details, but to the philosophical basis undergirding the proposals.

In our Catholic view of human rights and dignity, government at all levels must play key roles in assuring that jobs are available for workers and adequate income is available to those who cannot be expected to work—the old, the sick, the disabled, and children.

As the bishops said in 1986, "As individuals, all citizens have a duty to assist the poor through charity and personal commitment, but private charity and personal commitment are not sufficient. We also carry out our moral responsibility by working collectively through government to establish just and effective public policies."

And with regard to poor families in our tradition, while parents have a responsibility to care for and financially support their children to the extent they are able, and because parents have that responsibility, they also have rights. They have a right to expect the government to provide conditions under which they can fulfill their responsibilities, and this means that government should promote full employment and make sure that assistance is available when parents cannot find jobs at decent wages. The Federal role is not to do everything itself, but to ensure, to guarantee that help will be available to those who need it. And that is exactly what the NGA proposal would undermine.

Let's look at that proposal in light of the moral obligation of government.

In our view, the NGA plan has four fatal flaws. First, it would repeal the Federal guarantee of protection for poor children and allow the States to turn their backs on poor families. The Governors' plan, like the congressional plan, repeals the individual entitlement for children's assistance when their parents are destitute, and it did not replace that right with a right to a job, training, or any other means for the parents to support their children.

By repealing the rights of children to Federal assistance, the Federal Government would begin to treat children after they are born as Federal law now treats children before they are born, as nonpersons, undeserving of Federal protection of their lives and dignity.

Just as we believe that the Federal Government should protect children from abortion, we also believe that the Federal Government should protect them from suffering and deprivation. We are consistent.

The second fatal flaw of the Governors' plan is that it would repeal the right of individual children to receive protection against abuse and neglect. Mr. Chairman, as you know, 22 States are under court order because of their failure to have adequate staffing or resources to protect children.

The New York Times reported recently that city workers had falsified records to hide the fact that children were lost in the foster care system for years without so much as a visit from caseworkers to determine if the children were alive or the foster homes even existed. Based on our decades of experience in nearly every State, children will be much less safe if Congress repeals their Federal rights to protection.

We see these cases close up when untrained and understaffed State and local welfare department staff fail to remove children from dangerous situations, fail to move for termination of parental rights, and fail to give families the help they need to stay together.

The third fatal flaw of the plan is that it retains the arbitrary and rigid time limits for welfare assistance. Let us be clear, Catholic Charities USA is in favor of work requirements as long as safe, affordable child care is available for the children. We believe that

it is important to encourage parents to work, but the Governors' plan does little to remove the obstacles now in the way of parents getting and keeping jobs. We think we should emphasize work for parents, but not to have time limits that would leave millions of children with no support, no help, and no hope.

We do not understand how this Nation could deny additional welfare assistance to children whose only crime is that after living on welfare for 2 or 5 years, their parents still can't find jobs.

Mr. Chairman, many have argued in this room that the churches and charities are going to pick up the slack when welfare time limits and other cuts are implemented. As you know, the churches and charities in large scale antipoverty work have all disputed that notion.

To get a sense of how much the churches and charities would have to make up of the slack, you can divide the total cuts in the House budget resolution in means-tested programs by the number of religious congregations in this country, that would leave each with a responsibility to raise \$2 million more over 7 years than they do now to make up for these cuts.

We think that the fourth fatal flaw in the Governors' plan is in keeping an option for the States to implement a family cap and denial of welfare to children of teenage mothers.

Mr. Chairman, as you know very well, the very small reduction in births to mothers on welfare in New Jersey, the only State where there is data, was accomplished in part, almost in half, by increasing abortions among women on welfare. We think that is unacceptable, and we believe you understand that argument. In our Catholic moral tradition, the end does not justify the means.

Mr. Chairman, just let me also say very briefly that we feel that immigrants who are going to be denied many, many Federal benefits under these programs should not be turned away when they are destitute. Under these programs not only would government agencies be turning away people, but private nonprofits would have to screen out immigrants, even legal immigrants and that would mean our churches and charities would be turning away Americans who could not prove their citizenship at the very time they show up homeless, hungry, and in desperate need of assistance.

Thank you very much for this chance to testify, Mr. Chairman.

[The prepared statement follows:]

**Testimony Regarding the Welfare Reform Proposal
of the National Governors Association**

**Presented to
Subcommittee on Human Resources
Committee on Ways and Means
United States House of Representatives
February 20, 1996**

**by Sharon M. Daly
Deputy to the President for Social Policy
Catholic Charities USA**

Thank you for this opportunity to testify before this Subcommittee on the recent welfare proposal of the National Governors Association.

Catholic Charities USA is the national association of 1,400 local Catholic Charities agencies and institutions with 234,000 staff and volunteers. Catholic Charities programs served over 11 million people in 1994. People of all religions and of no religion and of every racial, social, and economic background come to us for help.

Through home health care and Meals on Wheels, we help elderly and disabled people stay in their homes and out of nursing homes.

We resettle refugees from every part of the world and help them to become productive Americans.

We sponsor affordable housing for low- and moderate-income families and individuals.

We help to form families through adoption.

We keep families together through marital and family counseling.

We reunite families through services to refugees and immigrants.

We rebuild families torn apart by substance abuse or domestic violence.

We help families get back on their feet when floods, earthquakes, fires, plant closings or downsizings leave them jobless or homeless.

And over the past 15 years, our agencies have tried to cope with a steady increase in hunger and homelessness in their communities. In 1981, fewer than one million people came to our agencies for emergency food and shelter. By 1994, that number grew to over seven million people who received emergency help. For example, bags of groceries for 60 year old grandmothers; firewood for elderly couples; cots in shelters for runaway abused teenagers; meals in soup kitchens for minimum wage workers.

Our agencies and their staffs and volunteers are in this work for three reasons:

- a) our Catholic religious teaching and tradition which requires reaching out to the poor and vulnerable;
- b) the shocking and painful conditions suffered by so many of our brothers and sisters; and
- c) the needs of federal, state, and local government officials to contract for services with reliable, professional, efficient, and low-cost local partners for the delivery of essential services.

Much of the work of our agencies and institutions is work that Americans recognize as traditional government functions: foster care for abused and neglected children removed by

judges from their parents' homes; long-term residential care for children who are so mentally and physically handicapped that they cannot live with their families or who have no families; residential care for severely mentally ill youngsters.

Our agencies are reimbursed by government agencies under contracts to provide services that government would otherwise have to provide. As a result, over 60 percent of the cash revenues of our local agencies come from local, state, or federal funds. The balance is raised by the local churches and from fees paid by those who are able to pay for services.

Many people, including some Members of Congress, were stunned last year by the vehemence with which the Catholic bishops and Catholic Charities leaders rejected the welfare bills approved by the House and Senate. The opposition of Catholic leaders was not limited to a few details, but to the flawed philosophical basis of the proposals.

Our opposition to the National Governors Association plan rests on the same principles.

In our Catholic social teaching, the whole society, including the national government, has a responsibility to foster and to protect the basic human dignity of each and every person. Government has both a moral duty and a moral function to protect human rights and human dignity and to secure justice for all. In our Catholic view of human rights and dignity, government, at all levels, must play key roles in assuring that jobs are available for workers and that adequate income is available to those who cannot be expected to work: the old, the sick, the disabled, and children.

As the bishops said in their 1986 pastoral letter, *Economic Justice for All*,

"The responsibility for alleviating the plight of the poor falls on all members of society. As individuals all citizens have a duty to assist the poor through charity and personal commitment. But private charity and personal commitment are not sufficient. We also carry out our moral responsibility to assist and empower the poor by working collectively through government to establish just and effective public policies."

With regard to poor families, in our tradition, parents have a responsibility to care for and financially support their children to the extent that they are able. And, because parents have that responsibility, they also have the right to expect that government will create the conditions under which they can fulfill their responsibility. In our American context, in a complex global economy, this means that the national government should not only use economic and monetary policy to promote full employment, but that government must ensure that adequate assistance is available to those who cannot find jobs at decent wages. Families with children should have first claim to the resources of society and government when a lack of jobs or low wages keeps them from supporting their children.

Let's look at the National Governors Association welfare reform proposal in light of this moral obligation of government to ensure that adequate support is available for children through jobs for parents or a national safety net. In our view, the National Governors Association plan, like the congressional plan, has four fatal flaws:

- 1) *It would repeal the federal guarantee of protection for poor children, and it would allow the states to turn their backs on their obligations to poor families.*

The National Governors Association plan, like the congressional plan, repeals the entitlement for individual children to assistance when their parents are destitute, and it does not replace that right with a right to a job, or training for a job or any other means for the parents to support their children.

By repealing the rights of children to federal AFDC assistance and not replacing that right, the federal government would begin to treat children after they are born as federal law now treats children before they are born, as non-persons, undeserving of federal protection of their human lives and dignity.

As you know, the Catholic Church has long supported the human life amendment which would extend the protection of federal law to the lives of children before they are born. Just as we believe that the federal government should protect children from abortion, we also believe that the federal government should protect them from the suffering and deprivation of poverty.

- 2) *The second fatal flaw in the National Governors Association plan is that it would repeal the right of individual children to receive protection against abuse and neglect by their parents and caretakers. While the National Governors Association plan is better in many respects than the House bill with regard to the child protection programs, it would still permit states to evade their responsibility to individual abused and neglected children.*

As you know, Mr. Chairman, 22 states are under court order because of their failure to have adequate staffing and other resources to protect children. Recently the *New York Times* reported that in New York City, city workers falsified records so as to hide the fact that children were lost in the foster care system for years without so much as a visit from a case worker to determine if the child were alive or the foster home still standing.

We would never argue against reforms in the child welfare systems, but based on our decades of experience in nearly every state, children will be much less safe if Congress repeals their federal rights to protection.

We see these cases close up when untrained and understaffed state and local welfare departments fail to remove children from dangerous situations, fail to move for termination of parental rights to free children for adoption, and fail to give families the help they need to stay together in safety.

We get the burned and battered babies, the traumatized toddlers, and the seriously disturbed adolescents on our doorsteps, often too late to fully heal or comfort them.

Abused and neglected children are at the bottom of the priority list in state capitols. The right to go to federal court to compel states to protect children is critically important. If you repeal that right, outrageously inept and ineffective systems will become even more dangerous in the majority of states. Please do not wash your hands of these children.

- 3) *The third fatal flaw of the National Governors Association plan is that it retains the rigid and arbitrary time limits for welfare assistance that were included in the House bill. As you know, families could not receive cash assistance for more than five years (or two at state option) and states would have no responsibility for providing alternate assistance or jobs for the parents.*

Let us be clear. Catholic Charities USA supports reasonable work requirements for parents on welfare so long as safe, affordable child care is available. In our teaching, work is not punishment. Work is both a right and a reward. Work is the normal way we not only support ourselves, but it is also the primary way that adults participate in God's creation and in the life of their communities.

We would like to see more emphasis on work in welfare reform, but a positive emphasis. The governors' plan does little to foster work or to help create jobs, and it does not require states to take any action whatsoever to make sure that jobs are available.

Only a few states have pursued this path of creating jobs. Oregon, for example, with federal waivers, is subsidizing real jobs with private employers by combining AFDC and Food Stamps benefits as subsidies for new jobs for former welfare recipients. Real jobs, real paychecks, that's real welfare reform.

Emphasizing work for parents, however, should not mean requiring single parents to work full-time, as in the governors' plan. Children need more from their parents than financial support. We do not believe that government should set a standard of full-time work for parents. The work of parents inside the home is also critically important.

Moreover, requiring 35 hours per week of work in exchange for a welfare check of \$500 per month would make a mockery of the minimum wage and would be exploitative.

In addition, adopting rigid lifetime limits on welfare would be wrong and dangerous. Rigid and arbitrary time limits would leave millions of children with no support, no hope, no help. We cannot understand how this nation could deny additional welfare assistance to children whose only crime is that, after living on welfare for a total of two years or five years, their parents still can't find jobs.

Some policy-makers have argued in this room that the churches and charities will pick up the slack when welfare time limits and other budget cuts are implemented. However, the churches and charities that are in large-scale anti-poverty work (Catholic Charities, the Evangelical Lutheran Church, the Salvation Army, the Jewish Federation, Family Service America, the United Way and many others) have all disputed that notion.

Charities and religious organizations are already reeling under the combined assault of federal, state, and local budget cuts and increasing poverty and need for assistance. This Subcommittee's recommended cuts are only one part of a big, ugly picture of anticipated cuts in food, housing, health care, and emergency services.

To get a sense of just how much "slack" the charities and religious groups would have to pick up, we divided the total amount of federal cuts in means-tested programs for the poor by the total number of churches, synagogues and mosques that are big enough to at least have a telephone listing.

Over seven years, the total cuts would amount to almost \$2 million per religious congregation. That's \$2 million more that they would have to raise (over and above what they raise now) for their buildings, staff, services and programs for the poor. It's no wonder that religious leaders across the nation have denounced this idea that they can make up for the federal abandonment.

- 4) *The fourth fatal flaw in the National Governors Association plan is that it retains the ill-advised policy denying aid to children born to teenage mothers and to mothers already on welfare. While the National Governors Association plan does not require states to adopt these dangerous policies, it would permit all states to go down this road without federal oversight or any effort to learn what the outcome will be of these cruel policies.*

As you know, New Jersey is the only state with data on the result of a "family cap" policy. The Catholic bishops and Catholic Charities have repeatedly opposed the "family cap" on principle as well as on the empirical evidence.

Despite all the hoopla a year ago, a careful review of New Jersey's data shows only a 10 percent decline in births to welfare mothers, and no difference at all between birth rates of those subjected to the "family cap" versus those who knew they would receive additional cash payments for their additional children.

Moreover, while births to welfare mothers were declining by about ten percent, Medicaid-financed abortions for welfare mothers in the state increased by about four percent. That means that almost half of this decrease in births is attributable to some women having abortions they would not otherwise have had without a "family cap" policy.

Imagine for a moment a group of 100 mothers on welfare who might become pregnant this year. Based on the New Jersey experience, of the 100 women, only six will take effective steps to prevent conception, four will have abortions, and 90 will have children anyway who will be even poorer and more deprived than under current policies. Four children aborted, 90 children born into worse poverty, six not conceived. Is this an acceptable outcome for public policy?

While we have been disappointed that the Clinton Administration continues to grant additional state waivers for the "family cap," we are shocked that some "pro-life" Members of Congress continue to support a policy which has led to abortions that would not otherwise have occurred.

In the Catholic moral tradition, we do not believe that the ends justify the means. Reducing out-of-wedlock births is an important goal, not just among welfare mothers, but in all social and economic classes, yet we cannot condone policies that will make some children pay with their lives in the hopes that some other children will not be conceived.

While no data is yet available on the potential impact of a ban on welfare aid to children of teenagers, our agencies have many decades of experience in helping teen parents finish school, find and keep jobs, and become good parents. We feel strongly that states should have to provide for these children but not in the form of welfare checks for teenagers. For two and one half years, we have argued for keeping teen mothers and their children eligible for welfare, but that the payment should go to responsible adults or agencies that will ensure that the teens are in school or preparing for work.

We should not allow states to forget about these very young mothers and babies. It's wrong to give them a check and leave them alone, and it's equally wrong to deny them a check and leave them alone. In our experience, most teen mothers are the victims not of passion, but of exploitation and abuse. These girls need to be rescued and protected, rather than lectured and shamed.

No institution in the United States is tougher on sex outside marriage than the Catholic Church. If there were convincing evidence that irresponsible sexual behavior could be curbed by the "family cap" or denial of aid to teenagers without causing worse problems, we would be first in line to advocate those policies.

Before closing, I would just like to say a word about assistance for immigrants. Apparently the governors could not reach consensus on the treatment of legal immigrants in federally funded programs. In the religious community, however, I believe there is a consensus. Religiously affiliated groups that receive federal funds are alarmed by provisions in the welfare, reconciliation, and immigration bills that would not only make immigrants ineligible for most federally-supported programs, but would require private non-profit agencies to screen their clients for citizenship and immigration status.

We can only imagine what new bureaucratic nightmares will face public agencies such as housing authorities, welfare departments and school systems if they have to make eligibility and benefit decisions based on the highly complex and confusing vagaries of immigration law. They have our sympathy.

What we cannot imagine is how local churches, charities, shelters, soup kitchens, and day care centers will be able to meet the requirements of the proposed changes in the law. How will homeless shelters or shelters for battered women turn people away because in their pitiful plastic garbage bags, containing only a few possessions, there is no birth certificate? Battered women seldom appear at our offices with any kind of documents because they are running for their lives. If we are forced to screen for citizenship or legal residence, many native-born Americans could be turned away.

Moreover, our religious traditions do not allow us to turn away people in need. From the Hebrew Scriptures through the New Testament, we are commanded to "welcome the stranger." I believe the religious groups will continue to serve immigrants through private donations, so if the goal is to discourage illegal immigration or even legal immigration by poor people, this tool of public policy will fail.

But the necessity to hire and train staff to screen for immigration status and to keep records showing that no federal money was used to help the ineligible immigrants and to provide separate programs will hamstring the very private agencies that Congress is relying on to help the poor. At the least, non-profits and religious groups will have to become more like the bureaucracy at the welfare departments. At the worst, some American citizens will not get the help they need because of the expense of implementing these new requirements.

There is one element of the National Governors Association plan that we can endorse wholeheartedly: limiting cuts in the Earned Income Credit to not more than \$10 billion over

seven years. Scaling back both eligibility and the amount of the credit (as in the reconciliation bill) would punish the very families that can be role models for families on welfare. Our agencies work with many of those families earning \$18,000 to \$25,000 per year who earn too much for Food Stamps or Medicaid, don't get health insurance through their jobs, and aren't eligible for subsidized child care. These same families earn too little to take full advantage of the dependent care credit and are not eligible for the home mortgage deduction. Even with the most frugal and careful budgeting, these families are always falling behind. Cutting their EIC sends the wrong signal to them and to families on welfare, a signal that the game of life is rigged against people who work hard all their lives at low wages.

And work is the key to welfare reform.

As Pope John Paul II said in his very first encyclical *On Human Work*, "work is the key to the whole social question."

For more than a year, the welfare debate has focused almost exclusively on personal responsibility, with hardly a mention of social responsibility. The Catholic church, from the Pope on down through the bishops, teaches that government must respect and guarantee that individual rights are respected, including the right to "suitable employment for all who are capable of it," to just and adequate wages, and to social welfare benefits when jobs are not available or people are not able to support themselves and their families. Government does not have to do everything, but the national government's role is to ensure that the minimum standards are available to all: jobs, food, housing, health care, education.

This has never been more necessary or more important than now when the pressures of a global economy and a world-wide social upheaval are undermining traditional values in the marketplace as well as in the home.

Thank you for the opportunity to share our views on the National Governors Association plan. Our 1,400 local agencies stand ready to show to Members and staff of this Subcommittee the kind of work we do and introduce you to the people we serve.

Chairman SHAW. Mr. Cooper.

STATEMENT OF HON. CARDELL COOPER, MAYOR, EAST ORANGE, NEW JERSEY; AND CHAIRMAN, HEALTH AND HUMAN SERVICES COMMITTEE, U.S. CONFERENCE OF MAYORS

Mr. COOPER. Chairman Shaw, Members of the Subcommittee, I am Cardell Cooper, mayor of East Orange, New Jersey, and chair of the Health and Human Services Committee of the U.S. Conference of Mayors.

I am pleased to have this opportunity to appear before you today to discuss the National Governors' Association welfare reform proposals.

First, on behalf of the U.S. Conference of Mayors, let me commend the National Governors' Association for developing a bipartisan compromise proposal on both welfare reform and Medicaid reform.

Crafting bipartisan solutions to problems is something we are accustomed to doing as part of the national organizations of Governors, mayors, and other elected officials. It would be a dream come true if we could do that in other political bodies representing us in this country.

There are several aspects of the Governors' proposal which clearly improve on the welfare reform passed by Congress last year. The increased funding for child care will help move people from welfare to work. The flexibility proposed for meeting work requirements is a great improvement over earlier rigid provisions. Increasing the hardship exemption from 15 to 20 percent of caseload will ensure assistance to more poor children.

Converting child welfare, family preservation, and child abuse prevention and treatment to an entitlement child protection block grant should increase availability of these critical services to children who need them.

But the Governors' proposal falls short of protecting the needs of our most vulnerable citizens, especially our children. Among our concerns, the proposal repeals the basic entitlement of poor children and families to income assistance. It compromises the entitlements of food stamps by allowing States to establish block grants and make deep cuts of 26 billion dollars' worth in the Food Stamp Program.

In addition, unemployed adults not raising minor children would be thrown off the Food Stamp Program after 4 months even if they have not been offered a job.

It provides States the option to convert funding from foster care, adoption assistance, and independent living from an open-ended entitlement to capped entitlement. This could mean children in need of such services might not receive them.

It retains the weak maintenance of effort provisions in the conference agreement and thus allows the States to cut their share by 25 percent, \$28 billion in the system overall in 7 years, without being penalized.

It cuts the earned income tax credit that helps make work pay by as much as \$10 billion.

It is silent on immigrant assistance provisions in the conference agreement, which would penalize many newcomers, shift considerable costs to local governments, and create an administrative nightmare for program operators.

While the mayors believe our welfare system must be reformed, and while we appreciate the bipartisan effort Governors have made, we urge you to reject welfare reform proposals that do not alleviate concerns identified here. Like the welfare reform legislation which passed the Congress, the Governors' proposal would penalize many low-income children and their families, at the same time shift costs and liability to local governments and create new unfunded mandates for them.

What sort of welfare reform would we support? The Conference of Mayors has a substantial body of adopted policies on welfare reform. It is grounded in the individual's entitlement to basic income assistance. Our basic principles for welfare reform are the availability of jobs which pay a living wage, health care coverage, child care; provisions which encourage fathers to assume responsibility for providing both financial and emotional support for their children; welfare benefits sufficient to maintain a standard of living comparable with health and well-being which remain available for a period of time determined by the clients' need rather than some arbitrary time limit; and a system based on incentives rather than punitive measures.

I am submitting for the record an attachment which contains the welfare reform policy package adopted by the U.S. Conference of Mayors since 1993. I trust this will provide the needed details of the basic principals I have outlined today.

I would like to point out that in this great Nation that we live with the responsibility of being the greatest Nation on Earth, we have the basic responsibility of assuring there is a social safety net available for people who cannot help themselves. There is no doubt, the debate need not continue as to whether to reform welfare because we all agree that the system needs to be reformed. But at no point do we agree it needs to be dismantled on the backs of those who can do very little to help themselves. The responsibility of the government to embrace these people is part of the overall American dream.

I have been here before, and I have told my story to this body. I come from a family of 11 boys, raised in the inner city of Newark, New Jersey, a mother and father who did not make it in marriage, but a mother who had to raise her children and the only alternative she had was welfare.

That does not make us hardened criminals, unable to get an education. That does not make us nonproductive citizens.

I believe we want to see the successes of people who have, again, been given a hand up. My brothers have gone on to serve this Nation in the U.S. military and to accomplish great things in their lives. But for a social safety net that would not have been possible.

I do believe we have constructive responsibility in this country not to look the other way and simply say that those who we can no longer afford to take care of are no longer part of the American mainstream.

The question I raise is once we implement welfare reform, where do these people go? Do they leave America? I think not. They remain in our cities with no hope and no help.

Where do these people go in terms of jobs? Let me just raise this issue. The government here has downsized and rightsized. Major corporations are downsizing, rightsizing, and eliminating workers every day. Skilled workers with education, with basic degrees and years of experience are out of work.

We say that the end result of welfare reform is to put people to work. If we are going to put people to work, we must have the basic ability to create jobs where people can go to work. And if they go to work, they have to be given a fair opportunity to have child care for their children. They have to be given a fair opportunity to have decent health care so they can maintain a health status which is acceptable in this great country. As you can see, there are many debates that can rage on the principles, but clearly we all agree that welfare reform is necessary.

But I think we can simply not divide ourselves over this notion that those in this Nation who are most in need, will be neglected at the expense of saving money. Rather, we should come up with the best welfare reform, not in terms of what savings it achieves, but in terms of assuring that those who are destitute are not hurt by tearing a hole in the bottom of the safety net that was created in this great country.

I close by saying the Conference of Mayors, in its bipartisan effort, Democratic and Republicans, have worked very, very hard. Chairman Shaw, I believe you came to one of our meetings and we had a discussion of what the mayors felt would be adequate in terms of us moving toward welfare reform.

At no point have we altered our commitment to suggest welfare reform should happen, but at no point have we deviated from our belief that the social safety net should not have a gigantic hole cut in the bottom of it to have people fall by the wayside day in and day out. The reason we have not changed is that the dollars we are talking about saving would be miniscule in terms of what would be needed to repair the damage that will result from creating such a hole in that safety net.

I hope this Subcommittee, as you ponder the Governors' recommendations, will take into consideration that the people in this country who cannot afford luxuries everyone in America would like are still productive Americans who believe in this country, who want their children to have an education, want their children to be safe, and believe that one day their children will have an opportunity as I and many others have had to have a safety net there and come back and do something great for their country.

I would hope you take this under advisement, and the Conference of Mayors certainly stands prepared to continue a dialog with you and to not only make recommendations, but to roll up our sleeves and work alongside the administration and this Congress to come to agreement on welfare reform the right way so we give people a hand up as opposed to a handout.

[The prepared statement and attachment follow:]

**STATEMENT OF CARDELL COOPER
MAYOR, EAST ORANGE, NEW JERSEY
THE U.S. CONFERENCE OF MAYORS**

Chairman Shaw, members of the Committee, I am Cardell Cooper, Mayor of East Orange and Chair of the Health and Human Services Committee of The U.S. Conference of Mayors. I am pleased to have the opportunity to appear before you today to discuss the National Governors' Association's welfare reform proposals.

First, on behalf of the Conference of Mayors, let me commend the National Governors' Association for developing bipartisan compromise proposals on both welfare and Medicaid reform. Crafting bi-partisan solutions to problems is something we're accustomed to doing as members of national organizations of governors, mayors and other elected officials. Would that this were true for all organized bodies of political leaders.

There are several aspects of the governors' proposal which clearly improve upon the welfare reform legislation passed by Congress last year. The increased funding for child care will help to move people from welfare to work. The flexibility proposed for meeting work requirements is a great improvement over the earlier, rigid provisions. Increasing the hardship exemption from 15 percent to 20 percent of the caseload will ensure assistance to more poor children. Converting child welfare, family preservation and child abuse prevention and treatment programs to an entitlement Child Protection Block Grant should increase the availability of these critical services to children who need them.

But the governors' proposal falls far short of protecting the needs of our most vulnerable citizens, especially our children. Among our concerns:

- * The proposal repeals the basic entitlement of poor children and their families to income assistance.
- * It compromises the entitlement status of food stamps by allowing the states to establish block grants, and it makes deep cuts -- approximately \$26 billion worth -- in the food stamp program. In addition, unemployed adults who are not raising minor children would be thrown off food stamps after four months, even if they have not been offered a job.
- * It provides states the option to convert funding for foster care, adoption assistance and independent living from an open-ended entitlement to a capped entitlement. This could mean that children in need of such services might not receive them.
- * It retains the weak maintenance-of-effort provisions contained in the conference agreement, thus allowing states to cut their share of welfare funding by 25 percent (\$28 billion from the system over seven years) without being penalized.
- * It cuts the Earned Income Tax Credit, which helps to make work pay, by as much as \$10 billion.
- * It is silent on the immigrant assistance provisions in the conference agreement which would penalize many newcomers, shift considerable costs to local governments and create administrative nightmares for program operators.

While the nation's mayors believe that our welfare system must be reformed and while we appreciate the bi-partisan effort the governors have made, we urge you to reject any welfare reform proposals which do not alleviate the concerns I have identified. Like the welfare reform legislation which passed the Congress, the governors' proposal would penalize many low income children and their families and, at the same time, shift costs and liabilities to local governments and create new unfunded mandates for them.

What sort of welfare reform would we support? The Conference of Mayors has a substantial body of adopted policy on welfare reform. It is grounded in an individual's entitlement to basic income assistance. Our basic principles for welfare reform are:

- * the availability of: jobs which pay a living wage, health care coverage and child care;
- * provisions which encourage fathers to assume responsibility for providing both financial and emotional support to their children;
- * welfare benefits sufficient to maintain a standard of living compatible with health and well-being, and which remain available for a period of time determined by the client's need rather than an arbitrary time limit;
- * a system based on incentives rather than punitive measures.

I am submitting for the record an attachment which contains the welfare reform policy adopted by The U.S. Conference of Mayors since 1993. I trust this will provide the needed details on the basic principles I have outlined here today.

I would like to close with a statement adopted last month in Washington during the Winter Meeting of The U.S. Conference of Mayors. Part of our National Agenda for America's Communities, the statement reads: "Every American has the right to income support, adequate and affordable housing, and basic nutrition and health care. The federal government must maintain responsibility for assuring that these basic needs are met for every citizen, particularly children, elders and the disabled."

A responsible federal government will embrace these responsibilities. Welfare reform which fails to meet them will fail the nation.

Adopted 1995

WELFARE REFORM

WHEREAS, there is a widely acknowledged need to reform the current welfare system; and

WHEREAS, the transition to self-sufficiency relies on the critical relationship between welfare reform, the development of workforce skills, and the creation of jobs; and

WHEREAS, the development of workforce skills requires that adequate training is provided that will be relevant to the jobs available before entrance into the workforce and that these employment opportunities are meaningful and provide a living wage, and that child care, health care, and other necessary services are provided; and

WHEREAS, to ensure that reform of the welfare system will be effective, job creating, whether public or private sector, must be a vital part of the equation to ensure that those who cannot find work have opportunities to find employment; and

WHEREAS, existing employment and training activities such as the Job Training Partnership Act (JTPA) have proven to be critically important to helping disadvantaged adults and at-risk youth and the resulting public/private relationship that is key to JTPA and the JOBS component of the current welfare system; and

WHEREAS, an effective and efficient service delivery system for welfare clients must be customer-oriented and have a universal, performance-based accountability system that monitors the acquisition of skills and attainment of jobs and economic self-sufficiency,

NOW, THEREFORE, BE IT RESOLVED that The United States Conference of Mayors believes there is a critical link between welfare reform and the development of workforce skills to ensure long term employment, increased and relevant skill levels, economic self-sufficiency, and the development of jobs; and

BE IT FURTHER RESOLVED that steps to ensure success for economic self-sufficiency and long-term employment of welfare clients requires that adequate training for the development of workforce skills be provided before these individuals are entered into the workforce for meaningful employment opportunities that provide them a living wage; and

BE IT FURTHER RESOLVED that job creation, whether private or public, must be a vital part of the reform effort in order to ensure employment opportunities for those transitioning out of welfare; and

BE IT FURTHER RESOLVED that any education, training, and job placement programs targeted to welfare recipients should be coordinated with existing workforce development activities such as JTPA and its business/government partnership and the JOBS component of the current welfare system; and

BE IT FURTHER RESOLVED that the coordination and consolidation of such existing employment and training activities will include reciprocal sharing of resources and consolidating administrative procedures to ensure streamlined and non-redundant service delivery structures and not merely a reduction in funding; and

BE IT FURTHER RESOLVED that mayors and local boards be recognized as partners and are an active part of planning, designing, and implementing job training and job creation services to meet the needs of the local welfare recipient; and

BE IT FURTHER RESOLVED that all workforce development programs that impact the workforce training system at the local level, including welfare reform, should be customer-oriented rather than process-oriented with a universal performance-based accountability system that measures the acquisition and retention of non-subsidized employment and transition out of the welfare system to economic self-sufficiency; and

BE IT FURTHER RESOLVED that federal resources must be sufficient to implement job training and integrate welfare recipients into viable jobs.

Resolution Adopted by the Executive Committee
at the 63rd Winter Meeting, January 26, 1995

JOBS, EDUCATION AND THE FAMILY

1. The U.S. Conference of Mayors adopts as its policy the recommendations which were developed at the officially-designated Pre-White House Conference on Aging convened by The U.S. Conference of Mayors January 19. These recommendations will be forwarded as official policy of the Conference of Mayors to the White House Conference on Aging, which is scheduled for the first week in May.
2. The U.S. Conference of Mayors reaffirms the Conference's support for Americorps and other national service programs and calls for future funding for these programs to be maintained at least at current levels. Cities should be directly involved in utilization of Americorps and direct recipients of funding.
3. The U.S. Conference of Mayors categorically opposes repeal of the entitlement status of benefit assistance programs such as AFDC, Food Stamps, child nutrition programs, Medicaid, foster care, child support enforcement or Supplemental Security Income. Should entitlement status be repealed, continued federal funding for these programs would no longer be guaranteed and individuals who qualify for assistance are no longer assured of receiving it. The burden for assisting these people would likely be shifted to local governments and charitable and non-profit organizations.
4. The U.S. Conference of Mayors opposes consolidating food assistance programs into a block grant to the states. Key food assistance programs, such as Food Stamps, WIC and child nutrition, would be repealed by such a block grant. Many low income city residents would lose vitally needed assistance, shifting the burden to local governments and charitable and non-profit organizations.
5. The U.S. Conference of Mayors reaffirms its support for an increase in the minimum wage.

ADOPTED JUNE 1994

JOBS, EDUCATION AND THE FAMILY

WELFARE REFORM

WHEREAS, it is generally acknowledged that the nation's welfare system is badly in need of reform; and

WHEREAS, welfare reform should be based on the following principles:

- Preventing individuals from needing public assistance, both through long-term solutions, such as teen pregnancy prevention and education reform, and by targeting the needs of certain populations such as young people;
- serving as a transition to self-sufficiency by assuring that adequate training is provided that will be relevant to the jobs that are available, that there are enough jobs which provide a living-wage, and that child care, health care and other necessary services are provided;
- Supporting two-parent families by removing programmatic disincentives for families to stay together and identifying non-custodial parents, promoting their responsibility and payment of child support, and providing them training and employment assistance;
- Not changing the system at the expense of the children's well-being;
- Providing necessary additional federal resources so that costs are not shifted to state and local governments;

WHEREAS, the Clinton Administration has engaged in an extensive effort to develop a welfare reform proposal which is soon to be announced and which is intended to "end welfare as we know it;" and

WHEREAS, the Administration's welfare reform proposal has four basic principles:

- Preventing teen pregnancy and promoting parental responsibility;
- Making work pay/child care;
- Transitional assistance followed by work; and
- Reinventing government assistance.

NOW, THEREFORE, BE IT RESOLVED that The U.S. Conference of Mayors supports the framework of the Clinton Administration's welfare reform proposals and its four basic principles; and

BE IT FURTHER RESOLVED that The U.S. Conference of Mayors recognizes the critical relationship of welfare reform to health care reform and the importance of accomplishing both as quickly as possible if we are to address many of the nation's basic social problems; and

BE IT FURTHER RESOLVED that the U.S. Conference of Mayors has identified several areas of concern in the Clinton Administration's welfare reform proposals, in particular several provisions relating to transitional assistance followed by work and promoting parental responsibility; and

BE IT FURTHER RESOLVED, that The U.S. Conference of Mayors supports the Clinton Administration's proposal for transitional assistance of up to two years followed by work, but believes that it should provide extensive education and training services to help recipients support themselves and their families, thereby reducing their chances of returning to the welfare system; and

BE IT FURTHER RESOLVED, that these services be channeled through the existing employment and training systems that currently provide workforce development services, and that mayors be recognized partners and play an active role in planning, designing and implementing these employment and training services to meet the needs of local welfare clients.

BE IT FURTHER RESOLVED that the Conference of Mayors believes that community service jobs developed through the Work Program should be seen as important jobs, not jobs of last resort, and that they are a way of addressing identified community needs. Specifically:

- Mayors and other local government officials need to be actively involved in identifying the jobs to be done and the agencies administering them. Job creation and identification as well as training activities should be coordinated with existing employment and training activities, in particular with Job Training Partnership Act programs and Private Industry Councils.
- The jobs should be structured in such a way that long term job slots are created which different recipients may move through so that the administering agency can have confidence that the job will continue to be performed even after a recipient is moved into a private sector job.
- The jobs should provide pay and benefits equal to other workers doing the same work, without displacing current workers and jobs.
- Persons in subsidized Work Program jobs should be eligible for Earned Income Tax Credit benefits. This is necessary to send the message that work pays, and that these are important jobs. It also means that the recipient will be more likely to maintain a decent standard of living during the period he or she is in a community service job.
- Exceptions to the requirement that an individual must work after two years of transitional assistance should recognize individual needs.
- The two-year limit should not apply for the lifetime of the recipient. The program must recognize that future circumstances may require an individual to need welfare assistance again; and

BE IT FURTHER RESOLVED, that while The U.S. Conference of Mayors believes that both parents should be responsible for both the financial and emotional support of their children, some of the provisions under promoting parental responsibility raise concern:

- While it is agreed that a much greater effort should be made to establish paternity and hold the father as well as the mother responsible for the child, the requirement of naming potential father's should not constitute an invasion of the mother's privacy.
- States should not be allowed to impose a family cap on welfare recipients because a family cap is not a disincentive to having additional children, and merely punishes those children.
- We support the requirement that minor parents live with a parent or another responsible adult, but there must be assurances that the arrangement is in the best interests of the mother and the child (i.e. that the minor parent not be deprived by the adult of the benefits received, that the home provide a safe environment and that needed services be available); and

BE IT FURTHER RESOLVED, that The U.S. Conference of Mayors opposes the three types of entitlement cuts currently being discussed to finance welfare reform:

- Denying SSI, AFDC and Food Stamp benefits to non-citizen recipients who have been in the country less than five years
- Capping the AFDC Emergency Assistance program
- Means-testing the child care feeding program; and

BE IT FURTHER RESOLVED, that The U.S. Conference of Mayors commends the Clinton Administration for the extensive and open consultative process in which it engaged during the development of its welfare reform proposals.

ADOPTED JUNE 1993

WELFARE REFORM

WHEREAS, it is generally acknowledged that the nation's welfare system is badly in need of reform; and

WHEREAS, welfare should serve as a transition to self-sufficiency and should encourage family stability and responsibility; and

WHEREAS, the existence of meaningful employment opportunities, health care coverage and child care are critical to the success of welfare reform; and

WHEREAS, effective federal welfare policy should be based on incentives rather than punishments,

NOW, THEREFORE, BE IT RESOLVED that The U.S. Conference of Mayors believes that any welfare reform proposals must include:

- o the availability of jobs which pay a living wage, health care coverage, and child care;
- o provisions which encourage fathers to assume their responsibility for providing both financial and emotional support to their children;
- o welfare benefits that are sufficient to maintain a standard of living compatible with health and well-being and which remain available for a period of time determined by the client's need rather than an arbitrary time limit;
- o a system which is based on incentives rather than is punitive in nature; and

BE IT FURTHER RESOLVED that as the Administration develops its welfare reform proposals mayors and other city officials be involved in the process to the maximum amount possible so that the concerns of cities and their residents will be taken into account.

Chairman SHAW. Ms. Weinstein, please.

**STATEMENT OF DEBORAH WEINSTEIN, DIRECTOR, FAMILY
INCOME DIVISION, CHILDREN'S DEFENSE FUND**

Ms. WEINSTEIN. Good afternoon, I am Deborah Weinstein, director of the Family Income Division of the Children's Defense Fund, and I thank you for the opportunity to testify and for your patience.

We have heard a lot about maintenance of effort and State match and flexibility. I would like to tell you a little bit about some people I know, some people who would be directly affected by what you are considering today.

I would like to tell you about Ellen and her 13-year-old daughter, Suzie. I am changing their names to protect their privacy. They have been on welfare, and they have recently gotten off. Ellen left her alcoholic husband after years in which she was beaten and abused. When they could no longer hope things would be better, Ellen and Suzie needed welfare so they could escape this violent and destructive relationship.

They went on and off welfare with Ellen working when she could, using child care when she could get it. Ellen has had to overcome deep feelings of inadequacy, has had bouts of anorexia, and a serious and painful kidney condition. But because she wanted desperately to get off welfare, she resolved to find the training and business courses she needed to compete for a job that would provide the essential health benefits that would enable her to survive.

She took courses, she volunteered doing office work to build up a resume that would make her competitive, and even though she had health setbacks, she has been tenacious and I am glad to report she has found a job and that she has been working for the past month. And it has health insurance.

Ellen and Suzie were on welfare for more than 5 years. The Children's Defense Fund opposes the National Governors' Association welfare proposal because it would make life harder for millions of real families like Ellen and Suzie. The Governors' proposal is in its essential elements the same as the welfare bills that were vetoed by the President.

We oppose all these because they would abandon federally guaranteed protections for children, and would leave them more poor. As in the vetoed welfare bill, the Governors' proposal ends the Federal assurance that all needy children and families will be able to receive cash aid, and it replaces it with a block grant that will not respond, as you have heard, to growing needs.

Our concern is not hypothetical. Over the last 50 years recessions have averaged one every 5 years. There is no estimate of the increased costs of a recession in any of these proposals. You know that the contingency fund proposed by the Governors, while better than what was in the conference bill, would only have covered one-third of the increased Federal spending in the recession of the early nineties.

In that recession would Ellen and Suzie have been placed on a waiting list as they sought to escape domestic violence? Or if they were already on welfare, would they have experienced an across-the-board cut in their already low benefits?

Or would they be subject to a shorter time limit to save the State money whether a job was available for them or not?

The Governors' proposal promises State governments much and poor children very little. You have heard about the spending cuts allowable for State governments—25 percent below prior levels without penalty—that the proposal cuts food stamps more than the Senate bill did, and makes food stamp block granting optional.

In these key respects, the NGA proposal is more harsh than the Senate-passed bill and that bill was estimated by the Office of Management and Budget to create 1.2 million more poor children. That estimate is conservative because it has not considered the effects of recession and it assumes that States will make no cuts.

We are very pleased about the \$4 billion in increased child care, but even here, as you have heard, the proposal may instead exchange a \$4 billion pot with State funding requirements for a \$4 billion pot with no strings.

And even in the area of abuse and neglect, the Governors' proposal chooses the freedom to move Federal money around even if it means accepting limited funding for child protection.

The Governors would allow States to opt for block grants, for adoption assistance and foster care, ending the guarantee that children who cannot remain safely at home will be appropriately placed.

In seeking more flexibility to run programs, the Governors have not sufficiently considered the grave cost of making millions of children more poor. Children who were poor face triple the risk of poorer health compared to nonpoor children. Health and other risks lead poor children to be twice as likely to drop out of school as a middle-income youth. Poverty matters. If you are a poor child, you are more likely to drop out whether you are black or white, whether you live with one parent or two.

These children are less likely to compete effectively for jobs when they grow up, and their losses are ours in terms of losses to the economy.

While we oppose the Governors' proposal, that does not mean we favor the status quo. True reform must encourage work by providing tools such as child care and effective education, training and job placement programs. The Governors' plan, like Congress' welfare bill, would have made the training that led to Ellen's job virtually impossible.

Real reform must also abolish the rules that make it harder for two-parent families to stay together and improve child support collection when parents must separate.

True reform supplements earnings of very low-wage workers, easing the transition to work. True reform ensures continued health coverage for families who leave welfare for work. There is no assurance in the Governors' proposal that that would be the case.

States can have more flexibility to carry out real reform without giving up essential Federal protections for children. Block grants are rigid, not flexible. It is possible to strike a good balance between State flexibility and accountability.

We ask that the Governors' proposal be subjected to that principle applied to the medical profession, first do no harm. By adopting the provisions in the earlier bills that would plunge millions of children into deeper poverty, we are sorry to say that the welfare proposal of the NGA fails this test.

Thank you.

[The prepared statement follows:]

**STATEMENT OF DEBORAH WEINSTEIN
CHILDREN'S DEFENSE FUND**

I am Deborah Weinstein, Director of the Family Income Division of the Children's Defense Fund (CDF). CDF is a privately funded research and advocacy organization dedicated to providing a strong and effective voice for children, especially poor and minority children and their families. Thank you for the opportunity to address the Subcommittee on Human Resources about what we believe are profound shortcomings in the National Governors' Association (NGA) welfare proposal. These basic flaws include the loss of guaranteed income, nutrition, and child protection safety nets for poor children, the potential for states to walk away from their responsibilities to poor children, and misguided provisions pertaining to time limits, work requirements, child care, and aid to children with disabilities. The Children's Defense Fund has opposed the abandonment of these essential protections for children when they were proposed in the House, Senate, and conference versions of H.R. 4. We oppose them now in the governors' plan, which modifies earlier bills by allowing states to maximize federal funding while minimizing state commitment.

Any welfare proposal should be judged by its impact on the lives of poor children and families. I'd like to talk briefly about one of these families, in hopes of showing some of the ways in which the NGA proposal would leave them, and millions like them, worse off than they are now.

I've known a mother and daughter for several years who were on welfare until just recently. I will change their names to protect their privacy, but the details of their lives are unchanged. Ellen, the mother, had to leave an abusive relationship with her alcoholic husband. Ellen has worked, both when she was with and when apart from her husband. Ellen was beaten by her husband intermittently; she would leave with her daughter, who I'll call Susie, and later return, hoping things would be better. After repeated episodes of violence, Ellen and Susie managed to leave by receiving cash assistance and food stamps for periods of time when she could not find work or manage child care. Susie is now 13 years old. Ellen has struggled to overcome very real barriers to make it in the work force. She has suffered from severe feelings of inadequacy, not uncommon among people who have experienced abuse. She has had to work through bouts of anorexia and a recurrent and painful kidney condition. Ellen hated being on welfare, hid it from as many people as possible, and pursued a determined course of activities intended to make her competitive for a job that would support her daughter and that would include health insurance. She took business courses, and volunteered in an office to develop her computer and office management skills. Her efforts were sometimes interrupted by health setbacks, but she continued with great tenacity. It was not easy for Ellen to find a job that included health insurance, but after more than a year of steady searching, she did find one. Ellen has been working for about one month now. Her journey, out of a violent relationship, to welfare and off, took longer than five years.

Is Ellen typical of the nation's mothers on welfare? In many ways, yes. 73 percent of families on AFDC have one or two children. About half of mothers receiving AFDC have experienced abuse as an adult, according to a study in Washington state. She is among the approximately one-half of AFDC mothers who have a high school education, although she is atypical in that she has post-high school education. She, like 39 percent of all families on welfare, is White. She is among the more than one-quarter of parents on AFDC who either have a disability themselves, or care for a dependent with a disability. She is like the three-fifths of parents on welfare who have had work experience. Ellen's extra education has enabled her to find a job paying almost twice the minimum wage (which is \$4.75/hour in Massachusetts). In that, she is atypical. Most single mothers in the labor force earn less. (In 1992, a typical income for a single mother with children was \$12,400, or just under \$6.00/hour for full-time work.)

The loss of the federal guarantee. The Children's Defense Fund believes that the loss of the federal guarantee for basic aid is a fundamental flaw in the governors' plan, because it will inevitably make children and families poorer. What would have happened to Ellen and Susie under the NGA welfare proposal? First, they would no longer be certain of even minimal survival-needs assistance. In this essential respect, the National Governors' Association proposal is the same as H.R. 4: it ends the basic federal guarantee of cash assistance to eligible families. With virtually inflexible block grant funding, the NGA plan would force states into a set of difficult choices as soon as the first economic downturn occurs. With more poor children and

families needing assistance as unemployment rises, states could either reduce aid across the board for all families, eliminate some families from the caseload altogether (perhaps by shortening the time limit), delay providing assistance through waiting lists, or serve the additional families by committing more state dollars. Of all the choices, the last seems far less likely, because in a recession, state revenues flatten or decline. With escape from domestic violence an appallingly common reason for families to apply for AFDC, what would happen if they were subject to a waiting list? How easily could Ellen and her daughter manage under a reduction in cash assistance? In her state of Massachusetts, monthly AFDC income for a mother and child is \$486, about 42 percent below the federal poverty line (although considerably higher than typical levels of assistance nationwide). What would happen to them if a shortage of funds led their state to limit receipt of AFDC to eighteen months or a year, whether or not Ellen had found a job?

While we do not know exactly how each state will choose from among these options, it is clear that they will eventually be forced to deal with a shortage of funds. Over the last fifty years, recessions have occurred on average once every 5 years. During the recession of the early 1990's, increased federal contributions to states for AFDC amounted to just under \$6 billion. If block grants had been in place, the only assistance states would have had to deal with the increased need would have come from the proposed contingency fund. The NGA proposes \$2 billion for the fund, up from \$1 billion in H.R. 4. The amount is still only about one-third what would have been needed during the most recent recession.

The potential loss of state dollars. The NGA proposal, just like the bill vetoed by the President, allows states to cut their FY94 or FY95 spending levels by 25 percent without being penalized by loss of federal dollars. If all states chose to reduce their spending by that amount, there would be a loss of \$28 billion over seven years. That would be the equivalent of about one million children being denied assistance. Further, the NGA proposal encourages such cuts by eliminating of the requirement that states must maintain full spending levels in order to qualify for a share of the contingency fund. H.R. 4 requires a 100 percent state maintenance of effort requirement for use of the contingency fund, to prevent states from replacing their own funds with the added federal dollars. The NGA proposal wipes out this safeguard.

State flexibility should not come at the expense of accountability to children and families. It is surely desirable to allow states the flexibility they need to experiment with new approaches that provide job training and placement, that offer supports to sustain work, or that streamline paperwork through uniform eligibility rules across programs. But these experiments can be accomplished without abandoning America's commitment to poor children and families. NGA's proposal promises state governments much and poor children very little. Assuring states a specified funding level without assuring basic aid to poor children is wrong. Allowing states to reduce their spending below prior years' levels will create incentives among states to reduce already meager cash benefits or to shorten periods of eligibility below what common sense and experience tell us are necessary for struggling families. Allowing states to transfer up to 30 percent of funding out of cash assistance and work to a wide range of other programs could also have the effect of siphoning off scarce federal resources for cash assistance in order to replace state dollars in other social service programs. Flexibility is a worthy goal, but not at the expense of reasonable state accountability.

The time limit. The NGA plan retains H.R. 4's maximum five year lifetime limit for cash aid, and similarly allows states to set time limits of any shorter duration. Ellen and Susie needed more than five years in order for Ellen to prepare herself to get a job with health benefits. Ellen's progress was slowed by the consequences of abuse, and by health problems. Would she therefore have been exempt from the time limits? According to the U.S. Department of Health and Human Services, 27 percent of parents on AFDC either have a disability themselves or are caring for a dependent with a disability. The NGA proposal, like the Senate-passed bill, allows states to exempt a maximum of 20 percent of the caseload from the time limit. Families with disabilities alone could swamp the list for exemptions, without even considering other families living in areas of high unemployment, where there is no realistic prospect of a job. There is no assurance whatever that Ellen's family would have been exempt. And down the road, if Ellen loses this job and cannot immediately find another, she will have exhausted her eligibility for cash aid under the lifetime limit and would have no place to turn

for help, regardless of how poor she and her daughter became.

Child care. The additional \$4 billion for child care proposed by the governors is of course positive and necessary to support new work initiatives. But looking closely at the way the NGA would arrange the child care money, we are concerned that total child care spending will not really rise by \$4 billion as compared to the bill vetoed by the President. States could spend their new \$4 billion without any maintenance of effort beyond the 75 percent requirement that applies to base child care funds already provided in the bill, and without a state match requirement. Another \$4 billion in H.R. 4 requires 100 percent state maintenance of effort and a state match. It is possible that the net effect of the NGA's child care provision is to replace a \$4 billion pot that has state expenditure requirements attached with another \$4 billion pot that does not. We hope that is not the case, and recognize that states will badly need the child care money in order to carry out the work requirements. But there is a history of states not drawing down all the job training and child care funds available through the Family Support Act of 1988. As of August, 1993, states had failed to claim 21 percent of the federal funds available for working poor families through the "At-Risk" Child Care Program, which requires a state match. If states choose not to use some or all of the \$4 billion with match requirements, one of the biggest "selling points" of the NGA proposal--the increased child care funds--may turn out to be illusory.

We also continue to be concerned about the lack of attention to the child care needs of working poor families who are perilously close to dependence on welfare. The NGA proposal does not address the current long waiting lists for child care for these low-income working families. The combination of inadequate child care for the working poor and lifetime limits on assistance would turn the current roller-coaster of alternating work and welfare into a cliff.

In addition, the elimination of required health and safety standards for all providers receiving federal funds is a serious flaw in the NGA proposal. Sadly, many have failed to grasp the significance of this provision. Currently, large numbers of child care settings are exempt from state and local standards. In 1990, it was estimated that 43 percent of all children in out-of-home child care were unprotected by state standards in large part because the settings in which they were cared for were exempt from even minimal health and safety protections. The unwillingness of the governors to support a provision that guarantees our poorest children safe child care is especially puzzling in light of their 1989 pledge, supported by President Bush, to ensure that every child enter school ready to learn by the year 2000.

Puts more children at risk of abuse and neglect. The NGA proposal would threaten the safety of abused and neglected children and jeopardize efforts already under way to prevent child abuse and neglect by better supporting families. The child protection system's ability to respond to cries for help from parents like Ellen and her daughter Susie could be seriously impeded by the NGA proposal.

Like H.R. 4, the NGA proposal would block grant most federal child protection programs. Not a single federal initiative focused on the prevention of child abuse and neglect would be maintained. Current prevention funds would likely be diverted wholly or in part to crisis and treatment services.

The NGA proposal also would give states the option of block granting the funds now guaranteed for foster care room and board and adoption subsidies (which even H.R. 4 had left intact), as well as those guaranteed for child placement and training activities under the federal foster care and adoption assistance programs. These activities help to remove children from unsafe homes, recruit appropriate placements, monitor the quality of care children receive, free children for adoption, and train staff and foster and adoptive parents. States could opt for a cap on these foster care and adoption funds, and federal independent living funds, and then could transfer any or all of these funds to the new child protection block grant for any of a range of child protection activities. Particularly troubling is the fact that the NGA proposal includes no assurance that, in states which opt to block grant all or any portion of their foster care and adoption assistance funds, there would be any continuing obligation to guarantee eligible children who cannot remain safely at home the foster care and adoption assistance to which they currently are or would be entitled. Children could be left in unsafe homes. Children waiting for adoptive

families could be kept waiting even longer. Children in large urban counties, where caseloads often grow more rapidly, are especially likely to be at risk under the block grant option.

The NGA-proposed optional block grant would offer states a cap based on the average national caseload growth, and would require no state match for these increased federal funds. Child protection is just another example of where the NGA proposal would dismantle a long-established structure of federal-state matching funds.

It is tragic that the House leadership, and now the Governors as well, seem to be set on finding a way by which to eliminate the federal guarantee of assistance and to block grant funds for our country's most vulnerable children -- those who have been abused and neglected or are at risk of such maltreatment -- rather than giving recent reforms a chance to work. They also seem to ignore several important facts: first, in many states reports of child abuse and neglect and foster care caseloads are continuing to increase; second, other attacks on safety net programs (in the areas of AFDC, SSI, and Medicaid) could increase the demand on child protection agencies; and third, the H.R. 4 Conference Report already includes a 10 percent reduction in the Title XX Social Services Block Grant that will impede the ability of child protection agencies to respond adequately to abused and neglected children and their families.

The NGA proposes to spend more money on child protection, yet is likely to put more children at risk of abuse and neglect. It would be far better to give recent reforms a chance to work, and to adopt the child protection approach of the Senate version of H.R. 4, which retained existing federal guarantees. Then, having learned from the reforms recently enacted, thoughtful bipartisan attention should be given to reforms that will protect children and keep them safe, support families so that they can adequately protect their children, provide quality out-of-home care for children who need it, and move children appropriately and promptly to new permanent adoptive families.

The work requirement. Just as in H.R. 4, the NGA proposal would prevent someone like Ellen from going beyond a high school education, and does not even assure that a non-teen parent will be able to finish high school. The proposal, like H.R. 4, requires participation in work after no more than two years, while allowing states to require work much sooner. The definition of an allowable work activity does not include most education. The NGA proposal does reduce the weekly number of hours required for the work activity from 35 to 25, with a state option to reduce to 20 hours the work requirement for parents with children under the age of six. This is a positive step, but it would still virtually preclude education, because most parents would have to take courses after completing the weekly work requirement, and, even with the additional child care dollars in the NGA plan, states would be unlikely to provide child care for more hours than the work activity requires.

Reductions and lost federal guarantees for nutrition programs. The NGA proposal would cut food stamps by approximately \$26 billion over seven years below projections under current law, about \$2 billion more in cuts than the Senate version of the welfare bill. Those reductions mean that spending per meal adjusted for inflation would decline over seven years. Simply put, children would have less to eat. But even more dangerous than the damaging erosion in the purchasing power of food stamps is, again, the potential loss of the federal guarantee. The NGA proposal follows H.R. 4 in allowing states to opt for a food stamp block grant. Federal food stamp funding was \$12.2 billion higher in 1994 than it would have been if a block grant had been in place at the start of the recession. Families that lost income during the recession needed the food that the \$12.2 billion bought. Without the real flexibility of the federal guarantee, children and families would have been poorer and hungrier. The U.S. Department of Agriculture estimates that the reduced funding in a block grant in 1994 would have been equivalent to dropping 16.8 million food stamp participants, of whom more than 8.2 million would have been children.

Uncertain Medicaid coverage for families receiving cash aid. While the NGA proposal would continue some level of Medicaid coverage for poor children under the age of 13 (the NGA proposal would make it possible for states to slash benefits), the coverage for parents and older children now eligible for AFDC would be far more uncertain. The governors' Medicaid proposal would allow states to maintain two sets of eligibility rules for Medicaid (continuing

coverage for those who would have qualified under the old AFDC program, and covering those who qualify under the new cash assistance program). Since this would be administratively burdensome, states would be far more likely to take NGA's second option--maintaining a single eligibility system for their new Medicaid and cash programs. That would mean that parents and older children removed from the cash assistance rolls because of time limits and other provisions (e.g., restrictions on legal immigrants, or the option to exclude teen parents and their babies) would not be eligible for Medicaid. If Ellen lost her job and was unable to find another, she and Susie would find themselves ineligible for cash aid and medical coverage, no matter how poor they were. If Ellen keeps her job, she and her daughter would no longer be able to count on even the one year of transitional Medicaid available under current law. For a family with a history of health problems, the loss of health coverage could precipitate a crisis that would often lead to losing the newly-gained job.

What will happen to children if the National Governors' Association welfare proposal is adopted? Like the welfare bills passed by both houses of Congress, the NGA plan would thrust more children in poverty, and would deepen the poverty of millions more. With reductions in food stamps \$2 billion greater than in the Senate bill, and a 75 rather than 80 percent state maintenance of effort requirement, the NGA plan is in key respects more harsh than the Senate-passed welfare bill. The Senate bill was estimated by the Office of Management and Budget to increase the number of poor children by 1.2 million.

Indeed, there are many reasons to believe that the original OMB estimate based on the Senate-passed welfare bill understates the likely harm to children caused by both that bill and by the NGA plan. For example, the OMB estimate assumes that 40 percent of AFDC parents will find jobs, considerably more optimistic than Congressional Budget Office estimates of 20 percent. The figures do not assume that states will reduce funding by 25 percent, as they would be allowed to do. They do not assume that states will choose shorter time limits, as would be permissible. Nor do they factor in the likelihood of a recession during the next seven years.

The profound harm caused by increasing child poverty. Those millions of children who are made newly poor or poorer are at significantly greater risk for multiple harms.¹ Children who are poor are three times more likely to die than nonpoor children. They are two to three times more likely to have stunted growth, are two times more likely to have severe asthma, and three to four times more likely to suffer iron deficiency during the preschool years. Overall, poor children are three times more likely to be in fair or poor health. Poor children's increased likelihood of ill health or accidental injury contributes to their higher risk of falling behind in school. For every year of childhood spent in poverty, children are 2 percentage points more likely to fall below their regular grade level, and two times more likely than middle-income youths to drop out of school from age 16 to 24. When children fall behind or drop out of school, their chances for successful careers are drastically diminished.

Factors other than poverty, such as single-parent families, race, and parent education levels, cannot explain why children who experience poverty are two to three times more likely than their peers who are never poor to become high school dropouts. The greater chance of the poor dropping out of school is found among Black children and non-Black children, among those with married parents and those with single parents, and among those whose mothers finished high school and those whose mothers did not.

While it is clearly true that many poor children are resilient, and either do not suffer the hazards described above or triumph above them, they have to overcome odds that should not be part of their lives. Many will not manage to overcome the odds. That hurts them, of course but it also hurts the rest of us. In a study advised by Nobel Laureate economist Robert Solow, researchers at the Children's Defense Fund found that for every year that so many children in America remain in poverty, *at least* \$36 billion is lost to the U.S. economy because of the children's reduced lifetime productivity. The National Governors' Association proposal will make this situation worse, not better.

¹ The statistics that follow are compiled in the Children's Defense Fund's published book, *Wasting America's Future*, written by Arloc Sherman (Boston: Beacon Press, 1994).

The need to reform the current welfare system. But in opposing plans that eliminate vital protections for children, we do not mean to stick with the clearly unsuccessful status quo.

True reform. Two significant criticisms of the current welfare system are that it discourages earnings and makes it difficult for two poor parents to stay together. The system discourages earnings by dropping cash and food stamp benefits precipitously soon after the parent starts work, and by dropping subsidized child care and Medicaid coverage after a year. Two parents whose combined income is as low as a single parent must meet more stringent eligibility criteria than the single parent. True reform would transform the welfare system so that the tools to move families out of poverty would be available both to mothers and fathers, both as a means of leaving welfare and of preventing receipt of welfare in the first place. These tools should include:

- ◆ quality child care, available on a sliding scale basis as long as the family's income is low enough to qualify, whether or not the family has ever received welfare;
- ◆ effective education, training and job placement programs (the most successful programs operating now usually combine all these components);
- ◆ improved enforcement of child support orders and improved paternity establishment (without penalizing the children of mothers making a good faith effort to cooperate in seeking the absent parent), and
- ◆ expanded earned income disregards, that allow parents who work at low wages to continue to receive partial cash assistance and thereby ease the transition to work. States that have tried improved disregards have increased the number of families whose cash benefits decline because they have earnings. The Earned Income Tax Credit serves a similar purpose, and it is disappointing that the NGA welfare document was willing to accept \$10 billion in EITC cuts.

To the extent that states allow families to keep more of their cash benefits when they begin earning, it is important to consider that the failure to raise the minimum wage means that government pays more to subsidize low wages. A fairer partnership with the private sector would call upon business to pay a portion of the cost by raising the minimum wage.

How can true reform accommodate legitimate calls for more flexibility in state administration of these programs? First, the retention of the federal guarantee is essential. Saddling states with fixed block grants that cannot respond to changes in the economy does not enhance, but instead constrains state flexibility. Second, the Administration has already started issuing expedited waivers when the request has already been addressed repeatedly in other states. Waiver approvals can be further expedited in some areas, although we believe that initiatives that result in reduced family income, such as the family cap, should be evaluated rigorously before being introduced over and over again. Certain common proposals that have already undergone some study could be a matter of state option, with no waiver approval necessary. In fact, states should be encouraged to replicate programs that are targeted and successful: reducing teen pregnancy, helping mothers to overcome special problems such as substance abuse, or encouraging fathers to help, financially and otherwise, in raising their children. Making it easier to run programs with a proven track record, and requiring approval for untested programs, especially those that reduce the income available to children and families, would accomplish a good balance of flexibility and accountability.

States will continue to have the responsibility to administer work/training programs, and they should have the flexibility to try out new versions of on-the-job training and other non-classroom types of learning. It should be easier for states to make eligibility rules for food stamps and cash assistance more consistent, in order to reduce paperwork during the application process.

The NGA proposal ought to be judged according to that elemental principal applied to the medical profession: *first, do no harm*. By adopting the provisions in the earlier bills that would plunge millions of children into deeper poverty, the NGA welfare proposal fails the test.

Chairman SHAW. Thank you.

Mr. Ford.

Mr. FORD. Ms. Weinstein, the Governors testified earlier, contrary to what you have just said in your testimony. You are saying the Federal protection must be guaranteed. The Governors say just trust us, we are closer to the people in our States, and just trust us. We Governors have every notion to protect and provide for children of our States and that should go without any question.

How do you respond to these Governors? They are saying we can do it, we will do it, and we will not let this happen to our children.

Ms. WEINSTEIN. Well, I think King George said that to the American colonies awhile ago, and we decided that we would rather be a nation of laws. That in the very natural and healthy skepticism that operates among the American people of bureaucracies at whatever level we want the protection of laws. Protection that guarantees that poor children, if they are eligible for assistance, that they can count on it. And that is what is lost in this proposal.

Mr. FORD. Rather than the words from the Governors saying, just trust us, we are a nation of laws, laws give the protection to these poor children in this Nation.

Ms. WEINSTEIN. That is something that children have been able to count on. Not a lot, a very meager system—very meager assistance, but it is something. That assurance is not provided by the Governors' proposal as it was not in the bill vetoed by the President.

Mr. FORD. Ms. Daly with the Catholic Charities, should we just trust the Governors or should we, as Ms. Weinstein has said, be a nation of laws, or just trust the Governors with AFDC, the Medicaid Program, and possibly the Food Stamp Program?

Ms. DALY. Mr. Ford, in our tradition, we believe that basic human rights have got to be protected by laws and not just left to the good intentions of Governors, State legislatures, or even Members of Congress; that basic human rights, the right to life, the right to sufficient food, the right for children to be safe must be guaranteed in Federal law and by Federal Courts.

That is our principle. It is also what we have found empirically, if you look around the country, about the only times poor children, disabled people, sick people have been able to get what they needed was when they had the right to go to Federal Court and have a Federal judge say it would be unconstitutional or against Federal law to deny this assistance.

So based on our principles about the role of the National Government in protecting life and dignity for every person, our empirical experience is that we think you have to have these protections in the law.

Mr. FORD. The Governors are saying you can go through the appellate courts of the States, and if you lose, you can go to the Supreme Court. I am not trying to put a legal question to you, but they are saying those protections would be there. Can you respond to that?

Ms. DALY. I am just thinking back to what things were like for disabled people and the elderly poor in this country before the SSI Program was established in 1972. And States could set what they wanted to for protection of disabled and elderly people, the blind

and disabled and in no State was it adequate, and it was very arbitrary which people got helped and which did not. And until we had the Federal SSI law, people were not protected, so we believe you need Federal standards. Not that States cannot have any flexibility at all, but minimum standards for life and dignity have to be in the national laws.

Mr. FORD. Do you know whether the Catholic Charities communicated with the Governors' Association as they crafted their proposal to submit to the Congress? Mr. Cooper of the National Mayors' Conference, do you know if you had any input? Are you satisfied with the block grants going to the State? Should we just send it on down to the counties and municipal governments rather than sending it through another bureaucracy which would be the States?

Mr. COOPER. Clearly, Mr. Ford, we are at the bottom of the food chain in local government and closest to the people, so if we make—I would agree it would be nice to have it flow to the local level, but there is something we must remember; we are a nation of laws. We remember a time in this country, but for Federal standards that were set, there were people in this country who were divided based on race, divided based upon the economy of scale.

People have been divided based on the jurisdiction in which they live in this country. I believe that it is most important that the Federal Government not walk away from its responsibilities as a nation of laws and give adequate protection to people across this country.

In our region, for example, if we were to agree with the National Governors' Associations policy, the State of Pennsylvania, which borders New Jersey, the State of New York, which borders on New Jersey, and in New Jersey itself you have people with the ability to move State to State depending on what that State has decided it will offer to or not offer to the citizens who reside within its borders.

So there is something clear about the protection offered because we are a nation of laws which simply say there are standards and those standards should be met. When we have achieved that in this Nation, we have done great things.

I don't think it is a question where we are saying we don't trust the Governors. I think it is a question as to whether or not the intent and their ability, with the revenue problems the States are having, and the various things they are doing to downsize budgets, whether or not that safety net we just spoke about will be primarily on their minds when it comes to balancing State budgets.

I do believe that the mayors have reached out to all. We have reached out to the Congress, to the administration, and believe that the mayors have come up with a very fair and equitable way to deal with welfare reform. Again, as a mayor, I don't believe we should say to the people just trust us. I believe there is a standard and that standard has been defined.

Mr. FORD. My time has expired. I want to thank the three panelists, and I want to agree that we are a nation of laws, which is where we have centered the legislative process in these areas. That is the law of the land. I, too, would agree with you.

Chairman SHAW. We have just been joined by one of our members, Mrs. Velazquez, if she would like to come forward and give her testimony. We can continue with her as part of this panel.

The panel will stay. We are not excusing the panel. I just asked her to join this panel.

STATEMENT OF HON. NYDIA M. VELAZQUEZ, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Ms. VELAZQUEZ Good afternoon. I would like to thank Chairman Shaw for convening this hearing and ask unanimous consent to include the entirety of my remarks in the record. I also would like to excuse myself. I was trying to leave New York City this morning, and I faced a nightmare, but I don't know what is worse, the nightmare I was facing in New York or the Governors' proposal that we have before us.

I am here today, Mr. Chairman, and Members of the Subcommittee, not only representing one of the most impoverished districts in New York, but I am here to speak on behalf of the poor across America. As chair of the Welfare Task Force for the Hispanic Caucus, this is an issue that is very important to me.

Recently, much excitement has been generated by the National Governors' Association welfare proposal with its lofty goals providing job training, child care, and child support enforcement. This effort falls short because it builds on a foundation contained in a welfare proposal recently vetoed by the President.

We all agree that the ultimate goal of welfare is to lift someone out of poverty. I believe a job that pays a good wage is the best reform. Cutting programs that help poor people without a realistic alternative leaves the poorest of the poor to fight each other for the crumbs off the table.

Training and search assistance means nothing without the opportunity to get a real job. Job training certificates look great on the wall, but do little to put dinner on the table. Only a good paying job can do that. That is why reform will be successful only if it includes a strategy, comprehensive strategy to create jobs that pay a living wage.

Let us not lose sight of our children. Welfare reform must not come at the cost of harming even one child. They are the true victims of this crisis. The conference agreement vetoed by the President will have pushed 1.5 million children deeper into poverty. I do not believe that the Governors' proposal will significantly change that trend.

We will only ensure protection of our children by continuing the entitlement status for programs that guard our children's health and protect them from harm. Any welfare reform proposal that ends the guarantee of health care for children and weakens vital programs like AFDC is unacceptable. If we allow this to happen, millions of children will lose any hope for a better life.

I was especially disheartened that the Governors' proposal did not address the issue of legal immigrants, and I emphasize the word "legal." These provisions in the veto conference agreement were an insult to millions of hard-working immigrants. This mean-spirited provision will permit States to deny SSI and food stamps

to immigrants living in the United States legally. That proposal was unfair, unjust, discriminatory and un-American.

Furthermore, it was a shameful and vicious attempt to single out and penalize immigrants for the ills of society. The Governors missed a great opportunity to breathe new life into this debate and reshape the issues by providing fresh alternatives. I was disappointed that instead what we got was a proposal full of recycled and rejected ideas.

The Governors may have given us welfare reform that differs in some specifics from the veto conference report, but the outcome is the same. Families will be forced further into poverty, our children will suffer, and legal immigrants still will not have the fair treatment they deserve.

My colleagues, welfare reform should be a path to a better life not a dead end street. I support real welfare reform, but not without real job creation, not at the expense of children, and not on the backs of the legal immigrants. The true test of a humane society is how it treats its most vulnerable citizens.

In short, I believe that the National Governors' Association proposal does not pass that compassion test. I would like to thank the Chair for giving me the opportunity to testify on these important issues.

[The prepared statement follows:]

NYDIA M. VELÁZQUEZ
12TH DISTRICT, NEW YORK

COMMITTEE ON BANKING AND
FINANCIAL SERVICES

SUBCOMMITTEE ON HOUSING AND
COMMUNITY OPPORTUNITY

SUBCOMMITTEE ON GENERAL OVERSIGHT
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COMMITTEE ON SMALL BUSINESS

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Statement of Congresswomen Nydia M. Velazquez
Before the Subcommittee on Human Resources
Committee on Ways and Means
On the National Governors' Association
Welfare Reform Proposal
February 20, 1996

Good morning, I would like to thank Chairman Shaw for convening this hearing and ask unanimous consent to include the entirety of my remarks in the Record.

I am here today not only representing one of the most impoverished districts in New York, but I am also here to speak on behalf of the poor across America.

As Chair of the Welfare Task force for the Hispanic Caucus, I have been fighting to break the cycle of poverty that effects so many -- especially women, children, and immigrants.

Recently, much excitement has been generated by the National Governors Association welfare proposal, with its lofty goals -- providing job training, child care and child support enforcement.

This honest effort falls short because it builds on the flawed foundation contained in the welfare proposal recently vetoed by the President.

We all agree that the ultimate goal of welfare is to lift someone out of poverty. I believe that a job that pays a livable wage, is the best type of welfare reform. Cutting programs that help poor people without a realistic alternative leaves the poorest of the poor fighting each other for the crumbs off the table.

Training and search assistance mean NOTHING without the opportunity to get a real job. Job training certificates look great on the wall but can do little to put dinner on the table -- only a good paying job can do that. That is why welfare reform will only be successful if it includes a strategy to create jobs that pay a living wage.

And, let us not lose sight of our children. Welfare reform must not come at the price of harming even one child. They are the true victims of this crisis. The conference agreement vetoed by the President would have pushed 1.5 million children deeper into poverty. I do not believe that the governors' proposal would significantly change that trend.

We will only ensure the protection of our children by continuing the entitlement status for programs that guard our children's health and protect them from harm. Any welfare reform proposal that ends the guarantee of healthcare for children, and weakens vital programs like AFDC is unacceptable. If we allow this to happen, millions of children will lose any hope for a better life.

I was especially disheartened that the governors proposal did not address the issue of legal immigrants. And I emphasize the word legally. These provisions in the vetoed conference agreement were an insult to millions of hard working immigrants.

These mean spirited provisions would permit states to deny SSI and Food Stamps to immigrants living in the United States legally. That proposal was unfair, unjust, discriminatory and un-American. Furthermore, it was a shameful and a vicious attempt to single out and penalize immigrants for the ills of society.

The Governors missed a great opportunity to breath new life into this debate and reshape the issues by providing fresh alternatives. I was disappointed that instead what we got was a proposal full of recycled and rejected ideas.

The Governor's may have given us welfare reform that differs in some specifics from the vetoed conference report but the out come is the same. Families will be forced further into poverty; our children will suffer, and legal immigrants still will not have the fair treatment they deserve.

My colleagues, welfare reform should be a path to a better life not a dead-end street. I support real welfare reform, but NOT without real job creation, NOT at the expense of children, and NOT on the backs of legal immigrants. The true test of a humane society is how it treats its most vulnerable citizens. In short, I believe that the National Governors Association proposal does not pass that compassion test.

I would like to thank the Chair for giving me the opportunity to testify on this important issue.

Chairman SHAW. Thank you. I am glad to know the airports are working in New York and Washington.

Mr. Levin, you may inquire.

Mr. LEVIN. Ms. Velazquez, thank you for making the effort. The airports may be open, but there was difficulty leaving and entering them.

We have had a lot of discussion today about some aspects, the contingency fund, the inadequacy, in my judgment, of maintenance of effort, the transferability issues, which I think have some very serious problems.

I would like, if I might, to take my couple of minutes to focus on a few issues that have not been discussed today at any length that I think have to be addressed as part of any welfare reform proposal, and I think, as I said at the beginning, welfare reform is essential.

While they may not in each case fit into our jurisdiction, I think eventually any welfare reform proposal is going to be pieced together, so let's spend a few minutes on it.

Ms. Weinstein, in your testimony, and I think others covered it, there was reference to Medicaid. It is a little complicated. It isn't so easy to describe except I think the assurance of transitional health care coverage for those on welfare could be pierced. Now, in 1 minute or so sum up why you think that is true and the problem it creates.

Ms. WEINSTEIN. Well, the bill allows States to redefine eligibility in a uniform way for Medicaid and AFDC or at least both this bill and their Medicaid proposal do, and what that could mean is that while it is likely that those people and children who continue to be eligible for the successor program to AFDC would get coverage, there is no assurance whatever that once you were off cash assistance and you were in a job that you would continue to get even the 1 year of transitional assistance in Medicaid that is current law. There is no assurance whatever in this proposal that that would be the case.

In addition, you have problems with people who may not have been on welfare or may have at some point in the past whose children are over the age of 13. Those children, 1 year at a time, are having their assistance phased in now so up to the poverty level they can count on Medicaid. Now we only allow that up through age 12. As I say, year by year we were going to involve more children.

That would end. There would be no assurance of that under this proposal. There are real risks for children both of working families, poor working families, who have been able to count on coverage, and people just trying to leave welfare. They would have no assurance either.

Mr. LEVIN. OK, I hope that will be taken into account. There has been some discussion of food stamps, which I think the proposals—we have never seen the exact figures—but the proposed food stamp changes in the conference report would have probably been the cause of at least one-half of the increase in children in poverty. I hope, though this isn't in our jurisdiction, that this Committee and Subcommittee will look at it very carefully.

Let's spend 30 seconds on foster care. It hasn't received much attention. Again, there is a possible major change proposed in the foster care. Do you want to comment on that, if you would, any or all of you?

Ms. WEINSTEIN. Well, I will take a first crack.

The bill does allow for the block granting of virtually every aspect of child protection services, including foster care and adoption assistance. This is a great concern to us because it gives funding to States, but again denies or terminates this basic promise, this basic commitment that every child who needs foster care and adoption assistance will be able to count on it.

That is what a block grant does. It limits that kind of assurance. We are very concerned about it.

We are concerned, too, because the—while there is some increase that would be allowable in block grant funding based on an overall national average of expenditures, clearly that is an average. Some States have higher than average increased costs and some lower. It does not allow States to accommodate when their children are suffering from increased levels of abuse or neglect.

Mr. LEVIN. Mr. Chairman, my time is up. We may not have time later to discuss the legal immigrant provisions, some of which are in our jurisdiction, but I hope there will be "time" for us to look at those that are a major portion of the proposed savings in the conference bill, which was vetoed in part for that reason, and the Governors, as you know, did not act on that.

Chairman SHAW. They did not take a position on that particular portion of H.R. 4.

Mr. Stark is now recognized.

Mr. STARK. Thank you, Mr. Chairman.

I want to apologize to Ms. Daly for plagiarizing some of her delightful testimony, but as I say, I have yet to see the Catholic hierarchy accused of being overly liberal, except perhaps for the network if they are part of the hierarchy. But I do think it was important to bring to the conversation the Governors were having some question of the moral issues involved.

My Governor—who I don't trust at all, has an outstanding record of cutting benefits to children and particularly to children whose parents may not be citizens, even if they are legal residents; so that if you want an example of a State that you should worry about, look to California. The Governor, Governor Wilson, states that parents who can't support their children have—what is the word that lawyers use for proof—not ipso facto but—proves that they are unfit. You can't find a job in 2 years? You are an unfit parent. He takes the kids away and puts them in foster care or in—

Mr. LEVIN. It is ipso facto.

Mr. STARK. Ipso facto is OK, all right. I have enough lawyers to help me through that one.

Also the Governor says we have a lot of replacement jobs, 7 million jobs in California.

You know what he is doing? Every time a kid changes jobs at McDonald's, he counts that same slot. If five new kids come in and work a week, they quit, that is five jobs.

The situation in California is you have got to have \$13,000 at the poverty level—I don't know what it is in New York, for a woman or a single parent with two kids.

But how do you work at less than \$8 an hour net to equal the benefits of about \$1,000 between Medicaid and the welfare check? You don't.

I guess the question is twofold to particularly Congresswoman Velazquez: If a person in New York is kicked off, loses their benefits for whatever reason, and they become sick, what happens to them? Where do they go?

Ms. VELAZQUEZ. Well, when they go to an emergency room because they cannot go to any private doctor—

Mr. STARK. And they must be treated at the emergency room; is that not the law?

Ms. VELAZQUEZ. That is correct.

Mr. STARK. Who pays for that?

Ms. VELAZQUEZ. It will be the city and the State.

Mr. STARK. The same money the Governors think they will be saving is going to go to pay for much more expensive care because once that child gets to the emergency room, they may have pneumonia whereas had they been treated earlier in a clinic or primary care clinic under the Medicaid Program it would save us a lot of money.

I would like to ask Mayor Cooper, I don't know much about, is it Orange or East Orange where you are mayor?

Mr. COOPER. East Orange.

Mr. STARK. Do you think you could make a determination among whatever your poverty population is as to who is fit to receive benefits on a numerical scale? Could you go among your constituents and sort out by how many years they have worked or whether dad left home, as Governor Wilson in California would suggest you could do, could you make judgments as to who deserves to get money, not who is entitled, not who ought to, but could you do that in your area?

Mr. COOPER. Absolutely not. I don't believe they could.

Mr. STARK. My time is about to expire. You have a cap. Has that done a lot to knock off the teenage pregnancy rate in East Orange?

Mr. COOPER. It hasn't changed. What we are seeing, Mr. Stark, frankly, is if we can create these magic numbers and the goal then becomes to prove that our numbers were right to any extent necessary. It goes back to the idea of one job becoming five jobs, that is a very dangerous proposition at best. I question any one who can say, well, I can determine who should be eligible. We have a shifting population, we are right next to New York City, large immigrant population, Haitian Americans in our city now, legal as well as some illegal, but the basic service that is necessary for the people that we represent does not change just because the Governors' welfare reform package has been proposed. Those people do not disappear. They don't go away. They have to go to emergency rooms. Children still have to eat.

Mr. STARK. They have to go to school.

Mr. COOPER. Go to school. And those things, as I said, the price we will pay to correct the harm that will be created is far greater, far greater than the dollars required to have at least a basic and

sensible welfare reform proposal on the table taking care of the interests of those in need, particularly children.

Mr. STARK. Thank you very much. I want to thank the panel and thank you. I am glad you made it. Thanks for being here.

Chairman SHAW. Mr. Matsui.

Mr. MATSUI. Thank you, Mr. Chairman.

Mr. Chairman, as this hearing is about to close, and I am somewhat reluctant to say this, but I would like to thank you and your staff. I think the hearing was very, very balanced, and I appreciate that.

The fact that the four panelists here are obviously opposed to the Governors' proposal, the fact the prior panel, there was equal number on each side, I think that says a lot about you and I want to thank you very much for that. The reason I was reluctant is because that may jeopardize you within your own caucus in some cases. But—

Chairman SHAW. We will see how it comes out.

Mr. MATSUI. I do want you to know that I appreciate it.

Mr. FORD. Mr. Matsui, if you would yield, I shared that with the Chairman moments ago. I was afraid to say it publicly.

Mr. MATSUI. He even let the liberals in.

Chairman SHAW. Thank you.

Mr. MATSUI. Thank you very much.

Chairman SHAW. We will start Mr. Matsui's time over.

Mr. MATSUI. Let me just cover one point. I want to thank all four of the panelists, and all of you have been tremendous. Besides the fact that I am very concerned about the loss of entitlement status in block granting many of these programs—and Mr. Ford asked requests about this—the right to appeal in the State courts under the Governors' proposal is also at issue. In addition, there is an additional problem of what standards are being used.

Normally, it would be a standard of arbitrary and capriciousness, which is well defined in the law, but under the Governors' plan, fair and equitable treatment is the new standard. I feel very strongly that Health and Human Services won't even be able to analyze plans based on that definition, and certainly the courts will not be able to decide whether or not an individual is being denied benefits under that particular standard.

I think it is a major issue because, again, if we have to be accountable in raising taxes, and we give this tax revenue to the Governors by way of block grant, there is no accountability. I understand why they love the program. Money is fungible. They can do whatever they want with it, but somehow the Governors can't have a free ride. They have to be held accountable.

Perhaps any of the four of you, or all of you with my time allotted could respond to that.

Mr. COOPER. I think it is important that we note, for example, and I am sure it happens around the country, but speaking of New Jersey experience, when the Governor calls for cuts in urban aid, it impacts other programs that we are responsible for at the municipal level. If you have the interest of balancing the States budget and the block grant is the tool with which to do that, it will never achieve the purpose for which it was designed. That is one fear.

Two, how do you define fair and equitable? You end up arguing in court for long periods of time spending an awful lot of money with lawyers and appealing a process. In the meantime, the very people you are trying to help are left sort of waiting in the wings to see what comes out of the court.

I think what we are creating is a bureaucracy on top of a bureaucracy and the long-term problems that are created with that will not even touch the issues of welfare reform as we all would like to see them.

What will happen unfortunately, the people who we are responsible for serving will once again become the guinea pigs of a system that doesn't work. We all agree that welfare reform is paramount in this country. That is not debatable, but what is debatable is to what extent are we willing to punish the people who are not responsible for their plight for the most part by not offering a sensible approach to solving this problem.

Mr. Matsui, I would hope that the experience—again, I would like to refer to what Mr. Stark experienced. His lack of trust, I won't get into a trust issue, but we deal with the reality of it every day. There is less money. This Congress is talking about spending less money. The Governors are talking about spending less money, and the problem is growing and the number of people in poverty in this country is growing. Clearly we have a grave concern as to whether or not, on balance alone, the State government will take that responsibility.

My closing comment, again, it goes back to the old argument of States' rights. That conjures up a lot of things in my mind, and the only thing I can say is when this great country stood up and did what was right by the Nation, people benefited, and I don't think you are going to have that same kind of success on welfare reform programs instituted State by State because, yes, there will be a race to the bottom. Not because the Governor said so, but because it is easier to race to the bottom than it is to get to the top under that formulation.

Mr. MATSUI. Thank you.

Ms. VELAZQUEZ. I just want to inform the Members of this Subcommittee to slow down on this proposal and take a deep, serious, and honest look into what it means. The problem with the Governors is that they want it both ways and it cannot be that way. If we can take just one example as to the child protection and how this bill is going to hurt our children. People were outraged with the case of Elisa Escudero. You are going to see more of people like that if you give the flexibility to the States to block grant all child protection programs and the States will invest less money for law enforcement in terms of child abuse. And that is one area that we are very much concerned.

You are going to put all kinds of programs competing against each other with no type of guidance. What we are doing with this Governors' proposal is breaking the partnership between the Federal and State governments to protect our children.

Chairman SHAW. The time of the gentleman has expired.

Ms. Weinstein, you used the statistic that came out of the White House Office of Management and Budget that the program in H.R. 4, and which you are now using to place on the Governors' pro-

gram, would throw, I think it was 1.2 million children into poverty. I am sure you know that is a static model, which means that it makes the assumption that everybody who is dumped off of welfare is just dumped, and that they don't go to work. And that is where we have a great deal of difference of opinion.

I believe very strongly in the human spirit of the poor just as I do of the middle and upper class. I believe very strongly that people will do better. I believe very strongly that people will go to work to take care of their children. I believe very strongly that they will be better parents if they are role models so the kids see that their parents are struggling to go to work just as many of our parents did. And when we start talking about people coming off the welfare rolls, the Governors have put a 20-percent provision in there where they can take 20 percent of the population and say these people haven't had a chance.

Let me say something else when you talk about implementing laws. This Congress isn't going out of business. As long as I am the Chairman of this Subcommittee, I will and I know my successors will be looking closely at the issue of jobs. We are already looking at enterprise zones which will have a bearing on your area, Mr. Mayor. This is what we have got to do. It is not a question of being cruel, Ms. Daly, about not caring about the kids. We deeply care about the kids, and we are not changing existing law.

What we are trying to do is to effectively get more mileage out of the dollars that we have so that we can take care of these kids, so we take care of their parents, so they will work their way out of poverty. One of the questions I believe Mr. Stark was talking about was the imbalance of funds, and how difficult it is to come out of welfare because you do not come into a high-paying job. We know that. That is why we kept Medicaid in place for years. We haven't changed that.

That is why we are talking about, that is why the Governors want more money put into child care and we are not affecting it, and this bill does not in any way affect the earned income tax credit. So when you tell someone, "Look, we are going to help you get training, we are going to help you find a job, we are going to take care of your kids to help you get into that job, we are going to give you medical treatment for 1 year after you come off of welfare; all we expect you to do is take that first step," and it is scary for us to formulate as well as to the poor of this country because we are asking them to go where they haven't been before, where they haven't even seen their parents go; that is, into the workplace. But we believe very strongly that there is a much better life out there for all of them, that they can take control of their future, that they are no longer being just cared for and being paid to stay where they are, and not having a good job and paid not to get married because if they do they are liable to lose their benefits. Where is the morality of that system?

That system is terrible and that system is corrupt, and we are going to change it. We shouldn't be afraid of change. We will watch very closely that these Governors are acting responsibly. We will probably do something with the bill the Governors have suggested, and hopefully we can keep them on board. But it is going to be a new experience for everybody. We are going to have to watch it.

I served on the U.S. Conference of Mayors. I was a mayor for many years. I was on the executive committee of the U.S. Conference of Mayors, and I know very well how deeply the mayors care about the people they represent, and I can assure you that no one on this panel cares any less than you do or the Governors do. We have to go forward. But we have to do it in a team, a spirit, and in a way in which we can trust other people to do a better job because we know we have dropped the ball.

We have botched this system. The system we have is a terrible system, and I would hope that in the spirit of bipartisan cooperation that the Governors experienced, I hope the Members of Congress can come together in a bipartisan way. Because in the end, we all want the same thing. Liberals, conservatives, moderates, we want to get people out of poverty. We want to go after the solution and not just pay people to stay poor and stay where they are.

With that, the hearing is concluded.

[Whereupon, at 3:01 p.m., the hearing was adjourned.]

[Submission for the record follows:]

**Statement of the
 American Federation of State, County and Municipal Employees
 on the
 National Governors Association Proposals
 on
 Medicaid and Welfare Reform
 March 1, 1996**

The American Federation of State, County and Municipal Employees (AFSCME) submits the following statement for the hearing record on the National Governors Association's (NGA) recommendations to reform the Medicaid and welfare programs.

As a union representing 1.3 million men and women who work in state and local government, nonprofit organizations, and hospitals throughout the country, AFSCME fully supports initiatives to improve the delivery of government services. We applaud increased flexibility to make government programs more responsive to the public. However, increased flexibility in the Medicaid and welfare systems should not undermine their basic objectives, make current recipients of services under these programs worse off, or destroy the federal government's duty to see that federal tax dollars are spent wisely and in accordance with the national objectives.

The NGA plan fails on all three counts. Indeed, it threatens access to health care for the 35 million Americans currently served by Medicaid and the viability of our nation's public guarantee of basic assistance for all children by destroying minimum federal standards in each program. In doing so, it gives the states in general -- and the Governors in particular -- unprecedented control over vast sums of federal funds with minimum accountability.

While the NGA plan may have advantages for the nation's Governors as they seek to address their own fiscal challenges, AFSCME strongly believes that Medicaid and welfare reform must also take into account the needs of the people served, the interests of the federal taxpayer, and the broader impact on the economy. AFSCME urges the Committee to consider, among other issues: the consequences of cost-shifting to local governments; competing budgetary pressures on state legislatures, which already are starting a "race to the bottom" among neighboring states in funding services for the poor; the aggregate impact on the economy and existing health care system of reducing health care spending by hundreds of billions of dollars; and the extent to which existing federal support for American families will be undermined in the absence of federal safeguards.

MEDICAID

The NGA proposal does not guarantee comprehensive health services to our most vulnerable citizens. It would erode coverage for millions of people in at least four ways: it would not guarantee coverage to certain groups whose coverage is currently mandated; it would allow states to put limits on the scope and duration of benefits; it would encourage states to reduce their own spending on Medicaid by at least \$180 billion over the next seven years; and it would not allow the program to adjust sufficiently during a recession to cover additional needy people.

1. Elimination of Coverage for Certain Groups

Poor children over the age of 12, some low-income disabled persons, and some adults with children whose coverage is now required by federal law would lose that guarantee under the Governors' plan. Disabled persons would be especially vulnerable to cutbacks and loss of coverage under the NGA plan, as states would be free to set their own eligibility criteria. Without the federal Social Security standards for disability determination, disability would become politicized, with state legislatures and governors deciding who are the "deserving disabled." There are currently six million disabled people who depend on Medicaid for their health care.

Not only is the NGA "guarantee" dubious given the loopholes written in the proposal, but the legal enforceability of that guarantee is equally dubious. Neither beneficiaries nor providers could seek redress in federal court to enforce any rights which may appear to be granted under a new federal law to replace the Medicaid program.

2. Benefits Limited

While the NGA proposal talks of a "guarantee," it is effectively an empty guarantee because states would be free to decide which services would be included in their state Medicaid plans, and could place all kinds of limits on these services. Bare bones benefit packages could become the norm. Different benefits could be available depending on geography, category of eligibility, employment status, or other factors.

3. Incentive for States to Reduce Their Commitment

Like the Medigant proposal described in the reconciliation bill, the NGA proposal would eliminate the matching commitment by both the federal and state governments to fund the Medicaid program. This matching program rewards states which make a commitment of their own state dollars to support the program, and reduces the likelihood that states will cut their programs during economic downturns when demand is greatest.

By reducing the state matching rates while fixing the federal share, the NGA proposal would allow states to cut almost \$200 billion of their own funds over the next seven years without loss of federal dollars. Moreover, while both provider taxes and disproportionate share payments are important elements of the Medicaid program, the NGA proposal would allow states to shift their funding from general fund, or general revenue sources, to provider taxes and donation schemes which would allow them to reduce their own match even further with no penalty of lost federal funds.

4. No Real Safeguards for Economic Downturns

While the NGA proposal acknowledges the inevitable situation in which states are unable to cope with rising caseloads during an economic downturn, the "umbrella" mechanism described would not function as effectively or adequately as the current matching rate system does -- or as effectively as a per-capita cap with a preserved entitlement would.

WELFARE REFORM

As with Medicaid, the NGA proposal for welfare reform does not guarantee the most basic economic security for poor families. AFSCME strongly opposes the NGA plan because it eliminates federal protections for needy families who comply with program rules and try unsuccessfully to find jobs; destroys accountability mechanisms, particularly in the public administration of welfare programs; eliminates the federal/state matching structure in favor of block grants which allow states to withdraw substantial state funds without losing federal money; and will destroy decent jobs; permit subminimum wages for welfare workers, and depress wages for the low-wage workforce as a whole.

1. Loss of Entitlements

The Governors' plan eliminates the 60-year federal guarantee of a basic level of assistance for poor children even if their parents meet program requirements and play by the rules. Instead, states could set time limits as short as six months or less, establish waiting lists for services, take several months or more to act on an application for services, and decide to centralize services in a few locations as a cost-savings measure. Such actions undoubtedly will lead to increased child poverty, which already afflicts 15.7 million, or one-quarter, of our country's children.

Additionally, like H.R. 4, the NGA plan would not require that states use their block grant to provide cash assistance. Instead, the current cash assistance program could be replaced partially or completely with contracts for services such as transportation assistance, job search, and child care. As a result, families could be left without the financial resources necessary to survive.

AFSCME also opposes the state-option block grants approved by the NGA, including Food Stamps, foster care, adoption assistance, child welfare, and school nutrition (on a demonstration basis). These programs can literally be the difference between life and death for kids in need of child protective services or those threatened with malnutrition. We must ensure that these safety net programs are available for all children, no matter where they live.

2. Loss of System Accountability

Currently, state and county welfare offices provide cash benefits to all eligible families. Federal law requires states to protect program operations from political influence and corruption by having merit-based personnel systems for employees taking welfare applications and paying benefits. The NGA proposal would allow states to dismantle this system without adequately addressing the issue of government accountability if the federal government ceases to set minimum program standards.

The Governors attempted to provide a remedy for this lack of basic safeguards by recommending that state plans include objective criteria for the delivery of benefits and fair and equitable treatment for recipients. However, this proposed remedy is inadequate because it fails to address the issue of equal and universal access to services, and it is nonenforceable. A fair and equitable treatment requirement, while requiring that similarly situated persons be treated the same, would not mandate assistance to all who qualify. Moreover, states are not required to comply with any provisions in their state plans.

The failure to require that the new program be administered by a public agency, operating under merit-based personnel standards, further erodes the notion of fair and equitable treatment. Public administration, particularly of the most basic eligibility determination function, is an absolute prerequisite for ensuring fair and equitable treatment for program recipients. This is particularly critical when assistance is denied, reduced or terminated. Under the current program, a family can appeal any adverse decision, and has the right to a hearing.

Under the Governors' plan, more than \$15 billion federal dollars could be subject to waste and abuse if the integrity of public funds is not protected. Converting the current cash entitlement into a block grant would allow states to contract for a variety of activities without explaining how contractors were selected.

The contracting process diffuses program responsibility, is hard to monitor and invites influence peddling by companies with political connections or money. Awarding private contracts to administer welfare programs could throw us back to a spoils system where jobs are paybacks to political contributors while poor families don't get the financial help they need.

3. Withdrawal of State Funds

The NGA's proposal further weakens maintenance of effort requirements for states. All of the congressional bills and the Governors' proposal would eliminate the state/federal matching structure, replacing it with fixed block grant funding to the states. Under the NGA proposal, states would only have to contribute 75 percent of what they spent on their work, income support and child care programs in 1994. Even if a state decided to spend more than 75 percent for these programs, it would not receive any additional federal funds.

If states choose to contribute the minimum required, the Congressional Budget Office (CBO) projects that state spending for these programs would fall \$28 billion, or 30 percent, below that which would be required under current law for the years 1997-2002. Without accusing states of mean-spiritedness, we believe that other pressing budgetary demands on state legislatures will discourage them from funding these programs beyond the minimum required by federal law. The Governors eliminated an important incentive for states to contribute 100 percent of current spending when they deleted the federal matching requirement for states to be eligible to receive contingency funds during economic downturns.

In addition, the NGA proposal allows states to divert up to 30 percent of their federal block grant funds to several other programs including the Social Services Block Grant, the child protection block grant, and the child care and development block grant. This will allow states to reduce their own spending by diverting federal funds for income support and work programs to state-funded social service programs.

4. Unrealistic Work Requirements/Inadequate Anti-Displacement Protections

While we support the NGA's proposed reduction in the number of work hours required of welfare recipients, the work requirements remain unrealistically high. State welfare systems would still be required to dramatically expand work participation by

welfare recipients far beyond what is feasible, especially in the absence of any federal job creation strategies.

The NGA resolution does not improve upon the woefully inadequate anti-displacement protections contained in H.R. 4. Although employers would be prohibited from laying off workers and replacing them with welfare recipients, they would be allowed to convert vacant positions into welfare work slots. This will lead to fewer real jobs paying decent wages and benefits. In addition, the Governors' proposal lacks an effective mechanism to enforce the anti-displacement protections.

Neither H.R. 4 nor the NGA proposal retains the requirement that welfare work participants receive at least the minimum wage rate whether they are working off their grants in a "workfare" program or being paid wages as part of a grant diversion program. As a result, employers would be able to replace good jobs with underpaid or unpaid welfare recipients.

Low-wage workers in general would end up paying for welfare reform through lost income. The Economic Policy Institute (EPI) has estimated that if states met these work requirements, the wages of all low-wage workers will fall an average of 12 percent nationwide. The total in lost income to these workers would be approximately \$36 billion per year.

Conclusion

AFSCME members provide health care and welfare assistance to families and individuals with no place else to turn. The parents who come to a local welfare office have no job and need a way to provide the basic necessities for their children. The children in foster care need a refuge from a dangerous home. The sick in the emergency room have no health insurance and need care for severe illnesses and injuries.

Our members want adequate resources to do their jobs well. They want to provide assistance in a fair and equitable manner. They want to move people from welfare to work and to treat the sick without regard to their insurance status.

The NGA proposal does not advance any of these goals. The clear lesson of the past is that the states separately cannot or will not ensure economic security, fairness and opportunity for all. We strongly urge you not to turn back the clock by turning your back on the most vulnerable in our society.

