COMMITTEE ON WAYS AND MEANS

HEARINGS BEFORE THE

SUBCOMMITTEE ON HUMAN RESOURCES
(Volume 1 of 3)

104th Congress
1995-1996

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COMMITTEE ON WAYS AND MEANS

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SUBCOMMITTEE ON HUMAN RESOURCES
(Volume 2 of 3)

104th Congress
1995-1996

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COMMITTEE ON WAYS AND MEANS

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(Volume 3 of 3)

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FEDERAL ADOPTION POLICY

HEARING

BEFORE THE

SUBCOMMITTEE ON HUMAN RESOURCES

OF THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTH CONGRESS

FIRST SESSION

MAY 10, 1995

Serial 104–33

Printed for the use of the Committee on Ways and Means

U.S. GOVERNMENT PRINTING OFFICE

91–885 CC WASHINGTON : 1996

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-052465-2

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FEDERAL ADOPTION POLICY

WEDNESDAY, MAY 10, 1995

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

The subcommittee met, pursuant to call, at 11:10 a.m., in room B–318, Rayburn 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
April 26, 1995
No. HR-5

CONTACT: (202) 225-1721

SHAW ANNOUNCES HEARINGS ON FEDERAL ADOPTION POLICY

Congressman E. Clay Shaw, Jr., Chairman, Subcommittee on Human Resources of the Committee on Ways and Means, today announced that the Subcommittee will hold a hearing on federal adoption policy. **The hearing will take place on Wednesday, May 10, 1995, in room B-318 of the Rayburn House Office Building, beginning at 11:00 a.m.**

Oral testimony at this hearing will be heard from invited witnesses only. Witnesses will include social workers, scholars, parents, and judges. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Subcommittee and for inclusion in the printed record of the hearing.

BACKGROUND:

Public policy on adoption faces a fundamental dilemma. Nearly all Americans support the sanctity of the family. Not only do Americans favor "family values," but most authorities agree that research shows that families are the best way to raise happy and healthy children. On the other hand, every society has families headed by parents who are a threat to the health and even safety of their children. These parents assault their children, neglect to provide them with a safe environment, or sexually abuse them. The dilemma is how to balance the basic American value of family sanctity while at the same time ensuring that children are reared in safe environments.

In announcing the hearing, Chairman Shaw stated: "We want to know whether family programs are producing good results for children or whether too many children are being suspended in foster care while waiting for their parents to be rehabilitated. All sides agree that permanent placements are best for children, but we hope to do everything possible to ensure that children are not being held in the limbo of foster care while waiting for permanent placements."

FOCUS OF THE HEARING:

Many social workers and others interested in child welfare emphasize the view that even families that have abused or neglected their children, or who are considered by authorities to be at risk for doing so, can recover enough to provide a safe environment for their children if parents are provided intense assistance by professionals. This movement, usually called "family preservation," has substantial appeal to social workers, judges, and policymakers. If families can be helped by short-term interventions, social workers and judges can be spared the difficult decision of removing children, the overloaded foster care system will experience some relief, taxpayers will save money, and children may be better off.

On the other hand, critics argue that social workers and the courts go too far to preserve the rights of biological parents. The upshot is that the social work practice and the legal system present a number of barriers to adoption. Those who support expanded adoption argue that adoption should be much easier and simpler than under present law in most states. Some even argue that for the children who have been severely mistreated by their parents, the process of family preservation should be avoided altogether and social workers should move immediately to begin adoption proceedings.

The Subcommittee will hear from witnesses on both sides of this debate. Particular attention will be paid to whether states should change either their social work practices or their law in order to facilitate family preservation or adoption and to whether there is a federal role in such changes.

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, Wednesday, May 24, 1995, 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 office, 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. Good morning.

I welcome all of you to this, the first meeting that we will have on foster care and adoption. I think and I trust that we are going into an era of great bipartisan cooperation with this particular subject, which will be a welcomed relief from some of the ground that this committee has successfully covered since the first of the year.

The Nation now has 450,000 children in foster care. A recent study found that the average duration of first placements in foster care is almost 20 months. During that time, the typical child is likely to live in two different foster homes.

Almost every observer agrees that 20 months is too long and two foster families is one too many. I think we can safely conclude that the number of children in foster care, the length of stays in foster care, and the number of children who have multiple placements are all a national tragedy.

Thus, as a nation, we are seeking a foster care system that meets three goals: First and most important, it must protect children from harm; second, it must remove as few children as possible from their homes; and third, when children are removed from their homes, the system must move quickly to either reunite them with their families or terminate parental rights and have the children placed for adoption.

On its face, Federal policy seems almost schizophrenic on the matter of finding permanent placement for children. In 1993, Congress created the family preservation program to help States provide the intensive family services that may make it possible to keep abused and neglected children with their biological parents. In the same bill, we also authorized money for the States to study their court systems to determine how they could shorten the amount of time that elapses before abused and neglected children are freed for adoption.

So now we are faced with this dilemma; should States invest lots of time and resources in trying to save biological families or should States be more willing to terminate parental rights and move children into adoption?

A corollary question we asked our witnesses to address is whether there might be some way to simultaneously achieve the goals of both family preservation and timely adoption. Specifically, can we move suitable families into family preservation and then, if they fail to respond adequately to services, move more rapidly toward adoption?

I also want this hearing to provide the public and the members of this subcommittee with solid information on family preservation and adoption. Do family preservation programs produce long-term impacts?

Can adoptive parents fulfill children's developmental needs as well as biological parents?

What do we know about the home environments provided by adoptive parents? How do children fare in adoptive placements?

At this time, I would like to invite Mr. Ford and any other members of the committee who wish to make an opening statement.

Mr. FORD. Thank you very much, Mr. Chairman. I am delighted to be back with you on this subcommittee since we reported from

this committee, as well as the full Committee on Ways and Means, the welfare reform bill.

I would like to thank you for calling this hearing today and making sure that we move swiftly to try to correct ills that we see in this particular area.

I must admit being somewhat perplexed by this morning's hearings on the Federal adoption policy, and as best I can tell, the Contract With America would get rid of what little Federal adoption policy we have in this country. By passing H.R. 4, the bill implementing the Contract With America, the House has already decided to scrap the current system. Now, we are having a hearing to find out what works and what doesn't. Is it any wonder that I am puzzled, and I am sure that others will be as well.

H.R. 4 dismantles the social safety net for abused and neglected children. It strips children of the one thing that is guaranteed that they ought to have, a safe place to go if they are abused or neglected. Built on the philosophy that the States know best, what should be done for these children?

H.R. 4 leaves all decisions about their safety and future to the States with no accountability, no one authorized to look over their shoulders to make sure that children are protected. All the Federal Government can do is to check whether the States spend the money properly and collect the data.

I would like to make several predictions. First, here is what I think that we will learn from this session today. Each family is different. For some, adoption is the only hope.

For others, short-term intervention, like family preservation services, is just what is needed to happily reunite the family. Still others fall in the murky middle ground in need of services, but it is not clear whether you can save the family. Providing services may help to build the records you need to complete the adoption proceedings. I predict that we will find that States' resources are tight and investigating allegations of abuse and neglect sap resources, leaving little left for treatment.

This is no simple solution, but total State flexibility means children who have been abused and need foster care will compete for money against children and families who need services in order to keep the abuse out of it. That won't work.

Finally, I predict that in 3 years, if H.R. 4 is enacted into law, we will be back here wondering what went wrong.

Mr. Chairman, I don't want to take up a lot of time in opening statements, so I would like to ask that we have a more complete statement made part of the record and we can hear from the witnesses who are going to testify today before the subcommittee.

[The prepared statement follows:]

OPENING STATEMENT OF HON. HAROLD FORD:

I must admit to being somewhat perplexed by this morning's hearing on Federal adoption policy and family preservation. As best I can tell, the Contract on America would get rid of what little Federal adoption policy we have in this country. By passing H.R. 4—the bill implementing the Contract on America—the House has already decided to scrap the current system. Now we are having a hearing to find out what works and what doesn't. It it any wonder I am puzzled?

H.R. 4 dismantles the social safety net for abused and neglected children. It strips children of the one guarantee they ought to have—a safe place to go if they are

abused or neglected. Built on the philosophy that the States know best what should be done for these children, H.R. 4 leaves all decisions about their safety and future to the States, with no accountability—no one authorized to look over their shoulder to make sure children are protected. All the Federal Government can do is check whether the State spent the money properly and collect data.

I'd like to make several predictions. First, here's what I think we will learn from this hearing: Each family is different. For some, adoption is the only hope. For others, short-term intervention—like family preservation services—is just what they need to happily reunite the family. Still others fall in the murky middle ground—in need of services, but it is not clear whether you can save the family. Providing services may help to build the record you need to complete adoption proceedings.

I predict we will find that State resources are tight—investigating allegations of abuse and neglect sap resources, leaving little left for treatment. There is no simple solution. But total State flexibility means children who have been abused and need foster care will compete for money against children in families who need services in order to keep from being abused. That won't work.

Finally, I predict that in 3 years—if H.R. 4 is enacted into law—we will be back here wondering what went wrong.

Chairman SHAW. Yes, sir. Any of the members that wish to place an opening statement in the record may do so, and I would like at this time to recognize Mr. Stark.

Mr. STARK. Well, thank you, Mr. Chairman.

I want to thank you for calling this hearing and I would like to ask that my statement appear in the record. I hope that—I know that all of us have the best interest of the child at heart, and that the programs need to respond to the individual needs of children and their families. We must find the most appropriate solution for that one unique child, whether it is adoption, foster care, preservation, reunification, whatever it is.

I just don't think there is a one-size-fits-all, and I think you are to be commended. The more light we can shed as to how we should best serve these children and their families, can only result in both the State and Federal authorities charged with protecting these children making the best decisions, and I look forward to hearing the witnesses today.

Thank you, Mr. Chairman.

[The prepared statement follows:]

OPENING STATEMENT OF HON. FORTNEY PETE STARK:

At the end of 1993, an estimated 464,000 children were in foster care in the United States, an increase of about 66 percent from 1986. Fueled by drugs, teenage pregnancy, and AIDS, the number of children at risk has exploded. In 1985, there were 1.7 million reports of neglect and abuse. In 1994, the number reached 3 million.

The answer for these at-risk children is difficult—there is no "one-size-fits-all" solution. Today, although nearly half of the country's foster children are returned to their families within 6 months, the foster care system has turned into a way of life for hundreds of thousands of other children who spend a major part of their young lives without permanent families.

Although over 90,000 children have been placed in permanent families of their own as a result of the adoption subsidy, many children who cannot return to their families still languish in foster care without permanent adoptive families. The obstacles to adoption are many and include: Lack of appropriate and timely service to birth families; failure to pursue termination of parental rights; and lack of families for children with special needs.

The focal issue today is the extent to which we can appropriately limit or reduce the use of foster care. We've learned that foster care, while effective in many cases, is not the best answer for each child. Family preservation services, designed to serve families with children who would otherwise be removed from their homes and placed elsewhere, has worked well in many situations. Family preservation does not

mean keeping families together at all costs or leaving abused or neglected children at home in unsafe conditions.

The debate over welfare reform has renewed the notion of the State as the surrogate parent to children at risk. The recent national dialog initiated by welfare reform efforts has touted orphanages and adoption for our children at risk.

There is no doubt that our child welfare system is in crisis—but is the answer to block grant dollars to States that, many would argue, are already doing an abysmal job as the guardian of our children in crisis? This is not the answer—if programs for children in crisis have to compete with other programs for scarce dollars, the result will be disastrous.

Currently some two dozen jurisdictions are under court order to meet their obligations to children. Cases drag on for years as agencies repeatedly fail to investigate abuse reports in a timely fashion, find permanent homes for children, or even keep track of those under their charge.

The solution lies in preventive services and programs such as family preservation. A fully responsive system includes a variety of services that promote healthy development of families and children; a range of family centered counseling programs for families under stress; foster care and other placement options for children whose safety cannot be maintained in the home; and finally, adoption for children who must be removed from their birth parents permanently.

Block granting these important dollars as we have just done in the recent welfare bill is not the answer. What those efforts represent is an immoral political indifference to homelessness and hunger.

Chairman SHAW. Thank you, Peter. To help the subcommittee investigate the family preservation—excuse me. Is there any other member that wishes to be recognized at this time?

To help the subcommittee investigate family preservation and adoption, we are exceptionally fortunate to have two panels of outstanding witnesses. But before we begin, I have asked Dale Robinson of the Congressional Research Service to provide the members with a brief overview of statistics on foster care and adoption. Dale has prepared a very useful booklet that reviews these statistics. Members have a copy of her memo in their folder.

Dale, thank you for all your good work and thank you for being with the subcommittee on this issue, and especially for your hard work in preparing this very useful memo on child welfare statistics. I would like to invite you at this time to proceed as you see fit.

STATEMENT OF DALE ROBINSON, ANALYST IN SOCIAL LEGISLATION EDUCATION AND PUBLIC WELFARE DIVISION, CONGRESSIONAL RESEARCH SERVICE, THE LIBRARY OF CONGRESS

Ms. ROBINSON. Thank you.

Good morning, Mr. Chairman, and members of the subcommittee. On behalf of the Congressional Research Service, I am pleased to testify before you on data related to adoption. In the interest of time, I will offer highlights of the testimony and memorandum I have submitted for the record.

I would like to point out that there are limited data available on adoption. While there are currently no comprehensive national data on adoption collected by the Federal Government, the Department of Health and Human Services will begin collecting data on foster care and adoptions through the public child welfare system this spring.

First, I would like to present data on adoptions in general. Studies indicate that each year, approximately half of all adoptions in the United States are by stepparents or relatives, and about half are by persons unrelated to the adopted child.

Less than one-tenth of total adoptions are of foreign children. One study found that 200,000 women have actively sought to adopt a child in 1988.

Finally, it is estimated that about 128,000 adoptions of all kinds took place in the United States in 1992.

Over time, fewer women of all races are volunteering to put their newborn infants up for adoption. At the same time, more adoptions are occurring through the foster care system and much of the Federal focus on adoption has concerned this system and the children adopted through it. The following presents information on that system.

Data show that the number of children in foster care has almost doubled in 10 years, to 442,000 children in 1992. More emphasis is being placed on returning children in foster care to their parents.

Between 1983 and 1990, about 15 percent of the children in foster care were expected to be adopted annually. Over the same time period, the percentage of children who had the goal of returning to their parents increased considerably from 46 to 60 percent. Regardless of these percentages, the overall numbers of children in both of these groups has grown considerably over the past 10 years.

More of the children in foster care are living with relatives, often grandparents. It has been found that relatives providing foster care are less likely to adopt than nonrelatives, and black children are more likely than white children to be in relative care.

Data on the duration of stays in foster care differ depending on States and time periods studied. In some States, duration of stay in foster care appear to be decreasing, such as New York. There are also States where duration has increased dramatically, such as Illinois.

There are not very good data on termination of parental rights, however, once those rights have been terminated, it has been found that over half of the children in foster care wait over 2 years for an adoptive placement.

There are differences by ethnicity in the experiences of foster care children, especially for those awaiting adoptive homes.

For example, minority children are disproportionately represented in the foster care population and in the numbers of children waiting for adoptive placement, representing over 50 percent of the children in both of these groups.

Even though adoptions of minority children have increased in recent years, black children in particular tend to stay in foster care longer and wait longer for adoptive placements than other children.

In one California study, after 4 years in care, over 40 percent of black children were still in care, versus 21 percent of Hispanic children and 17 percent of white children. At the same time, adoptions of black children increased 92 percent in California and adoptions of Hispanic children increased 80 percent.

These data show that there are increasing numbers of children in foster care and that children in some States are staying in care longer while other States have managed to shorten the length of time in care. The data also indicate that minority children are disproportionately represented in the foster care system and among those children waiting to be adopted, often waiting longer for adop-

tive placements than other children. Limited data inhibits our ability to explain all of these trends.

Mr. Chairman, this concludes my formal remarks. I would be happy to take questions at this time.

[The prepared statement and attachment follow:]

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Statement prepared for the
Subcommittee on Human Resources
House Committee on Ways and Means
May 10, 1995

by
Dale Robinson
Analyst in Social Legislation
Education and Public Welfare Division

Overview of Adoption Data

Good morning Mr. Chairman and members of the subcommittee. On behalf of the Congressional Research Service, I am pleased to testify before you on data related to adoption. In the interest of time, I will offer highlights of a memorandum I wrote for the Chairman on May 4, 1995, which accompanies this statement.

I would first like to point out that there are limited data available on adoption. While there are currently no comprehensive national data on adoption collected by the Federal Government, the Department of Health and Human Services will begin collecting data on foster care and adoptions through the public child welfare system this spring. The data presented in this testimony were reported by various researchers and organizations, often with funding from HHS.

First, I would like to present data on adoptions in general. Studies indicate that each year approximately half of all adoptions in the U.S. are by stepparents or relatives and about half are by persons unrelated to the adopted child. Less than one-tenth of total adoptions are of foreign children. And less than 8 percent involve children and parents of different races. A little more than a third of adoptions are arranged through public agencies, a third are arranged through private agencies, and a third are arranged independently. In 1992, it is estimated that about 128,000 adoptions of all kinds took place in the U.S.

Over time, fewer women of all races are volunteering to put their newborn infants up for adoption. At the same time, more adoptions are occurring through the foster care system, and much of the Federal focus in adoption has concerned this system and the children adopted through it. Therefore, its important to examine the foster care system and children's experience while in care, which can affect later adoption. The following presents information on that system.

Data show that:

1) The number of children in foster care has almost doubled in 10 years to 442,000 children in 1992, placing a great strain on the system.

2) More emphasis is being placed on returning children in foster care to their parents. Between 1983 and 1990, about 15 percent of the children in foster care were expected to be adopted annually. Over the same time period, the percentage of children who had a goal of returning to their parents increased considerably from 46 percent to 60 percent. Regardless of these percentages, the overall numbers of children in both of these groups has grown considerably over the past 10 years.

3) More of the children in foster care are living with relatives, often grandparents. It has been found that relatives providing foster care are *less likely* to adopt than nonrelatives, and black children are more likely than white children to be in relative care.

4) Data on the duration of stays in foster care differ depending on States and time periods studied. There are also not very good data on termination of parental rights; however, once those rights have been terminated, it has been found that over half of children in foster care wait over 2 years for an adoptive placement. In some States, duration of stay in foster care appears to be decreasing, such as New York. However, there are some States where duration has increased dramatically, such as Illinois. Also, in recent years, more infants have been entering substitute care, and infants appear to stay in care longer than children who enter at other ages.

5) There are also differences by ethnicity in the experiences of foster care children, especially for those awaiting adoptive homes. For example:

a) Minority children are disproportionately represented in the foster care population and in the numbers of children waiting for adoptive placement, representing over 50 percent of the children in both these groups. Certain children are also disproportionately represented in certain States and localities. Black children are 90 percent of the children in care in New York City. And Hispanic children are 40 percent of the children in care in New Mexico.

b) Even though adoptions of minority children have increased in recent years, black children, in particular, tend to stay in foster care longer, and wait longer for adoptive placements than other children. In one California study, after 4 years in care, over 40 percent of black children were still in care, versus 21 percent of Hispanic children, and 17 percent of white children. At the same time, adoptions of black children increased 92 percent in California, and adoptions of Hispanic children increased 80 percent.

c) Although adoptions of special needs children, which includes children who are minorities, older, disabled, or members of a sibling group, have increased in recent years, in 1990, they still represented over 70 percent of the children awaiting adoptive placement.

These data show that there are increasing numbers of children in foster care, and that some proportion of these children are staying in care longer. The data also indicate that minority children are disproportionately represented in the foster care system and among those children waiting to be adopted, often waiting longer for adoptive placements than other children. Limited data inhibits our ability to explain all of these trends.

Mr. Chairman, this concludes my formal remarks. I would be happy to take questions at this time.

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May 4, 1995

TO : House Ways and Means Committee
Subcommittee on Human Resources
Attention: Ron Haskins

FROM : Dale Robinson
Analyst in Social Legislation
Education and Public Welfare Division

SUBJECT : **Adoption Statistics Revised**

As you requested I have revised my memorandum of April 24 which compiled a variety of statistics on various adoption topics for a May 10, 1995 hearing that your subcommittee will hold. For each area I have written a brief paragraph describing the latest statistics and trends and the sources for the data used. This memorandum includes additional data not in the original. Much of the Federal focus in adoption has been on the public child welfare system and the children adopted through it. Therefore, I have included data on the foster care system, including those children waiting to be adopted.

There are many limitations to available data on adoption. It is an underresearched area, and there are no comprehensive national data on adoption collected by the Federal Government. From 1957 to 1975, the National Center for Social Statistics, Department of Health and Human Services (HHS) collected annual adoption information from States on a voluntary basis. Since 1982, the American Public Welfare Association has conducted the Voluntary Cooperative Information System (VCIS), with funding from HHS, which has collected voluntary information from States on the public child welfare system, including adoption information. From 1986-1994, the National Center for State Courts, with support from HHS, collected national data on adoption of all types using court records. Further, private organizations and researchers have periodically conducted studies using a range of methods.

The data that are presented in this memorandum come from all these sources. I have not attempted to verify the data presented. I have relied upon written reports and studies that report data findings.

Final rules for a new system for collecting comprehensive child welfare data for children in State care were issued by HHS in December 1993. The Adoption and Foster Care Analysis and Reporting System (AFCARS) requires States to report data no later than May 15, 1995.

Birth Mothers

More mothers are choosing to keep their babies. Between 1972 and 1982, the number of out-of-wedlock births increased by 77 percent while the number of adoptions decreased by 22 percent (Independent Adoptions, *Congressional Quarterly*, 1987). Between 1982 and 1988, only 3 percent of never-married white women (non-Hispanic) placed their children for adoption, whereas 19 percent had done so between 1965-1972. Historically, black teenage mothers have rarely placed infants for adoption. (*Sex and America's Teenagers*, Alan Guttmacher Institute, 1994.) Only 0.7 percent of premarital black children were released for adoption in 1973, and this figure fell to 0.1 percent in 1982 (*Congressional Quarterly*, 1987).

Adoptive Mothers

Based on data from 1988, approximately 200,000 women had taken active steps to adopt a child unrelated to them at that time. Over 2 million women of reproductive age were estimated to have ever sought to adopt. Black and white women were equally likely to have sought to adopt. (On the Path to Adoption: Adoption Seeking in the United States, 1988, *Journal of Marriage and the Family*, August 1991)

In most adoptions, mothers are ages 25-34, and most are married at the time of adoption. However, it appears that adoptions by single women are on the increase. Single women are also more likely than married women to adopt older children. Women with higher levels of income and education are more likely to adopt, especially unrelated children. Data also show that adoptions among persons of color and those with lower education and income levels tend to be adoptions of related children. (*Adoption in the 1980s, National Center for Health Statistics-Advance Data*, January 1990)

Number and Types of Adoptions

According to the National Center for State Courts, almost 128,000 adoptions took place in 1992. This number is based on court records, and reports from bureaus of vital statistics and social service agencies. At least half of these adoptions were stepparent or relative adoptions, the majority of which were independently arranged (i.e., no agency involvement). Most non-relative adoptions involved a public or private agency. Public agency adoptions (which generally involve older, minority and handicapped children) ranged from 6 percent to 30 percent of States' adoptions. (*The Flow of Adoption Information from the States*, by Victor and Carol Flango, 1994). The number of unrelated adoptions has stayed relatively constant over the past 20 years. Estimates from 1989 indicate that approximately 40 percent of adoptions were handled by public agencies, 31 percent were handled independently, and 29 percent by private agencies (Center for the Future of Children, 1993).

International Adoptions

The number of international adoptions has decreased in recent years. During the 1980s, roughly 10,000 children were adopted from abroad every year. In FY 1993, 7,348 foreign adoptions took place. In FY 1991, 9,008 children were adopted from abroad. The countries of origin for these children change yearly. The recent decrease in international adoptions is partly due to Korea, formerly one of the largest sources of international children, limiting the number of adoptions allowed by foreigners. Recently, many more children from Romania and Russia have been adopted by U.S. citizens. (U.S. Immigration and Naturalization Service)

Transracial Adoptions

Based on 1987 data, 8 percent of adoptions involved an adoptive mother and child of different races. White women adopting black children accounted for 1 percent of adoptions; white adoption of children of races other than white or black were 5 percent of adoptions. Mothers of other races adopting white children accounted for 2 percent of adoptions. Because these estimates include international adoptions, the incidence of transracial adoption among U.S. children is actually somewhat lower than these figures. (*Adoption in the 1980s, National Center for Health Statistics Advance Data*, January 1990)

Children in the Public Child Welfare System

About 15-20 percent of the children adopted in the United States come through the public child welfare system. For 1992, approximately 442,000 children were in foster care at the end of the fiscal year. The foster care population has almost doubled in the past 10 years, and represented 5.9 per 1,000 U.S. children in 1990. This is an increase from 4.2 per 1,000 children in 1987. This trend is corroborated by two studies, one of the total foster care population--the Voluntary Cooperative Information System (VCIS) conducted by the American Public Welfare Association--and one of foster care caseloads in five States which represent over half the children in foster care--Multi State Foster Care Archives, Chapin Hall Center for Children, University of Chicago.

In FY 1990, white children were 39.3 percent of the children in foster care, and black children were 40.4 percent of the children in care. Of children in out-of-home care, family reunification was the permanency goal for over half in 1990. Adoption was a goal for over 15 percent. Of the children who left out-of-home care in 1990, about 8 percent were adopted, while over 60 percent were reunified with their families. (VCIS, House Ways and Means Committee Green Book, 1994)

Of the total numbers of children in foster care in 1992, about half were eligible for Federal foster care payments under title IV-E of the Social Security Act (Green Book).

In FY 1990, 17,000 children in out-of-home care had a finalized adoption, 18,000 were placed in a nonfinalized adoptive home, and 20,000 were awaiting adoptive placement. These numbers have been fairly stable since 1982. However, 69,000 children in 1990 had a permanency goal of adoption, which was a significant increase from 1982 (VCIS, APWA).

Relative Foster Care

There has been significant growth in the numbers of children in substitute care placed with relatives. Children placed for foster care with relatives grew to 31 percent of the total caseload by 1990 (HHS Inspector General). Similar increases were found by a study conducted by Chapin Hall. In two of the five States surveyed (New York and Illinois), relatives provided one-third to one-half of the foster care homes. Relatives generally adopt foster children at a lower rate than nonrelatives. Black children are more likely than white children to be in relative care.

Census data also show that more children than in previous years are living in the homes of relatives, especially grandparents. These numbers reflect all U.S. children, not just children in the public child welfare system. In 1992, about 5 percent of children under 18 lived in homes maintained by grandparents, up from 3 percent in 1970. However, parents were included in many of these households, representing a three-generation household. In fact, the number of children living apart from parents, with relatives or nonrelatives, has decreased over the past 10 years. (U.S. Census Bureau, Current Population Reports)

Duration of Foster Care

Data on duration of stay in foster care are mixed, depending on the time period studied and the State. In the Chapin Hall study, from 1988-1993, duration in foster care decreased in California and New York, stayed the same in Michigan and Texas, and increased in Illinois. Statewide medians of average length of time in care ranged from just under 9 months in Texas to over 34 months in Illinois. With the exception of Texas, durations of stays were consistently longer for black children than for white children. VCIS data show that from 1982 to 1990, there was an increase in the percentage of children in care between 1 and 2 years, and in care between 2 and 3 years. However the percentage was constant over that time for children in care 3-5 years, and decreased significantly for children in care more than 5 years and somewhat for children in care less than 1 year.

Length of Time Waiting for Adoption

The adoptive process can be time consuming, especially in adoptions of foster care children involving public agencies. Children wait in care several years on average before getting an adoptive placement. The wait for minority children can be particularly long. According to one study in California, black children are less likely to be adopted or reunified and more likely to still be in care than children of other ethnicities. After 4 years in foster care, 41.2 percent of black children in California were still in care versus 17.2 percent of white children and 21.2 percent of Hispanic children. Moreover, 8 times as many black children remained in foster care after 4 years as were adopted (41.2 percent vs. 5.2 percent), four times as many Hispanic children remained in foster as were adopted (21.2 percent vs. 5.9 percent), and only twice as many white children remained in foster care as were adopted (17.2 percent vs. 8.9 percent). At the same time, adoptions of black children have increased 92 percent in California in the last 5 years and adoptions of Hispanic children by 80 percent. (Rick Barth, University of California, Berkeley)

Termination of Parental Rights

For almost 88 percent of the children in foster care at the end of FY 1990, there had been no termination or relinquishment of parental rights. This number remained generally stable from 1982 to 1990. There was a dramatic decrease in this percentage in 1989 to 56 percent, but the percentage increased to 88 percent in 1990. Also in 1989, there was an increase in the percentage of children that had a legal status of "other" than in previous years. There may be some relation between these two events. VCIS does not have data on what "other" status means. (VCIS, APWA)

Minority Children in Foster Care and Adoption Caseloads

Black children represent over half of the foster care caseload in New Jersey (63 percent), Maryland (57 percent), and Louisiana (54 percent). Hispanic children are overrepresented in New Mexico (40 percent), Texas (23 percent), and Colorado (18 percent). Native American children are disproportionately represented in South Dakota's caseload (65 percent). This trend particularly affects major urban areas--more than 80 percent of the foster care caseload in Chicago is minority and nearly 90 percent in New York City. (*Child Welfare*, v. 69, no. 6, 1990)

This overrepresentation in the foster care caseload leads to overrepresentation among those waiting for adoption. More than half of the children awaiting adoption nationally are children of color. In Detroit, 80 percent of the children waiting for adoption are black. In Massachusetts in 1988, black children were 41 percent of the waiting population but only 14 percent of the children in adoptive placements. (Center for the Future of Children, Adoption, 1993)

Special Needs Adoptions

The percentage of children with special needs (older, minority status, sibling group or disabled) in foster care has decreased; however, the number of special needs children awaiting adoption has increased over time, as has the percentage who are adopted. By 1990, special needs children represented only 13 percent of the foster care population, down from 22 percent in 1984. However, special needs children represented 72 percent of the foster care children awaiting adoptive placement and 67 percent of the children who were adopted in 1990, up from 43 percent and 57 percent respectively in 1984 (VCIS, APWA).

The number of special needs children receiving Federal adoption assistance payments under title IV-E of the Social Security Act has increased dramatically since the inception of the program in 1980. Over the past 5 years, the average monthly number of children for whom payments were made has more than doubled from just under 50,000 to over 118,000 in FY 1995. The appropriations amounts for the program have increased from $190 million in FY 1991 to $399 million in FY 1995. (Department of Health and Human Services, Administration for Children and Families, FY 1996 Budget Justifications)

In FY 1990, the latest data available, almost half of the children adopted with subsidies were authorized to received Federal title IV-E adoption assistance. The remainder of these

children received State-financed adoption subsidies. In FY 1990, 104,000 children were adopted with subsidy (Federal or State). (VCIS, APWA, October 1993)

Adoption Outcomes

Current estimates indicate that approximately 10-13 percent of adoptions disrupt or dissolve (i.e., a child is removed from the adoptive home before or after the adoption is finalized). Generally, there is a greater risk of disruption or dissolution the older the child is at the time of placement. (Center for the Future of Children, 1993)

Chairman SHAW. I would like at this time to welcome Ms. Jackson-Lee, a freshman Member from the State of Texas to sit with us here this morning.

At this time I will recognize Mr. Camp for questions.

Mr. CAMP. Thank you.

Ms. Robinson, is it fair to say from your statistical presentation that while the number of children in foster care is increasing, it is at a slower rate than had been occurring in the eighties?

Ms. ROBINSON. That is generally correct.

Mr. CAMP. Does the length of stay in foster care seem to be increasing, decreasing, or staying the same?

Ms. ROBINSON. It really depends, at least for data that I have looked at, on the State that you look at and the time period studied. There are some States, like New York and California, where it appears duration has gone down, but then there is Illinois, where duration has gone up quite a bit.

Mr. CAMP. I was going to ask about two areas, the District of Columbia and Michigan.

Ms. ROBINSON. There is Michigan data. I would have to get that for you. I believe it has generally stayed pretty constant. It hasn't had the dramatic decrease or increase that New York and Illinois have had.

[The following was subsequently received:]

Data from the Chapin Hall Center for Children at the University of Chicago from 1994 indicate that from 1983 to 1993 the numbers of children in foster care in Michigan increased from 7,150 to 11,937 children—an increase of 67 percent. *An Update from the Multistate Foster Care Data Archive re: Foster Care Dynamics* shows that although the overall numbers of children in foster care in Michigan increased from 1983 to 1993, the rate of change has decreased over the past 5 years, indicating a slower rate of growth in Michigan's foster care system. (See attached tables.)

TABLE 2

Foster Care Census by Year

	California*	Illinois	Michigan	New York	Texas*	Total
1983	32,520	15,285	7,150	28,540	4,992	88,487
1984	36,540	15,240	7,725	28,259	4,996	92,760
1985	39,666	15,017	8,242	28,383	6,243	97,551
1986	43,599	15,081	8,459	30,191	6,143	103,473
1987	49,990	17,121	9,335	38,191	6,308	120,945
1988	55,393	19,005	9,900	49,079	6,827	140,204
1989	66,670	21,242	10,708	61,268	7,976	167,864
1990	70,630	23,876	11,501	65,432	8,742	180,181
1991	72,743	28,584	12,105	66,623	9,547	189,602
1992	77,087	33,749	12,062	64,875	10,436	198,209
1993	82,647	39,408	11,937	62,896	11,123	208,011

*Counts for California 1983-87 and Texas 1983-84 from published state data.

Table 2 and **Figure 2** present the annual end-of-year cross-sectional caseload counts for each of the five states separately. California and New York together contribute almost 70 percent of the total number of foster children to the five-state Archive total. Growth of the population of children in foster care occurred in each of the five states, with total growth for the 11-year period varying from 67 percent in Michigan to 158 percent in Illinois.

FIGURE 2

Foster Care Census by Year

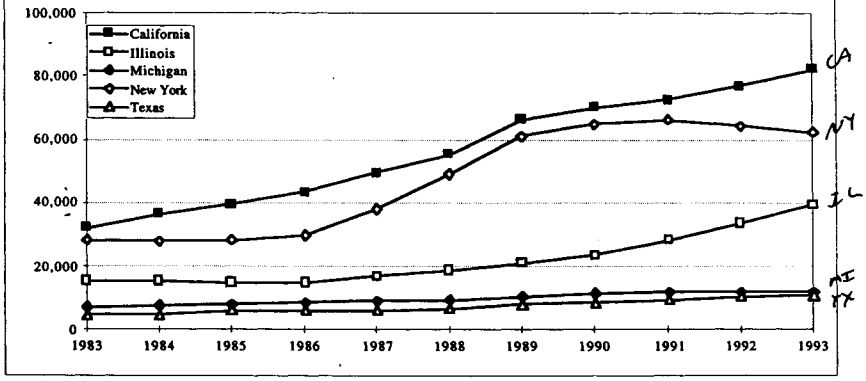


Table 3 presents annual percentage changes in the size of the cross-sectional census of children in substitute care for each state. While overall growth occurred in each of the five states, the specific patterns differ. For example, short bursts of extremely rapid growth occur in New York (1987-89) and Illinois (1991-93), while recent periods of small decrease are shown in Michigan and New York (1992-93).

TABLE 3
Percent Change in Foster Care Census by Year

	California*	Illinois	Michigan	New York	Texas*	Total
1983	-	-	-	-	-	-
1984	12.4%	-0.3%	8.0%	-1.0%	0.1%	4.8%
1985	8.6%	-1.5%	6.7%	0.4%	25.0%	5.2%
1986	9.9%	0.4%	2.6%	6.4%	-1.6%	6.1%
1987	14.7%	13.5%	10.4%	26.5%	2.7%	16.9%
1988	10.8%	11.0%	6.1%	28.5%	8.2%	15.9%
1989	20.4%	11.8%	8.2%	24.8%	16.8%	19.7%
1990	5.9%	12.4%	7.4%	6.8%	9.6%	7.3%
1991	3.0%	19.7%	5.3%	1.8%	9.2%	5.2%
1992	6.0%	18.1%	-0.4%	-2.6%	9.3%	4.5%
1993	7.2%	16.8%	-1.0%	-3.1%	6.6%	4.9%

*Counts for California 1983-87, Texas 1983-84 from published state data.

The foster care caseloads do not necessarily change evenly within a state. One example of intrastate differences is shown in **Figure 3**, which separates the foster care census into children from the primary urban county (counties) in the state and those from the remainder of the state. Again, clear differences between state patterns are evident. Almost all of the growth in foster care caseloads in New York and Illinois occurred in New York City and Cook County (the urban areas), with the changes in other areas in these states over the 11 years being minimal. However, in California, Michigan, and Texas, growth of the foster care caseload occurred in all regions of the state.

Mr. CAMP. So they at least stayed fairly stable?

Ms. ROBINSON. Right.

Mr. CAMP. In some of the other States, it has declined?

Ms. ROBINSON. Declined. You see it in the data.

Mr. CAMP. How would you describe the trend nationally—I realize there are some differences between States. How would you then describe these trends and what they mean? A summary of what you see as the national trends?

Is the child—is the child welfare crisis getting worse? Is it getting better? Is it staying fairly stable?

Ms. ROBINSON. I think it really does—I think the data by State really does show differences in how States are dealing with their systems. Illinois has had many more children entering their system at an increasing rate than some States. Therefore, it is probably harder to get those children out of the system.

So I think that except in States like New York, numbers haven't increased as much in the past couple of years, and they have had a better time at—in decreasing some of the numbers and getting children out of the system. I think there are other people on the panels who might be able to paint a better national trend.

Mr. CAMP. Sure. Is there a particular reason that you know of why Illinois' numbers may be increasing?

Ms. ROBINSON. I don't know.

Mr. CAMP. All right, thank you.

I have no further questions, Mr. Chairman.

Chairman SHAW. Mr. Ford.

Mr. FORD. Thank you, Mr. Chairman, and Ms. Robinson.

Ms. Robinson, your CRS report shows that the number of out-of-wedlock births increased by 77 percent, while the number of adoptions decreased by 22 percent. These out-of-wedlock births that we are talking about are these teen mothers? What percentage of the children born out of wedlock would be born: One, to teen mothers; two, to welfare mothers, and three, to mothers with income lower than the poverty threshold? Do you have any——

Ms. ROBINSON. I don't have numbers on that here, but we have numbers on that at CRS. I can get them to you.

[The following was subsequently received:]

CRS analysis of data from the National Center for Health Statistics, indicate that in 1992, out of 1,224,876 babies born to unmarried women, 30 percent of these babies were born to adolescents. However, adolescent mothers make up almost half of all first births to unmarried women.

Data from the U.S. Bureau of the Census published in March 1995, indicate that mothers receiving aid to families with dependent children (AFDC) were nearly three times as likely as their non-AFDC mothers when they gave birth for the first time. Twenty-nine percent of AFDC mothers had their first birth under age 18; the same was true for only 15 percent of non-AFDC mothers. Census Bureau data also show that nearly half of AFDC mothers have never been married.

Data tabulated by the Alan Guttmacher Institute from the National Survey of Family Growth present information on unintended births by poverty levels. Unintended births include those that were "mistimed" (that is the woman wanted another child, but the birth occurred earlier than preferred) and those that were "unwanted" (that is, the woman did not want to have a child). Unintended births during 1984–99 survey years increased from the 1979–82 survey years. Fifty-eight percent of births to poor women (those with incomes less than 100 percent of the poverty level) were unintended during the 1984–88 survey years, compared to 51.1 percent of births to poor women during the 1979–82 survey years. Poor women were the most likely to report unintended births—both mistimed and unwanted—in both 1979–82 and 1984–88. One quarter of poor mothers during 1984–88 reported that

the births were unwanted, and one third of poor mothers reported that the births were mistimed.

Mr. FORD. Do you have numbers on any of those three areas?

Ms. ROBINSON. Not with me. In general, for all of that category, for all women giving birth out of wedlock, the numbers of women putting their children up for adoption has decreased no matter who you look at.

Mr. FORD. I understand that. Regardless of who you look at, they have all—we have seen a sharp decrease in the number of children offered for adoption. We also have seen such a sharp increase in the children who are born out of wedlock and I am just trying to see who are we talking about.

Ms. ROBINSON. And over that same time period, there is less stigma attached to abortion. There are a lot of factors that lead to more women having children and not putting them up for adoption.

Mr. FORD. What factor or factors do you attribute to the doubling of the foster care caseload over the past 10 years?

Ms. ROBINSON. There is a lot of data that talks about more children being in poverty these days, one in five children I believe is the latest figure. Definitely poverty, housing shortages, stress among families, all of that affects how families can raise their children and definitely has some effect on families not being able to raise their children or abusing their kids, and most kids come into the system due to abuse and neglect. I think over 50 percent enter care due to neglect, so I am sure that poverty has some bearing.

Mr. FORD. Is there any evidence that Federal law serves as a barrier to the adoption process?

Ms. ROBINSON. Barriers to the adoption process?

Mr. FORD. Yes. Do you know of any Federal laws that we have enacted that serve as a barrier?

Ms. ROBINSON. Prior to this Congress, there were about three or four Federal adoption programs. There is the adoption assistance program that gives payments to parents who adopt special needs children. There is the adoption opportunities program that basically funded demonstration projects that help families deal with postlegal adoption services and a host of other adoption issues. There are several different adoption programs, and H.R. 4 would give money basically over to States to allow them to do whatever they see fit in terms of adoption.

Mr. FORD. And do you think that giving all of this authority to the States will enhance the adoption process and reduce the caseload of foster care?

Ms. ROBINSON. It is definitely the case that adoption generally is a State issue, and decisions are made on the very local level and definitely the block grants would give States money to do as they see fit to do it.

Mr. FORD. Outside of giving States the money for adoption programs, what evidence do you have that the States would do a better job than what is done under current law in the existing programs you described?

Ms. ROBINSON. The States also have their own State adoption subsidy programs. Every State has a State program for kids who couldn't qualify for Federal funds, and so we don't have any data to show that—or any instances to show that States would get rid

of these programs. I am assuming they would keep their own State adoption subsidy program or maybe increase them. It is unclear. We don't know exactly what they would do.

Mr. FORD. Right. But you are convinced that giving the States the block grant programs under H.R. 4 is putting it on the right track to increase the number of adoptions in this country?

Ms. ROBINSON. I can't answer that. It really depends on what States decide to do with the money.

Mr. FORD. And what about the Federal mandates or the Federal requirements or Federal standards? Should we have any or just give States complete control or jurisdiction over the adoption programs?

Ms. ROBINSON. I don't really think I can answer that. Right now there are very few Federal mandates in terms of adoption.

Mr. FORD. Who are these hard-to-adopt children you say that stay in the process more than 2, 2½——

Ms. ROBINSON. Minority kids, disabled children, older children, members of sibling groups. We often have twins or triplets, or people who have three or four kids, who are in the system and families aren't often willing to take more than one child.

Mr. FORD. My time is expired, but one final question. Do you have any comments regarding the tax bill that we passed and its $5,000 adoption credit. Do you think we should double that amount for the hard-to-adopt children?

Ms. ROBINSON. Well, that is more than what families who adopt special needs children in particular get now. Now they get a one-time reimbursement of up to $2,000.

Mr. FORD. Right.

Ms. ROBINSON. And that would expand the numbers of——

Mr. FORD. But that is not an incentive for families who earn $25,000 and $30,000 a year, because the tax credit really wouldn't help them at all. I am trying to see how do we focus H.R. 4 other than just turning it over to the States. Does anything really attract families to adopt these hard-to-adopt children?

Ms. ROBINSON. Well, definitely the $5,000 tax credit would apply to all adoptions, not just special-needs adoptions, including international adoptions.

Mr. FORD. It would only apply if you have the tax liability?

Ms. ROBINSON. Right. Correct.

Mr. FORD. Thank you.

Chairman SHAW. Mr. McCrery.

Mr. MCCRERY. Thank you, Mr. Chairman.

I don't really have any questions of the witness. I think she did an excellent job of providing us a statistical overview of the situation, and I appreciate that. Mr. Ford may be able to get some more definitive answers from some other witnesses that are going to appear before us today, so I look forward to hearing those witnesses.

Chairman SHAW. Mr. Rangel.

Mr. RANGEL. Mr. Chairman, first, let me thank you for following up. Maybe the next 100 days may not be as bad as I thought they would be if we can see what we have done and have the time to have it evaluated by those people that will have to carry it out, assuming the Senate is on a 100-day track as well.

Ms. Robinson, it is my understanding that foster care certainly provides for a lot of kids who are abused and neglected to at least be in a better environment, but even that care, there are a lot of cracks there that cause States and providers to be in court because kids are abused and neglected, so it is not the ideal and we are trying to improve it.

Ms. ROBINSON. Correct.

Mr. RANGEL. It is also my feeling that kids that wind up in this circumstance, a lot of them are unwanted kids. They come from parents that have their own problems with drugs and alcohol, and maybe many of these kids themselves have been born into being addicted and AIDS and social problems. In talking with professionals like you, I get the impression that there is a clear connection between the education that has been provided to people, the employability, the fact as to whether they are working, as to whether they have these children at all, and the others that are having all of these children out of wedlock that really have no sense of what we like to call family values.

Is there a connection between education, job training and employability and children going into foster care, and on the other side, people who are in school working and looking toward jobs and marriage?

Ms. ROBINSON. There is data to show—in terms of kids coming into the foster care system?

Mr. RANGEL. Exactly.

Ms. ROBINSON. They usually enter care because of abuse and neglect and there have been studies that relate abuse and neglect to stressors like poverty and low-income levels.

Mr. RANGEL. But Mr. Ford was talking about the number of minority kids. If you were to talk about the income level of the parents that have their kids here, how would you describe them as a profile? You know, who are the parents, of these kids that Congressman Ford is talking about? What are their backgrounds?

Ms. ROBINSON. I can get you more data on that, but there is definitely one study that was done by HHS in 1984 or 1988, I believe, that showed that when the income drops to something like $15,000 or below, incidents of child abuse in that community definitely goes up.

[The following was subsequently received:]

Department of Health and Human Services (DHHS) data from 1988 indicate that family income has profound effects on the incidence of child abuse and Neglect. In the DHHS National Center on Child Abuse and Neglect (NCCAN) *Study of National Incidence of Child Abuse and Neglect: 1988,* the rate of abuse was four times higher among lower income families (less than $15,000) than among children in higher income families ($15,000 or more). Neglect was nearly eight times higher among lower income families compared to the higher income families. (See attached chapter and tables.)

5.4.1 Family Income Effects (Using Original Definitions)

Family income was found to have profound effects on the incidence of abuse and neglect. There were significant income-related differences on all measures except fatalities, and there the differences were marginal. Table 5-5 presents the distribution of child maltreatment defined according to the original standards across children classified into two categories on the basis of family income. Throughout the table, children from families whose income was less than $15,000 experienced more maltreatment and injury/impairment than did those from families with incomes greater than $15,000. The overall rate of maltreatment was more than 5 times higher among the lower income children who experienced maltreatment under the original definitions. These children were maltreated at a rate of 32.3 per 1,000 (representing 537,400 children nationwide), as compared to 6.1 children per 1,000 (reflecting 282,500 children) in the upper income group.

The rate of abuse was 4 times higher among lower income children (16.6 per 1,000 children in this income category, or 275,500 children nationwide) than among the children in higher income families (4.1 per 1,000, or 190,200 children nationwide). Neglect was nearly 8 times higher for the lower income children (17.3 per 1,000 or 287,800 children) compared to those from the higher income families (2.2 per 1,000 or 103,200 children). This affected the relative proportions of children who were abused vs. neglected in each case. The general pattern (discussed in Chapter 3) was for abuse to be more frequent than neglect. That was the case for upper income children, whose rate of abuse represented 67% of maltreatment in that group and whose rate of neglect represented only 36% of maltreatment. Among lower income children, however, the rates of abuse and neglect were quite similar, with abused and neglected children representing 51% and 54% of all those maltreated, respectively.

Income Differences in Abuse. Physical abuse was 3½ times more frequent among lower income children; sexual abuse was 5 times more frequent for children from the lower income families; and emotional abuse was nearly 4½ times more frequent for the lower income group. Despite the dramatic overall elevation of the incidence of abuse in the lower income group, the general pattern identified in Chapter 3 of physical abuse being more frequent than either sexual or emotional abuse held for both income groups.

Table 5-5. Differences in maltreatment based on family income: original definitions

	Category	Less than $15,000	$15,00 or more
RATES[a]	All Maltreatment	32.3	6.1
	All Abuse	16.6	4.1
	Physical Abuse	8.4	2.4
	Sexual Abuse	4.5	0.9
	Emotional Abuse	4.8	1.1
	All Neglect	17.3	2.2
	Physical Neglect	6.9	0.7
	Educational Neglect	10.1	1.3
	Emotional Neglect	1.5	0.3
	Fatal Injury/Impairment	0.03	0.01
	Serious Injury/Impairment	6.0	0.8
	Moderate Injury/Impairment	22.4	4.7
	Probable Injury/Impairment	4.0	0.6
TOTALS[b]	All Maltreatment	537,400	282,500
	All Abuse	275,500	190,200
	Physical Abuse	139,800	109,400
	Sexual Abuse	74,300	43,100
	Emotional Abuse	79,100	52,300
	All Neglect	287,800	103,200
	Physical Neglect	115,300	31,800
	Educational Neglect	167,300	58,400
	Emotional Neglect	25,100	14,900
	Fatal Injury/Impairment	500	300
	Serious Injury/Impairment	99,100	38,400
	Moderate Injury/Impairment	372,000	217,100
	Probable Injury/Impairment	65,900	26,700

[a]Per 1,000 children from families in that income category in the population.

[b]Total number of children not adjusted by population totals.

NOTE: Family income was unknown for 20% of the cases. See footnote 2.

Income Differences in Neglect. Incidence rates for all forms of neglect were considerably higher for the lower income children: physical neglect was nearly 10 times as frequent, educational neglect close to 8 times as frequent, and emotional neglect 5 times more frequent among children from lower income families. Still, the overall ordering of educational neglect > physical neglect > emotional neglect held true for all children, regardless of their family income level.

Income Differences in Severity of Injury/Impairment. As shown in Table 5-5, children from lower income families experienced more injury/impairment than did children from upper income families although the difference for fatalities was only statistically marginal. Among children from lower income families, fatalities were 3 times more frequent; serious injuries/impairments were 7½ times as frequent; moderate harm occurred at nearly 5 times the higher income rate; and probable injuries/impairments were almost 7 times as frequent for the children from the higher income families.

The most frequent category of injury/impairment resulting from maltreatment in both groups, as in the overall pattern seen in Chapter 3, was the moderate level, representing 69% of the injury/impairment in the lower income group and 77% in the upper income group. Serious injuries were second most frequent for both groups (19% for lower income and 13% for higher income children), followed closely by probable injuries (12% for lower income children and 10% for higher income children). Fatalities were the least frequent injury for all children, accounting for less than 0.2% of injuries regardless of income level.

5.4.2 Family Income Effects (Using Revised Definitions)

The same pervasive effects of family income were apparent when maltreatment was defined using the revised definitions. Significant differences between the income groups emerged in every category of maltreatment and injury/impairment except fatalities, and for that category the income-related difference approached significance (i.e., was statistically marginal). Table 5-6 presents the incidence of maltreatment according to family income under the revised definitions.

Table 5-6. Differences in maltreatment based on family income: revised definitions

	Category	Less than $15,000	$15,00 or more
RATES[a]	All Maltreatment	54.0	7.9
	All Abuse	19.9	4.4
	Physical Abuse	10.2	2.5
	Sexual Abuse	4.8	1.1
	Emotional Abuse	6.1	1.2
	All Neglect	36.8	4.1
	Physical Neglect	22.6	1.9
	Educational Neglect	10.1	1.3
	Emotional Neglect	6.9	1.5
	Fatal Injury/Impairment	0.03	0.01
	Serious Injury/Impairment	6.0	0.9
	Moderate Injury/Impairment	30.9	5.5
	Probable Injury/Impairment	5.4	0.9
	Severity-Endangered	11.7	0.6
TOTALS[b]	All Maltreatment	897,700	367,100
	All Abuse	330,300	204,100
	Physical Abuse	169,200	117,800
	Sexual Abuse	90,600	49,700
	Emotional Abuse	100,800	53,600
	All Neglect	611,800	188,900
	Physical Neglect	375,900	85,800
	Educational Neglect	168,300	58,400
	Emotional Neglect	114,400	70,200
	Fatal Injury/Impairment	500	300
	Serious Injury/Impairment	99,300	41,000
	Moderate Injury/Impairment	513,300	254,600
	Probable Injury/Impairment	90,000	41,000
	Severity-Endangered	194,600	30,100

[a]Per 1,000 children from families in that income category in the population.

[b]Total number of children not adjusted by population totals.

NOTE: Family income was unknown for 20.2% of the cases. See footnote 2.

Overall maltreatment under the revised definitions was almost 7 times more frequent among children from families whose income was less than $15,000 in 1986 (54.0 per 1,000 or 897,700 children nationwide) than among those from higher income families (7.9 per 1,000 or 367,100 overall). Abuse was 4½ times more frequent and neglect was nearly 9 times more frequent among lower income as compared to upper income children. (See Table 5-6 for rates and totals.)

The pattern discussed in Chapter 3 (where, under the revised definitions, neglect represented a greater percentage of all maltreatment than abuse) held for the lower income group, where 68% of the children experienced neglect (36.8 per 1,000) as compared to 37% (19.9 per 1,000) having experienced abuse. In contrast, among the upper income children, the proportions were approximately equivalent, with 51% (4.1 children per 1,000) of the upper income children having experienced neglect and 56% (4.4 children per 1,000) having experienced abuse.

Income Differences in Abuse. As shown in Table 5-6, in every category of abuse, children from lower income families were significantly more abused than those from upper income families. They were more than 4 times as likely to be physically abused or sexually abused and more than 5 times as likely to be emotionally abused. The relative frequencies of the different types of abuse within each group resembled that for the overall findings, with physical abuse the most frequent, followed by emotional and then by sexual abuse, although for upper income children the rates of emotional and sexual abuse were essentially equivalent.

Income Differences in Neglect. There were income-related differences in all categories of neglect. Children from lower income families were nearly 12 times as often physically neglected; were nearly 8 times as likely to be educationally neglected, and were emotionally neglected at more than 4½ times the rate of high income children. A greater proportion of the neglect of lower income children was physical (61%) than was the case among upper income children (46%). Educational neglect was more frequent than emotional neglect among lower income children (where it represented 27% of neglect, compared to the 19% represented by emotional neglect). Among upper income children, however, emotional neglect was about as frequent as educational neglect (representing 37% and 32% of neglect, respectively).

Income Differences in Severity of Injury/Impairment. At every level of severity, lower income children experienced more injury/impairment than upper income children. They suffered 3 times the fatalities, nearly 7 times the serious injuries, more than 5½ times the moderate injuries, and 6 times the probable injuries compared to the higher income children. Lower income children were considered endangered by maltreatment 19½ times as frequently as the higher income children. The distribution of the different severity levels within each income group essentially paralleled that of children overall. Moderate injury/impairment was by far the most frequently experienced level, representing 57% of the injury/impairment in the lower income group and 70% in the upper income group. The only deviation from the general pattern presented in Chapter 3 was that, while the endangered category was the second most frequent category for children overall and for lower income children, it was the least frequent category for children from the higher income families.

5.4.3 1980-1986 Differences Related to Family Income

Family income failed to affect any of the overall 1980-1986 differences. Thus, the changes described in Chapter 3 held equally well for both higher and lower income families.

5.4.4 Summary of Family Income as a Risk Factor

Low income was a significant risk factor for child maltreatment. Under the original study definitions, children from families whose 1986 income was less than $15,000 experienced significantly more maltreatment than those from families earning $15,000 or more. There was more frequent maltreatment and injury/impairment in every subcategory among the lower income children. The findings indicate that family income is a potent predictor of child maltreatment and of maltreatment-related injuries/impairments by any set of definitional standards.

Mr. RANGEL. Sure it goes up. And how about those that are unemployable, those that are on welfare?

Ms. ROBINSON. I don't know that there is data on that issue.

Mr. RANGEL. Those on alcohol, those that are addicted.

Ms. ROBINSON. There is also child abuse found in families that——

Mr. RANGEL. I know, but we are talking about foster care, and the only way we can talk about family values is when we pull the sheets off of people. We don't know about the lack of family values with those people that keep it locked indoors. That isn't under congressional scrutiny. However, is it safe to say that if we concentrated on improving the school system and providing training and job opportunity, that it would dramatically reduce the number of problems that we are now having in foster care?

Ms. ROBINSON. There is definitely data to show that poor people, unemployed people, people with those types of stress in their life, often take that out on their children, and so low education level——

Mr. RANGEL. So evidence begins to show that the States will know how to better tackle the problem—the problems—I mean, evidence of lack of education and job opportunities in poorer communities, that they are better equipped to handle this than the U.S. Government?

Ms. ROBINSON. I haven't seen evidence either way, sir.

Mr. RANGEL. And if we were talking about Federal funds—no, no, that is a political question.

Thank you so much.

Chairman SHAW. Mr. English.

Mr. ENGLISH. Thank you.

Again, I want to thank Ms. Robinson for coming in and presenting to us some very enlightening statistics and a wonderful overview. I had a couple of followups.

I noticed in your material you did not offer any evidence, and perhaps because it isn't purely statistical in nature, with regard to the demand for adoptions and the unmet demand for adoptions. Do you have any information you can offer us about the extent of that?

Ms. ROBINSON. In terms of women seeking or parents seeking to adopt?

Mr. ENGLISH. Parents, couples seeking to adopt children and being unable to.

Ms. ROBINSON. There is really 1 study that was done in 1988 in which I referred to the 200,000 women who actively sought to adopt. That same study had a figure of 2 million women who had at least made a phone call to an adoption agency. Actively sought is actually went over to an adoption agency and things like that. There is not a lot of information in terms of women who have fertility problems and how many of them want to adopt. That is the only study that I have seen, the 1988 study.

Mr. ENGLISH. You also reference the decline in international adoptions, and you specifically reference the change of policy in Korea. I was wondering, are there any other policy factors that are precipitating this decline in international adoptions?

Ms. ROBINSON. Not that I know of. International adoption really does depend on what is happening in various countries. For exam-

ple, the numbers of international adoptions probably would have decreased more if Russia and Romania hadn't released more children for adoption in the past couple of years. So it really has less to do sometimes with what we are doing in this country and more with what is happening in other countries.

Mr. ENGLISH. Is there any evidence with regard to the cost sensitivity of international adoptions and the impact of cost on the level of adoption?

Ms. ROBINSON. It is definitely the case that the average figure I have seen lately on the cost of international adoptions is $10,000 to $15,000, and that would be prohibitive for some people.

Mr. ENGLISH. So this is probably an area where the adoption credit that was included in the tax policy, and by some has been popishly called tax cuts for the rich, might be helpful?

Ms. ROBINSON. Correct.

Mr. ENGLISH. Regarding the growth of relative foster care, can you give us any other information that would illuminate why relatives adopt foster children at a lower rate than nonrelatives?

Ms. ROBINSON. There is often, it appears to be, a sense within the relative home that they don't necessarily want to be responsible for terminating the parental rights of the mother or the biological father and want to keep some ties between the child and the biological parents, and they feel that the child is with their relatives and so therefore there is no need for an actual court ordered adoption, that the child is being cared for in the relative's home.

Mr. ENGLISH. Also, and again this may require some speculation on your part, but one of the troubling things that we attempted to address this spring was the long wait for minority children available for adoptive placement. And this is particularly troubling, because you note that in your statistics that older adopted children are less likely to have a successful adoption. And I wonder if you can give us—and perhaps Mr. Ford was trying to get at this when he was talking about legal barriers to adoption—an example of any research that would guide us on why there is a longer wait for minority children?

Ms. ROBINSON. Definitely with more minority children being in the system in general, it would be harder to place them. I think there are some people on the next panels who may be able to better explain why minority children are harder to adopt.

Mr. ENGLISH. And I will explore that with them.

Thank you, Mr. Chairman. I have no further questions.

Chairman SHAW. Mr. Ensign.

Mr. ENSIGN. Thank you, Mr. Chairman.

First of all, let me just address something because we had this during the welfare hearings, and Mr. Ford, I think you had criticized someone for talking about illegitimate children, and I thought it was a very good point at the time to stop referring to children as illegitimate.

I would also caution, Mr. Rangel, you have brought up and I have heard this quite a bit, and I think we need to get away from saying unwanted children. They may be unwanted by a certain parent, but we are all unwanted by a lot of different people and I think that these children are wanted by somebody.

Mr. RANGEL. Makes a lot of sense.

Mr. ENSIGN. I appreciate that.

A couple questions that I have for you is that you mentioned earlier abortion. Does anybody have any statistics on the rate of abortion decreasing the number of adoptions or anything? You mentioned that that was one of the reasons there aren't as many adoptions.

Ms. ROBINSON. I can get you data on the numbers of abortions.

Mr. ENSIGN. I would appreciate that.

[The following was subsequently received:]

Data from the Centers for Disease Control (CDC) indicate that the number of reported abortions has remained fairly stable for the past few years. The CDC *Morbidity and Mortality Weekly Report* from May 5, 1995, indicates that in 1991 (the latest year available) there were 1,388,937 reported legal abortions in the United States. Since 1980 the number of reported legal abortions has remained at 1.3 to 1.4 million each year. (See attached table.)

TABLE 1. Characteristics of women who obtained legal abortions — United States, selected years, 1972–1991

Characteristic	1972	1973	1976	1980	1985	1986	1987	1988	1989	1990	1991
Reported no. of legal abortions	586,760	615,831	988,267	1,297,606	1,328,570	1,328,112	1,353,671	1,371,285	1,396,658	1,429,577	1,388,937
	Percent distribution*										
Residence											
In-state	56.2	74.8	90.0	92.6	92.4	92.4	91.7	91.4	91.0	91.8	91.6
Out-of-state	43.8	25.2	10.0	7.4	7.6	7.6	8.3	8.6	9.0	8.2	8.4
Age (yrs)											
≤19	32.6	32.7	32.1	29.2	26.3	25.3	25.8	25.3	24.2	22.4	21.0
20–24	32.5	32.0	33.3	35.5	34.7	34.0	33.4	32.8	32.6	33.2	34.4
≥25	34.9	35.3	34.6	35.3	39.0	40.7	40.8	41.9	43.2	44.4	44.6
Race											
White	77.0	72.5	66.6	69.9	66.6	67.0	66.4	64.4	64.2	64.8	63.8
Black	23.0†	27.5†	33.4†	30.1†	29.8	28.7	29.3	31.1	31.2	31.8	32.5
Other§	—	—	—	—	3.5	4.3	4.3	4.5	4.6	3.4	3.7
Hispanic origin											
Hispanic	—	—	—	—	—	—	—	—	—	9.8	13.5
Non-Hispanic	—	—	—	—	—	—	—	—	—	90.2	86.5
Marital status											
Married	29.7	27.4	24.6	23.1	19.3	20.2	20.8	20.3	20.1	21.7	21.4
Unmarried	70.3	72.6	75.4	76.9	80.7	79.8	79.2	79.7	79.9	78.3	78.6
No. of live births¶											
0	49.4	48.6	47.7	58.4	56.3	55.1	53.6	52.4	52.2	49.2	47.8
1	18.2	18.8	20.7	19.4	21.6	22.1	22.8	23.4	23.6	24.4	25.3
2	13.3	14.2	15.4	13.7	14.5	14.9	15.5	16.0	15.9	16.9	17.5
3	8.7	8.7	8.3	5.3	5.1	5.3	5.5	5.6	5.7	6.1	6.4
≥4	10.4	9.7	7.9	3.2	2.5	2.6	2.6	2.6	2.6	3.4	3.0
Type of procedure											
Curettage	88.6	88.4	92.8	95.5	97.5	97.0	97.2	98.6	98.8	98.8	98.9
Suction curettage	65.2	74.9	82.6	89.8	94.6	94.5	93.4	95.1	97.1	96.0	97.3
Sharp curettage	23.4	13.5	10.2	5.7	2.9	2.5	3.8	3.5	1.7	2.8	1.6
Intrauterine instillation	10.4	10.4	6.0	3.1	1.7	1.4	1.3	1.1	0.9	0.8	0.7
Other**	1.0	1.2	1.2	1.4	0.8	1.6	1.5	0.3	0.3	0.4	0.4
Weeks of gestation											
≤8	34.0	36.1	47.0	51.7	50.3	51.0	50.4	48.7	49.8	51.6	52.3
9–10	30.7	29.4	28.1	26.2	26.6	25.8	26.0	26.4	25.8	25.3	25.1
11–12	17.5	17.9	14.4	12.2	12.5	12.2	12.4	12.7	12.6	11.7	11.5
13–15	8.4	8.9	4.5	5.1	5.9	6.1	6.2	6.6	6.6	6.4	6.1
16–20	8.2	8.0	5.1	3.9	3.9	4.1	4.2	4.5	4.2	4.0	3.9
≥21	1.2	1.7	0.9	0.9	0.8	0.8	0.8	1.1	1.0	1.0	1.1

* Because the number of states that reported each characteristic varies from year to year, temporal comparisons should be made cautiously. Percentage distributions are based on data from all areas reporting a given characteristic and exclude unknown values.
† Reported as black and other races.
§ Includes all other races.
¶ For 1972–1978, data indicate number of living children.
** Includes hysterotomy and hysterectomy.
— Not available.

Mr. ENSIGN. Also, you mentioned international adoption. Does the international adoption, when we see that go up, does that hurt special-needs children or kids that are wanting to be adopted out of the foster children here?

In other words, when we see the international adoptions go up, does that keep kids in foster care longer in this country or special-needs kids longer?

Ms. ROBINSON. It appears that when parents look to adopt, they try many different routes. They often try private adoption here in the United States first.

Mr. ENSIGN. Does that include those special-needs-type children?

Ms. ROBINSON. Yes. Some people adopt because they really do want to give a child from another country a home, and that is their prime goal. With less than 10,000 foreign adoptions a year, that number really wouldn't be offset too much by the special-needs adoption. We have way over that in terms of numbers of special-needs children that need to be adopted here.

But there are definitely different motives. There are people who sometimes just want a child and often they don't have the money to adopt internationally, but they might want to, so they adopt domestically, and vice versa. I can't really say that one offsets the other.

Mr. ENSIGN. OK.

Thank you, Mr. Chairman.

Chairman SHAW. Mrs. Kennelly.

Mrs. KENNELLY. Thank you, Mr. Chairman.

I apologize for being late and ask permission to put an opening statement in the record.

Chairman SHAW. All Members are invited to put an opening statement in the record.

[The following was subsequently received:]

BARBARA B. KENNELLY
THE WAYS AND MEANS SUBCOMMITTEE ON HUMAN RESOURCES
HEARING ON ADOPTION AND FOSTER CARE

MAY 10, 1995

I would like to commend the Chairman for calling this hearing on how best to strengthen families, promote adoption, and protect children. Unfortunately, it comes about six weeks too late.

It strikes me as ironic that we are now discussing how the federal government might best meet the needs of children and families after the House recently voted to completely abdicate that responsibility to the states. I wish we could have had this hearing before we repealed almost every federal program designed to protect children.

I understand that part of the impetus for this hearing was a case in Florida in which foster parents were forced to relinquish custody of a girl to her biological relatives. This case raised important questions, including -- what are the appropriate steps that should be taken to reunite children with their biological families?

Regrettably, HR 4 has very little to say about this issue or about the larger issues of improving foster care and promoting adoption. In fact, the bill would actually repeal federal adoption assistance payments to families adopting "special needs" children, who represent the largest group of children still waiting to make the leap from foster care to adoption. The legislation would also reduce from current law overall funding levels for foster care, adoption assistance and child protection, even though these services will be needed more, not less, as HR 4 forces more families off welfare.

As late as today's proceedings might be, I am still hopeful that we might illuminate how both current law and pending legislation might not always address the needs of the child. This is the bottom line that both Democrats and Republicans need to focus on.

Thank you, Mr. Chairman.

Mrs. KENNELLY. I just would like to ask, Ms. Robinson, have you got any numbers to—I think, and I believe I read that single mothers—or single women are adopting more, and I wonder if, that is due to them being economically able to adopt, or is it the fact that it is becoming more accepted?

And if it is because they are more economically able, because they got into careers, kind of forgot about that biological clock, is there anything being done to encourage a woman who finds herself wanting very much to be a mother and yet not being able to be a mother?

Ms. ROBINSON. I don't have data in terms of the economic status of those women. Partly single-parent adoptions are going up because in some States, they desperately need adoptive and foster family homes, and so they are branching out beyond the two-parent couple, gay parents, single parents, older parents. They are letting people adopt more often, just partly because of the number of children in the system.

I haven't seen information on the economic status of single women who adopt.

Mrs. KENNELLY. Thank you.

Thank you, Mr. Chairman.

Chairman SHAW. Ms. Dunn.

Ms. DUNN. Thank you very much, Mr. Chairman.

I did want to refer to one of the comments in your brief that you provided our committee that talked about that more black children stay in care longer than white children do. Is there a relationship between that and the Civil Rights Act of 1964, that we are interested in reviewing, so that we will be able to move these children out more quickly into adoptive families?

Ms. ROBINSON. I am sorry; can you clarify a little bit?

Ms. DUNN. The consideration of the race of the family, is that relative to this figure that shows us that more black children are held in foster care for a longer period of time than white children are?

Is there a difficulty in finding black families, and is the emphasis placed too greatly on that aspect?

Ms. ROBINSON. There are States that—or agencies that find it hard to find black families for some of these children, or take longer to find black families, and so they go through churches and they spend a lot more time trying to find people who would be willing to take some of these children.

Ms. DUNN. But in my understanding of the original intent of that law, race was not to have been the deciding factor. It was one of many factors. Do you think that intent has changed?

Ms. ROBINSON. That is correct, and most States have some kind of written guideline or policy that talks about race being one of many different factors, including things like looking for relatives for the child, whoever would suit the best interests of the child. But States are very different in terms of how they apply those rules.

Ms. DUNN. But that should not be a precluding factor in placing a black child with a family.

Ms. ROBINSON. No, it shouldn't.

Ms. DUNN. Thank you.

Chairman SHAW. Ms. Lee, would you like to inquire?

Ms. JACKSON-LEE. Mr. Chairman, thank you very much.

I just had one question. I notice an inquiry was made about African-American children. I note in some of the materials, you have indicated that it falls upon minority children in terms of some of them remaining in foster care. For example, I think you cited statistics of Hispanics in New Mexico, and so would you say that it reaches children of that ilk, if you will, in different parts of the country?

Ms. ROBINSON. Correct, and Indian children in certain States, all minority children, not just black children.

Ms. JACKSON-LEE. So when we begin to study the issue, we may see some sort of continuing theme that might warrant some response by the Congress?

Ms. ROBINSON. Correct, to try to get those children adopted, yes.

Ms. JACKSON-LEE. Thank you.

Thank you, Mr. Chairman.

Chairman SHAW. Go ahead.

Mr. FORD. Mr. Chairman, I want to follow up on a couple of questions, if it is all right.

Chairman SHAW. Go ahead.

Mr. FORD. Ms. Robinson, I was looking at some of the information on the minority children and information on black children who are in foster care. Currently, States have most of the jurisdiction in the adoption area and under H.R. 4, States would have even more. Looking at your data from Detroit, 80 percent of the kids in foster care are black children who have been there for a long period of time. Why would we want to give States any more control, when they have not been able to address the adoption problems of minority children?

And you made reference to use—I don't know whether you knew it or not, but you sort of agreed with Congressman English a minute ago. When I made reference to the tax bill is for the rich, we talked about the adoption credit. Those who would benefit from the adoption tax credit would be the rich. African-American families who would likely adopt these children would fall in the income ranges from $15,000 to $35,000 a year. These families would not benefit from this rich man's tax cut bill that the Republicans passed. You indicated you agreed with Congressman English that it was not a tax cut for the rich.

Do you see the adoption credit having an impact on minority kids? This is where we have the real problem in the foster care and adoption programs?

Ms. ROBINSON. I am not as familiar with the tax credit in terms of what income levels it would apply to.

Mr. FORD. But you said yes as though you agreed with him.

Ms. ROBINSON. I don't believe I did that. I didn't mean to do that. It would apply to all families wanting to adopt children, as long as they have a taxable income, they would qualify for that program.

Mr. FORD. Right.

Ms. ROBINSON. And so therefore, I don't really know——

Mr. FORD. Do you have any information regarding the income level of African-American families and other minority families, that want to adopt. Are they low-income working families who adopt? Do families with two or three children in the household express an interest in adopting children?

Ms. ROBINSON. I don't know that for sure. I know that often with black children, older parents who have raised their children already would have some type of——

Mr. FORD. You are speaking of the grandparents?

Ms. ROBINSON. Or just people who are in their fifties and have adult kids, or whatever, and now are ready to give support to another child.

Mr. FORD. Do you know what income brackets they fall within?

Ms. ROBINSON. I don't have that information but I can look for it.

[The following was subsequently received:]

Information from a study in 1990 by the National Center for Health Statistics presents information on the income levels of ever-married women from 20–44 years of age who had ever adopted a child. Data for this study are from the 1982 and 1987 National Survey of Family Growth. Out of a total number of 38,077 women studied in 1987, 17 percent of women had an income of under $15,000; 20 percent of women had an income of $15,000 to $24,999; 19 percent of women had an income of $25,000 to $34,999; and 33 percent of women had an income of $35,000 or more. Of the women surveyed, 32,894 were white and 3,111 were black. (See attached table.)

Number 181 • January 5, 1990

Advance Data

From Vital and Health Statistics of the National Center for Health Statistics

Adoption in the 1980's

by Christine A. Bachrach, Ph.D., National Institute of Child Health and Human Development
Patricia F. Adams, Division of Health Interview Statistics, National Center for Health Statistics
Soledad Sambrano, Ph.D., Administration for Children, Youth and Families
Kathryn A. London, Ph.D., Division of Vital Statistics, National Center for Health Statistics

Introduction

Adoption has long provided a mechanism for the care of children whose biological parents are unable to provide for them and an alternative means of creating a family for couples unable to have biological children. During most of the 1970's and 1980's, when legal abortion and the development of new reproductive technologies created additional alternatives to unwanted pregnancy and infertility, there has been a need for information on adoption trends, on the characteristics of children placed for adoption, on the characteristics of adoptive families and persons seeking adoption, and on the outcomes for children, biological parents, and adoptive parents. This information is necessary for formulation of adoption policies at the Federal level as well as for State and local public child welfare agencies. Three major developments in recent years have heightened the need for information: (1) the emphasis on finding permanent homes for children in the foster care system; (2) the belief that all waiting children are "adoptable"; and (3) the belief that foster families could serve as permanent families for children who could not return to their own families.

Despite the salience of these issues, information about adoption in the United States is very limited. Information on adoptions arranged through the public sector has been available since 1982, when the Office of Human Development Services implemented the Voluntary Cooperative Information System (VCIS) to collect data annually from State child welfare agencies on children in substitute care (1). National estimates of all types of adoption have not been produced by the Federal Government since the mid-1970's (2). Estimates have been developed by a private organization for 1982 and 1986, but are subject to variability in the completeness of reporting from State to State (3,4). These national estimates are used for indicating likely trends in adoption and for describing a limited number of characteristics, but cannot be used to assess the determinants and consequences of adoption on the individual level.

This report presents information on adoptions reported by a national sample of women 20–54 years of age in 1987. Results suggest that the proportion of ever-married women 20–44 years of age who have ever adopted may have declined during the mid-1980's; that the proportion of unrelated adoptions (those in which the adoptive parent and child are not related before the adoption) in which children are placed in adoptive homes as infants may be lower in the 1980's than in the 1970's; and that the proportion of unrelated adoptions involving white adoptive mothers was lower in the 1980's than in the 1970's. The results also indicate that the proportions who have adopted unrelated children are lower among black women and women of Hispanic origin than among nonminority women, and lower among women of low socioeconomic status, as indicated by educational and income level, compared with their more advantaged counterparts. Interracial adoptions, which constituted about 8 percent of all adoptions reported by women 20–54 years of age, consisted primarily

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
Public Health Service
Centers for Disease Control
National Center for Health Statistics
Manning Feinleib, M.D., Dr. P.H., Director

Table 1. Number of ever-married women 20–44 years of age and percent who ever adopted a child, by relationship to child before the adoption, and selected characteristics: United States, 1982 and 1987

[Data are based on household interviews of the civilian noninstitutionalized population. The survey designs, general qualifications, and information on the reliability of the estimates are given in the technical notes]

Characteristic	Number of ever-married women in thousands	Relationship to child		
		Any child[1]	Unrelated child	Related child
		Percent		
1987 National Health Interview Survey				
Total[2]	38,077	1.7	1.3	*0.4
Age at interview:				
20–24 years	4,596	*0.1	*0.1	*0.0
25–29 years	8,218	0.6	*0.3	*0.2
30–34 years	9,186	1.5	1.1	*0.3
35–39 years	8,799	2.4	1.9	*0.3
40–44 years	7,277	3.4	2.8	*0.4
Marital status:				
Currently married	31,695	1.6	1.4	0.2
Previously married	6,382	1.3	1.0	*0.4
Race:				
White	32,894	1.8	1.4	0.2
Black	3,770	1.5	*0.8	*0.6
Hispanic origin:				
Hispanic	3,111	*0.8	*0.4	*0.4
Non-Hispanic	34,788	1.8	1.4	0.3
Education:				
Less than 12 years	5,367	1.0	*0.5	*0.5
12 years	16,705	1.5	1.1	*0.2
13 years or more	15,842	2.2	1.9	*0.2
Family income:				
Below poverty	3,614	*0.9	*0.4	*0.5
At or above poverty	32,393	1.9	1.5	0.2
Under $15,000	6,399	0.9	*0.4	*0.4
$15,000–24,999	7,462	1.6	1.2	*0.3
$25,000–34,999	7,398	1.8	1.4	*0.2
$35,000 or more	12,713	2.3	1.9	*0.2
1982 National Survey of Family Growth				
Total[2]	34,253	2.2	1.7	*0.4
Age at interview:				
20–24 years	4,818	*0.7	*0.0	*0.7
25–29 years	7,778	*0.9	*0.9	*0.0
30–34 years	8,218	*3.1	*2.9	*0.3
35–39 years	7,349	*2.1	*1.6	*0.4
40–44 years	6,090	*4.3	*2.9	*0.9
Marital status:				
Currently married	27,620	2.2	1.8	*0.3
Previously married	6,633	*2.5	*1.5	*1.0
Race:				
White	30,419	2.3	1.9	*0.3
Black	3,440	*1.6	*0.9	*0.6
Hispanic origin:				
Hispanic	2,773	*0.7	*0.2	*0.6
Non-Hispanic	31,480	2.4	1.9	*0.4
Education:				
Less than 12 years	6,576	*1.6	*0.4	*1.2
12 years	14,844	*2.3	*2.0	*0.2
13 years or more	13,515	*2.5	*2.1	*0.3
Family income:				
Below poverty	4,128	*2.2	*0.8	*1.4
At or above poverty	30,807	2.3	1.9	*0.3
Under $15,000	7,014	*2.3	*1.6	*0.7
$15,000–24,999	7,575	*2.0	*1.8	*0.3
$25,000–34,999	6,326	*2.8	*2.7	*0.2
$35,000 or more	6,558	*2.3	*1.7	*0.3

[1] The sum of the percents who adopted unrelated and related children may not equal the percent who adopted any child because of missing information and women who adopted children in both categories.

[2] Includes women of other races and women for whom information on specific characteristics is not ascertained.

Mr. FORD. In your capacity with the Congressional Research Service, this is all, you know, looking at numbers and collecting data has been your focus?

Ms. ROBINSON. Correct.

Mr. FORD. You have no experience in going out to site visits and dealing with these agencies directly to feel the real impact. This is just data that you have collected through——

Ms. ROBINSON. Correct, and that is what I stated in my memo.

Mr. FORD. Thank you.

Chairman SHAW. Ms. Robinson, in making adoptions, do most of the States consider the income of the applicant for adoption?

Ms. ROBINSON. They will in terms of giving—if there is a special-needs child, giving them special-needs payments.

Chairman SHAW. So on any child, do they take into consideration the home environment, whether the prospective parents can afford these kids?

Ms. ROBINSON. Most definitely.

Chairman SHAW. And based upon that, would it be right to assume that most of the people, almost all of the people who are adopting are taxpayers?

Ms. ROBINSON. I would think that is correct—especially if they qualify for the adoption assistance program.

Chairman SHAW. Just about all adoptive parents will be able to take the tax credit that Mr. Ford is referring to.

Ms. ROBINSON. As long as they have taxable income.

Chairman SHAW. Yes.

Mr. FORD. Taxable income. I think that is the big question, Mr. Chairman, that we ought to make note of. The family with two children earning $22,000 a year, it would not help them—benefit them at all as it relates to this tax package, but a person who is earning more than $100,000 a year certainly would receive a total of $5,000, and that is why we say that you are going to once again give the rich——

Chairman SHAW. Reclaiming my time, I think most of the people making even $30,000 or $40,000 a year, which is middle-class America, do pay taxes and will get the tax credit. I don't want to beat this thing to death and I am finding a little difficulty in my opening statement calling this a nonpartisan or bipartisan type of hearing, but we will leave that one right there.

Ms. Robinson, I want to thank you very much.

Mr. RANGEL. Mr. Chairman, can I ask a question?

Chairman SHAW. Yes, certainly.

Mr. RANGEL. I would like to follow up on Ms. Dunn's question, and it appeared from her question and your answer that we are in total agreement that one should not be precluded from adopting a child because of the race of the adoptive parents.

My question along that line is that even though you don't have field experience, based on your research and your knowledge of the criteria of adoption, would you believe that race should never be a factor in what is in the best interest of the child and that a policy of first come, first served, based on eligibility, that race should not be considered at all?

Ms. ROBINSON. Most States do have race as a factor, one of many factors.

Mr. RANGEL. Some of us in the Congress know better than those on the State level, and so I am asking, based on your experience, should we supersede those States that have a policy that race is a factor and put in that we are colorblind and socialworkers should be colorblind and that adoption agencies that are not colorblind would not receive Federal funds? Would that make any sense at all to you based on what you have read and studied?

Ms. ROBINSON. I can't exactly answer that. All I can do is say what States have done, and States, I believe, or adoption agencies know best.

Mr. RANGEL. Do you think my question is partisan or—is that the reason you can't answer? Is this embarrassing to you as a professional to ask whether common sense and judgment would dictate that a Federal policy that supersedes State policy where race is a factor, that we say that race is not a factor, that if I am in line and I want to adopt this blue-eyed white little baby and there are some white couples behind me, that I don't have a right to adopt that baby, notwithstanding what the social—I am not going to ask you any more.

Mr. MCCRERY. Would the gentleman yield?

Chairman SHAW. I will recognize Mr. McCrery.

Mr. MCCRERY. I just want to clarify.

I appreciate Mr. Rangel trying to get this out of the witness, but the fact is that the gentleman has implied that the policy that we adopted was something other than what we actually did. In fact, we do not tell the States that they cannot consider race in placing children for adoption. All we say is that if there are families of an opposite or different race wishing to adopt that child and there are no families of the same race and the same family of another race, you cannot adopt this child, thereby causing a delay in the placement of this child, that is not allowed. But they can certainly consider race if there are families of the same race and families of other races all wanting to adopt this child, then the placement agency certainly can consider race.

Mr. RANGEL. But you put this issue——

Mr. MCCRERY. The gentleman was misstating the policy.

Mr. RANGEL. Could you put this issue to bed once and for all from me and just describe now, and you will never hear another word from me, is, what is this delay business? What do you mean by delay? I understand exactly—I think we would be in accord that you shouldn't hold up a family running out there searching for someone who looks like the kid, so we are in accord there. But when you say color could be considered or race could be considered, what is considered a delay?

Because that is where the socialworkers are having the major problem. Can they go to the computer? Can they reach out to another community?

Let's talk about that, and I think maybe you and I—it is an interpretation of the legislation that you supported and I did not fight because I know it was well intended, but it is hearings like this that we can see what we have done and still continue to work to make certain what is the objective that the gentleman would want and I would want.

Thank you so much, Mr. Chairman.

Mr. MCCRERY. The object is to avoid an agency holding back an adoption of a child simply because there is no family wanting to adopt that child of the same race.

Mr. RANGEL. Ms. Dunn and I agree. The question is what is the interpretation of delay. And I am willing to check that out with staff and you so that before we go to conference, that we all can be reading from the same page.

Chairman SHAW. I will make that representation, Mr. Rangel, that we will look at that.

Mr. Levin.

Mr. LEVIN. Briefly. I am sorry I missed the testimony. There are two, as you maybe mentioned, two subcommittee hearings at the same time of Ways and Means, and I am going to have to leave again for a few minutes, but I will be back, I hope, for the end of the next panel.

I thank you very much, Mr. Chairman.

Chairman SHAW. Thank you, Sandy.

Now I will thank you, Ms. Robinson, for very nice testimony. We very much appreciate it.

We will certainly ask, as somewhat of a roadmap, as we proceed through the following panels. You were very kind to be with us. Thank you very much.

I would like to recognize now Mr. Camp and then Ms. Dunn for purposes of introducing two members of the next panel.

Mr. Camp.

Oh, would the next panel please come to the table?

I beg your pardon.

Mr. CAMP. Thank you, Mr. Chairman.

I am pleased to have the honor of introducing our next witness on family preservation and adoption policy.

Susan Ann Kelly is the director of Michigan's family first program within the Michigan Department of Social Services. As a consultant for the Study of Social Policy, a former socialworker and a recipient of the 1993 Children's Defense Fund Leadership for Children Award, Ms. Kelly knows what she is talking about when it comes to the best interests of children, and with that, I would like to introduce Susan Ann Kelly to the committee.

Thank you.

Chairman SHAW. Ms. Dunn.

Ms. DUNN. Thank you, Mr. Chairman.

I, too, would like to welcome one of the members of the panel, Dr. Peter Pecora, who will be testifying before us this morning. Peter Pecora is one of the brightest and most lucid experts with regard to family-based service programs, risk assessment, and other areas of child welfare. He is the author or coauthor of seven books on child welfare practice, on administration and evaluation, and the author of innumerable other articles published in many distinguished journals.

My region of the country is extremely fortunate in that he currently is the manager of research at the Nation's premiere privately endowed long-term foster care program in Seattle, the Casey family program. This is a program that was founded in 1966 by Jim Casey, a founder also of United Parcel Service, a program that

provides long-term care, family foster care to children for whom adoption and family unification are not probable alternatives.

The program is successful and unique in that it places great emphasis on permanency planning services for the children and the families. Most amazing, given the difficult situation of these children, is the fact that over 30 percent of the children are cared for by relatives as a form of family preservation. We have heard from the executive director of the Casey family program in previous testimony before the full Ways and Means Committee.

I thank you, Mr. Chairman, once again for holding these hearings and look forward to the testimony of all our witnesses.

Chairman SHAW. Thank you, Ms. Dunn, and joining the other two witnesses and to complete this panel will be Professor Richard Gelles from Rhode Island, who is one of the Nation's leading scholars on family preservation research. He has examined all the studies on family preservation and will tell the committee whether, in his opinion, the studies show positive impact on families and children.

At this time, I would like to recognize Ms. Kelly and invite you to proceed as you see fit.

Your full statement will be placed in the record, if you care to summarize.

STATEMENT OF SUSAN A. KELLY, DIRECTOR, DIVISION OF FAMILY PRESERVATION SERVICES, OFFICE OF CHILDREN AND YOUTH SERVICES, MICHIGAN DEPARTMENT OF SOCIAL SERVICES, LANSING, MICH.

Ms. KELLY. Thank you, Mr. Chairman.

I would like to begin by thanking you, Mr. Camp for that introduction. I am proud to share Michigan as our home and pleased to be here today.

Mr. Chairman and members of the committee, Michigan has had 7 years of successful experience with short-term crisis intervention, in-home services for high-risk families, and you will find a great deal of information in your packets that explain some of our endeavors in Michigan in the Families First program.

Families First has shown that families can change, that we can keep families together safely, and we can reduce the need for many unnecessary out-of-home placements. Despite the differences you may hear expressed today in these panels, all of us commonly believe that the family is the foundation of our society.

Children are both our hope for the future and our most valuable resource. They deserve our closest attention and highest priority. That is why we are outraged when a child is maltreated, abused, or dies, and it is especially heartbreaking when a child dies at the hand of his parent.

We must never grow immune to that tragedy and we must collectively work together to end child abuse. I believe, and our experience shows, that the best way to do that, the best way to protect children, is by strengthening and preserving families whenever that is possible. And when it is not possible, to move swiftly to help children find loving, permanent adoptive homes. We can do this together.

My experience in child welfare, especially in the development of family preservation services in Michigan, convinces me again to say that the best child protection is within a child's own family. When crises occur and families are experiencing extreme stress, we need to find safe alternatives in children's homes, neighborhoods and schools to protect them, to keep them safe.

We need to be able to find safe alternatives that allow the crisis to be dealt with, the behaviors to change, and parents to take the responsibility to learn how to appropriately and safely care for their children. The safety of children must be at the heart of our intervention always. Safety must always be first.

And while it is necessary to remove some children from their parents for safety reasons or because they cannot care for their child, I believe our challenge is to find ways, whenever possible, to most effectively remove the risks and help families make positive and lasting changes.

Removing risks, instead of removing children, is our imperative. It makes good public policy to keep children and families together safely, whenever it is possible. The high human cost of separating families has long-term consequences that are difficult to repair.

We all know, and I think all agree, that government does not make a good parent. Fostering situations will always be a necessity for some children, but the use of substitute families, even for the shortest time, must be a last resort, not a first resort.

Safe family preservation services, strategically used at the point where the breakup of the family is imminent, is a tremendous and wise human investment. The best way to protect children is to help their parents be parents. Children do not need to bear the high cost of being separated from their families when that is not necessary.

In Michigan, we have served 31,000 children over the last 7 years in Families First. This represents 14,000 families: Birth families, adoptive families, extended families, teen families, intergenerational families. Eighty-four percent of those families have been able to remain together safely, as documented by our external research and our internal data collection.

Over 350 well-trained public and private child welfare staff have helped these vulnerable families to care for their children. A focus on safety and engaging all family members are characteristics of these programs. It is critical, and we do train family preservation workers in the art of assessment, in the art of looking for substance abuse, sexual abuse, child development issues, domestic violence, safety planning, reunification and adoption issues. Those topics and others are a regular part and a necessary part of the training of all Family Preservation workers.

A focus on safety again is paramount. Family preservation isn't the only answer to high-risk families, but family preservation is a very necessary service on the continuum of child welfare services.

We believe that removing the risks instead of removing children makes good public policy sense and has long-term benefits that we can't begin to calculate.

There are, of course, some children for whom family preservation services are not appropriate, and for whom no reasonable child welfare worker or supervisor would make a referral for such. When children are in serious danger, when children cannot be kept safe,

or when it is impossible to keep a family together, we must quickly and humanely move those children to short-term foster care situations or to a permanent family who will love them and raise them.

If Judge Steketee were here today to join me, he would tell you how he has successfully in his court used family preservation services to document reasonable efforts to quickly expedite adoptive placements for children.

As I end, I would like to show you two charts. These are research-based charts. And they both have to do with cost. One is about fiscal cost. The other about human cost.

CHART 1

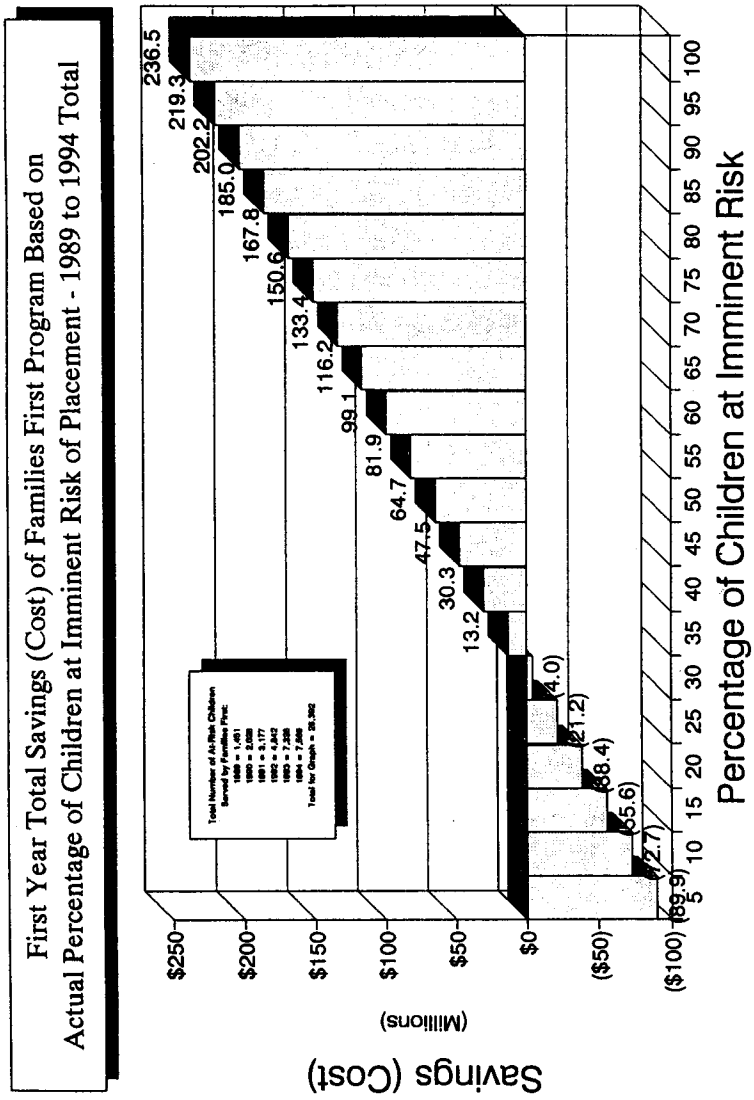
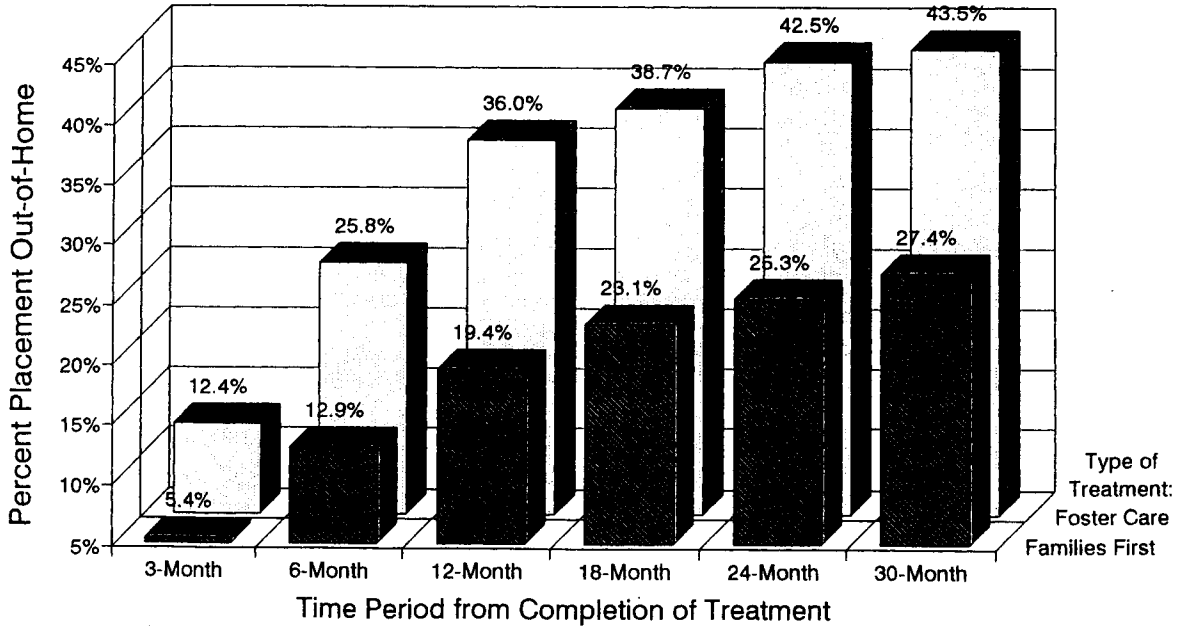

First Year Total Savings (Cost) of Families First Program Based on
Actual Percentage of Children at Imminent Risk of Placement - 1989 to 1994 Total
Savings (Cost)
(Millions)
$250
$200
$150
$100
$50
$0
($50)
($100)
236.5
219.3
202.2
185.0
167.8
150.6
133.4
116.2
99.1
81.9
64.7
47.5
30.3
13.2
(4.0)
(21.2)
(38.4)
(55.6)
(72.7)
(89.9)
5 10 15 20 25 30 35 40 45 50 55 60 65 70 75 80 85 90 95 100
Percentage of Children at Imminent Risk

CHART 2

Percent of Children Entering Out-of-Home Placement Following a Families First Intervention Compared to Percent of Children Placed Back in Out-of-Home Placement Following a Return Home from Foster Care*



*Excludes Reunification and Delinquency

Ms. KELLY. Chart 1 shows you that over the last 7 years, we have been able to document actual cost savings of over $200 million. Had we continued our trend of out-of-home placements at the current 9- to 10-percent increase that we were experiencing in the eighties, we would have incurred at least $200 million additional cost in foster care annually.

We have been able to take these savings that were not used in foster care and redirect them to front-end services, to prevention services and to family preservation services. This document speaks for itself, but it says nothing about the human cost. This is fiscal cost and it is certainly important to you.

Chart 2 says something about the human cost. These figures represent 400 children who were matched on identical variables. Two hundred foster care children leaving treatment matched with 200 children leaving family preservation treatment. They were matched from the same city, the same demographics, the same presenting problem. What we see after almost 3 years of study is something that we believed at the outset. That is, if a child goes into an out-of-home placement, they are more than twice as likely to go into another foster care placement, as these 400 children show us.

If children are able to stay together with their families safely, without indicated reabuse or neglect what we see is that those children are most likely to stay in their families permanently.

In conclusion, I would just like to add one other thing. In 1991, Mr. Haskins and several other members of the House Ways and Means staff, and some of my colleagues here in this room, came to Michigan to visit the Families First program. They were met by a woman who had recently gone through severe cocaine addiction. She said she loved her family more than she loved drugs.

She said that day to Mr. Haskins, and to the members of that committee, that they would hear from many people, but nobody more important than her. She was a consumer of families first services. She had been there. I bring her memory and her story today. The services helped.

She has been sober, she has a full-time job. Her children are in school, her oldest daughter has received a scholarship to Wayne State University. Her children could have been one of either of these statistics on the chart because the variables are exactly the same. She received Family Preservation Services. Her family today is together and safe.

Thank you.

[The prepared statement and attachments follow:]

TESTIMONY
of
Susan A. Kelly

Director for the Division of Family Preservation Services
Office of Children and Youth Services
State of Michigan

before

Subcommittee on Human Resources, Committee on Ways and Means

The Honorable E. Clay Shaw (R., FL), Chairman
Wednesday, May 10, 1995, 11:00 AM

Mr. Chairman and Members of the Committee:

Introduction: Protecting Children by Preserving Families

Michigan has had seven years of successful experience with short-term crisis intervention in home services for high risk families. Families First has shown families can change, that we can keep families together safely and reduce the need for many unnecessary out-of-home placements. Despite the differences you may hear expressed today in these panels, all of us commonly believe that the family is the foundation of our society. Children are both our hope for the future and our most valuable resource. They deserve our closest attention and highest priority. That is why all of us are outraged when a child is maltreated, abused or dies. It is especially heartbreaking when a child dies at the hand of his parent. We must never grow immune to that tragedy and we must work together to end child abuse. I believe the best way to do that is by strengthening and preserving families whenever that is possible. And when it is not possible, moving swiftly to help children find loving, permanent adoptive homes. The care and compassion for our children must remain a priority that transcends political, national and cultural differences. We will, I believe, be judged as a nation on how we have cared for our children and youth.

The Value of Family Preservation Services

My experience in child welfare, especially in the development of Family Preservation Services in Michigan, convinces me that the best child protection is within the family. When crises occur and families are experiencing extreme stress, we need to find safe alternatives that allow the crisis to be dealt with, the behaviors to change and parents to learn how to appropriately and safely care for their children. The safety of children must be at the heart of our intervention - always. While it may be necessary to remove some children from their parents for safety reasons or because they cannot care for their child, I believe our challenge is to find ways to more effectively remove risks and help families make positive and lasting changes. Removing the risks instead of removing the child is our imperative.

It makes sense and is good public policy to keep families together safely whenever it is possible. The human cost of separating families has long term consequences that are difficult to repair. Government does not make a good parent. Fostering situations will always be a necessity for some children, but the use of substitute families, even for the shortest time, must be a last resort, not a first option. Safe Family Preservation Services, strategically used at the point where the breakup of the family is imminent, is a tremendous and wise human investment. The philosophy of Family Preservation Services is built on respect for our clients and the belief that the best way to protect children is to help their families. Children do not need to bear the high human cost of being separated from their families if it is not necessary.

In Michigan we have served 31,000 children in Families First. This represents over 14,000 families. Eighty-four percent of those families have been able to remain together safely. Over 350 well trained public and private child welfare staff have helped these vulnerable families to find the strength and power to change their behaviors and improve their skills to adequately care for their children. A focus on safety and engaging all family members are characteristics of this program. We have made a difference in the lives of thousands of children in Michigan who

otherwise might have been removed from their families. Family preservation services isn't the only answer to high risk families, but family preservation is very necessary on the continuum of services. We cannot afford the high human cost of not making family preservation services available to vulnerable families. Families First has been one very successful program in the array of child welfare services that has moved Michigan to creatively build long-term solutions with the families it serves. We are learning how to keep children safe by keeping their families safe.

The Need for a Continuum of Care

There are some children for whom Family Preservation Services are not appropriate, and for whom no reasonable child welfare worker or supervisor would make a referral for such. When children are in serious danger, when children cannot be kept safe or when it is impossible to keep a family together, we must quickly and humanly move the children to a short-term foster care situation or a permanent family who will love them and raise them. We must release children for adoption more quickly, before they suffer numerous placements which require them to change schools, neighborhoods and support systems.

Our Challenge: Strong Families/Safe Children

As we move our discussion forward we are reminded that this work isn't about competition among agencies and programs and theories. It is about respectful partnerships and true collaboration; it is about working together. It would be a pity, despite the tenuousness of public policy about children and families, to put our energy into only protecting the status quo. If we have listened to families we know that isn't good enough. Their challenge to us is to listen well enough to make positive changes in our systems of care, so child welfare systems are more family friendly and consumer driven.

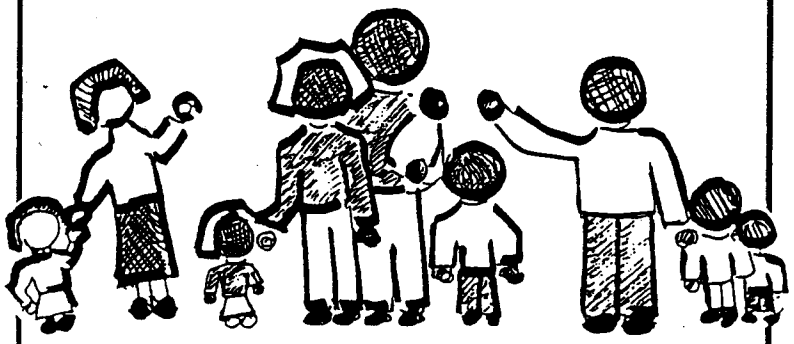
FAMILIES FIRST
of Michigan

successfully working to

KEEP FAMILIES TOGETHER
SAFELY

a program of the

MICHIGAN DEPARTMENT OF SOCIAL SERVICES
IN PARTNERSHIP WITH PRIVATE CHILD WELFARE AGENCIES



Michigan Department of Social Services
Gerald H. Miller, Director
235 South Cesar Chavez Ave.
Lansing, MI 48909

OVERVIEW
MICHIGAN FAMILIES FIRST PROGRAM

Purpose

Families First provides safe, intensive emergency services in a family's home. It's purpose is to keep families safely intact and avoid high cost of unnecessary out-of-home care.

The program is designed to protect children by strengthening families. The Families First goal is to safely remove risks, not children, and help families make positive, lasting changes.

Families First is:

Time Limited:	A maximum of 6 weeks, an average of 5 weeks
Intense:	A minimum of 8-10 hours of services in the home each week
Accessible:	Staff are available to families 24 hours a day, 7 days a week
Practical:	Families are trained and assisted in solving their own problems
Linking with other resources:	70% of families who participate in Families First receive less intensive, on-going services after Families First

Eligibility

To be eligible for Families First a family must:

- Have at least one child who is at imminent risk of removal
- Be referred by a protective services, foster care, adoption, delinquency, community mental health professional, probate court or domestic violence shelter
- Have at least one adult family member who will volunteer for the service and commit themselves to work to keep the family together

Numbers Served

The Michigan Families First Program began in 1988. To date, 13,600 families have been served. There are 31,863 children in these families. Based on the most current data available 83.5 percent of the families served were still intact one year after the service.

In 1993, families referred to Families First were referred for the following reasons:

40% involved neglect
20% involved abuse
22% involved abuse and neglect
9% involved reunification
9 % involved delinquency
100%

Eighty percent of the families served were receiving ADC. Fifty-four percent of the mothers with health conditions had substance abuse problems. Forty-one percent of the fathers had criminal histories or had been in prison. Sixty percent are absent father households.

Cost

The human cost of safely keeping families together cannot be calculated. It is one Michigan is committed to make.

The average cost per family for Families First is dropping. The program averaged $4,900 per family in 1989. By the end of FY-94 this cost was $4,000.

The minimum cost per year for family foster care is $13.000 and for institutional care: $55,000. It currently costs $86,000 for one youth to complete an average stay in a state training school for delinquents.

In FY-94, Families First expended $16,000,000 and covered all 83 counties.

Funding

Families First currently draws on the Title IV-A and Title IV-E Federal entitlements.

Legal Base

PL96-272 PL103-66

FAMILIES FIRST
FAMILY PRESERVATION SERVICES

A Practical Approach to Keeping Families Together Safely

Families First staff work with families in their own homes and use a combination of techniques to teach them how to cope with the problems. Families First is:

Responsive - a home visit, within 24 hours of referral to Families First

Intensive - a minimum of 5 hours per week of direct service and up to 20 hours or more per week, if necessary

Accessible - families can contact staff directly 24 hours, 7 days a week

Focused on Family Strengths - to overcome weakness'

Goal Oriented - 2 to 4 objectives developed with the family to address problems that led to the crisis

Skill-Building - teaches positive practical ways to handle life's problems and family dynamics

Family Centered - ability to work with all members of the family network

Practical - hands-on assistance to cope with every day demands as well as the immediate crisis

Time Limited - 4 to 6 weeks of intensive crisis intervention services

Thorough - follow-up 3, 6, and 12 months after completion of Families First Program

SERVICE DELIVERY CONTRASTS

Traditional	Family Preservation Services
Services in office	Services in client's home
Waiting list	Immediate response
50 minute hour	As long a session as needed
Weekly or less	Frequent - often daily
Available during business hours	Available 7 days a week/24 hours a day
Selective intake	Accept almost all cases
Worker defined solutions	Family selects solutions
Open ended	Closed end (predetermined)
Large caseloads (12-50)	Small caseloads (2-4)
Long term	Short term
Focus on individual	Focus on family system
Concentrate on immediate symptom	Concentrate on underlying skills & interactions
Soft services only	Blend hard and soft services
Solve problem for client	Help client solve own problems

CHILDREN'S PERCEPTIONS OF FOSTER CARE*

- Forty percent didn't know why they entered foster care
- Ninety percent changed neighborhoods and schools as a result of placement, one-quarter had experienced three or more new schools as a result of placements.
- Half saw their birth mother less than once or twice a month
- One in seven with siblings never saw their brothers or sisters
- Ninety percent miss their birth families, with two-thirds indicating they sometimes cry as a result
- Forty percent want to return immediately to their birth families, thirty percent want to live with other relatives, only twenty percent want to live with current or former foster parents
- One-third didn't know why they had a caseworker
- Eighty percent will return to their birth parents

*From Foster Care Placement: The Child's Perspective (Chapin Hall: 1989). Based on a study interviewing fifty-nine children between 11 and 14 who had been in foster care from 6 months to two years in Illinois.

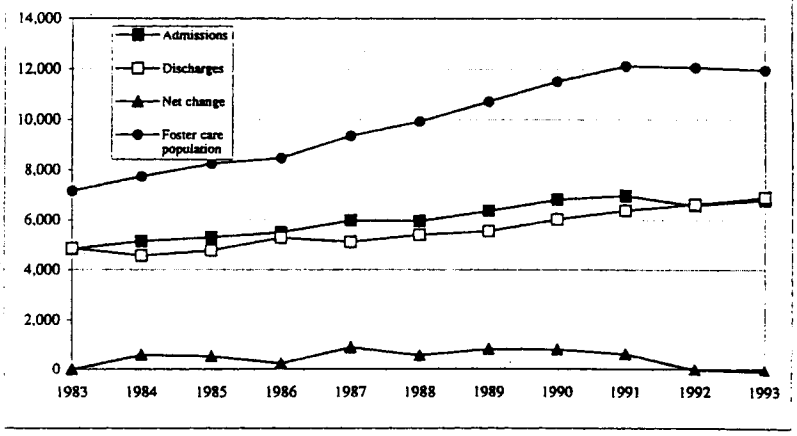
TABLE M-1

Foster Care Census: Michigan

Year	Admissions	Discharges	Net change	Foster care population
1983	4,833	4,846	-13	7,150
1984	5,142	4,567	575	7,725
1985	5,288	4,771	517	8,242
1986	5,498	5,281	217	8,459
1987	5,977	5,101	876	9,335
1988	5,955	5,390	565	9,900
1989	6,359	5,551	808	10,708
1990	6,819	6,026	793	11,501
1991	6,970	6,366	604	12,105
1992	6,585	6,628	-43	12,062
1993	6,774	6,899	-125	11,937

FIGURE M-1

Foster Care Census: Michigan



APPENDIX

DETAILED STATE DATA TABLES

This section contains a set of tables and figures detailing local foster care counts and indicators for each of the five Archive states.

Table 1 **Foster Care Census.**
Figure 1

Annual counts of the total number of admissions to foster care, discharges from care, net change in the foster care population, and end-of-year (December 31) cross-sectional foster care population. The admission and discharge data is not unduplicated, i.e. it may contain multiple counts for the same child if that child experienced more than one spell in foster care within the given year.

Table 2 **Children Leaving Foster Care by Time in Care.**

Counts and percent distribution of time to exit from start of the first placement spell for annual cohorts of new entrants to care. Used to describe duration and changes in the distribution of spell lengths over time. The percentages presented are cumulative, giving the total percent of children who left care before a given length of stay. The shaded cells represent time intervals which were not fully experienced by all members of the cohort as of December 1993, the end of the period of observation. Thus, the information in these cells must be interpreted as only partially complete.

Table 3 **Foster Care Prevalence Rates by Age, Race/Ethnicity, and Gender.**

Age/gender/ethnic specific foster care prevalence rates for April 1990. These were obtained by dividing the number of foster children with a set of characteristics by the total number of children in the state with those same characteristics, and multiplying the result by 1,000. This provides a detailed breakdown of prevalence rates for one cross-section of the foster care population. This date was selected because the the source of age/race/sex specific denominators is the decennial U.S. Census for 1990.

Table 4 **Days of Substitute Care Provided by Type of Care and Year.**
Figure 2
Figure 3

These are the tables that were presented and described as Figure 22 from Section V of this report. This shows counts (in millions of care-days provided) of the annual distribution of child welfare services by placement-type category. Figure 22 is laid out to promote cross-state comparison of trends and patterns, but it is not helpful for the analyst who wishes to retrieve specific data. This format presents numbers and graphs that can be read clearly.

Chairman SHAW. Thank you, Ms. Kelly.

Dr. Pecora.

I have to apologize to Dr. Gelles, you are supposed to go second. Please proceed.

STATEMENT OF RICHARD J. GELLES, PH.D., DIRECTOR, FAMILY VIOLENCE RESEARCH PROGRAM, UNIVERSITY OF RHODE ISLAND, KINGSTON, R.I.

Mr. GELLES. Thank you, Mr. Chairman.

I testified before the House and the Senate 18 years ago this month in favor of programs like Families First and family preservation. At the time, in our research and evaluation efforts, we believed that it was possible to balance family preservation with maintaining the safety of children in homes. In the subsequent 18 years, we have conducted quite a bit more research, looked at quite a bit more research, and my optimism and my zeal for family preservation have been muted in that time.

One of the problems in the ensuing 18 years is that we have yet to find solid research that meets the normal and even minimal standards of scientific evidence to support the claim that intensive family preservation programs are effective in assuring the safety of abused and neglected children.

There have been hundreds of studies done that in one way or another attempt to evaluate family preservation programs. The vast majority of those studies, sadly, do not meet even the most minimal standards of scientific evidence.

The dozen or so studies that do meet the standards of scientific evidence conclude by saying we cannot say definitively whether such a program does protect the safety of abused and neglected children. Of course, the other side of the coin is equally accurate, we cannot prove that they don't maintain the safety or don't protect children, but it is quite evident that it is becoming more and more difficult to balance preservation and child safety.

The reasons—the underlying reasons why it is difficult are two problematic aspects with uniformly applying family preservation programs to high-risk households. One is that the theoretical model that we used to build intensive family preservation programs in the first—well, since the midseventies, assumed that there was a continuum of abuse, ranging from subabusive discipline that parents used, to extremely abusive acts that physically injure and perhaps kill children.

As was pointed out in some of the questioning earlier, what moves a parent along that continuum frequently is thought to be a gap between the resources the parent has and the tasks they are asked to do. So the parents who are under stress, parents who are poor, parents who are poorly educated, are presumed to be at the highest risk of abusing their children.

The basic assumption for programs like family preservation is to fill the gap, to tilt the balance back so that families, and parents in particular, have more resources to bring to bear in the task of raising their children and that would presumably reduce the risk that they would abuse their children.

Our research now has found that we cannot support a continuum model of child abuse and neglect, that what differentiates

subabusive behavior from extremely abusive behavior is not simply a greater degree of poverty or a larger amount of stress. Simply stated, as I point out in detail in my written testimony, there are distinct types of abusers.

There are abusers who abuse as a result of stress, as a result of poverty, and there are abusers who are characterologically and constitutionally different. It is the latter group, those who are constitutionally different, those who are characterologically different, those who come from very distinctive family structures, for whom family preservation programs fail to work. Unfortunately, those are also families where family preservation programs have been targeted.

A second problem is the issue of targeting. There is an assumption built into family preservation models that having been identified and labeled as a child abuser, having been brought into the system and having resources brought into your household, you are amenable to change.

It is, unfortunately, not true that all families are equally amenable to change. As there are types of abusers, there are stages of change, and many families are what we would call "precontemplative."

They deny that they abuse, they have no interest or desire to be part of the child welfare system, and they resist any attempts to change them, no matter what the level of resources that are brought to bear.

In many instances, at the street level in child welfare services, child welfare workers confuse compliance with change, and they mistakenly reunify children with families who have showed compliance but have not showed real indicators of behavior change.

An indicator of the problems of uniformly applying family preservation programs are the data that were released 2 weeks ago by the U.S. Advisory Board on Child Abuse and Neglect that pointed out that between 30 and 50 percent of children who are killed by their parents and caretakers are killed after they have been identified by the child welfare system as being at-risk.

This suggests some of the dangers of intensive family preservation programs when they are inappropriately targeted at high-risk parents who do not show an interest or an amenability to change.

I argue that family preservation should not be abolished or thrown out, but should be replaced with a child centered policy. In a child centered child welfare system, children at risk would not remain in abusive homes for long periods of time, experiencing repeated physical and sexual abuse and having their emotional and physical development compromised. Nor would they languish in foster care while the doctrine of reasonable efforts was applied long beyond the point where it was clear that abusive parents were not going to change.

Abused children would not go in and out of the foster care system and in and out of biological homes like a never-ending revolving door. The main goal of a child centered child welfare system would be to act as expeditiously as necessary so the children are able to develop a nurturing relationship with an adult during the critical period of the child's development.

Under a child centered system, the goal would be to terminate parental rights, when appropriate, quickly enough so that children

are not permanently harmed, not physically or psychologically harmed, and are made available for adoption early enough in their lives so they are adoptable. Because the most injurious and deadly abuse occurs early in a child's life, a child centered child welfare policy would make children available for adoption much earlier in their lives before many had been badly hurt and at times when children are the most likely to be adopted.

Thank you.

[The prepared statement follows:]

TESTIMONY OF RICHARD J. GELLES, DIRECTOR
FAMILY VIOLENCE RESEARCH PROGRAM

Chairman Shaw and members of the Subcommittee on Human Resources, Committee on Ways and Means, my name is Richard Gelles and I am Director of the Family Violence Research Program and Professor of Sociology and Psychology at the University of Rhode Island. I am pleased to be invited here today to testify on family preservation programs and whether such programs produce positive outcomes for children.

I have Directed the Family Violence Research Program since 1973. I received my doctoral degree in Sociology at the University of New Hampshire in 1973 and received post doctoral training in Psychology at the Children's Hospital, Boston and the Harvard Medical School. The Family Violence Research Program was established in 1973. The program is a research, teaching, and training program in the area of family violence. The University of Rhode Island Family Violence Research Program has been supported by grants from the National Institute of Mental Health, National Center on Child Abuse and Neglect, National Institute of Justice, the National Science Foundation, and the Harry Frank Guggenheim Foundation.

The two major research efforts of the program have been the National Family Violence Surveys. These surveys, conducted in collaboration with the Family Research Laboratory at the University of New Hampshire, involved two national surveys of violence in the family. The first survey, conducted in 1976, interviewed a nationally representative sample of 2,143 households. The second survey, conducted in 1985 interviewed a nationally representative sample of 6,002 households.

The Family Violence Research Program has produced 20 books and more than 150 articles on family violence.

I would like you to consider several important issues as they relate to family preservation programs and whether there is reliable evidence that these programs produce positive impacts for children.

Family Preservation programs were developed before the enactment of the Adoption Assistance and Child Welfare Act of 1980 (P.L. 96-272.) These programs have emerged as the main mechanism by which states make reasonable efforts to keep abused and neglected children in their birth families.

Broadly defined, family preservation services are any services that aim at strengthening families and creating a safe environment for children. This could include "soft" psychological services for the abusive caretakers, such as therapy, counseling, or education, as well as "hard" services including cash, food, visiting nurses, homemaker services, educational services, crisis day care, rent vouchers and furniture, and other support services. There are two basic types of family preservation programs. The first is the more traditional, opened ended and diffuse set of interventions and the second are the newer, more focused intensive family preservation programs.

The traditional, opened-ended family preservation programs are administered by the child welfare bureaucracy. Services are provided in the offices of child welfare workers or agencies subcontracted to provide services. Clients typically arrange for transportation to and from the office in order to receive support. Services are provided during the normal 9 to 5 work day, during the standard "50 minute" clinical hour. Case loads average 15 to 50 families per worker, and waiting for services in the office is a routine part of the process. Because needs exceed available workers and services, there are often waiting lists for all services. Services are typically soft--counseling or therapy, and are aimed at the individual perpetrator. Worker burn-out tends to be high due to the frustration of large caseloads and limited available resources. Client frustration is even greater.

The second form of family preservation is intensive family preservation services. The essential feature is that services are intensive, short term crisis interventions. The length of sessions is variable--it is not confined to the "50 minute" clinical hour. Services are available seven days a week, 24 hours a day, not just during business hours Monday through Friday. Caseloads are small--2 or 3 families per worker. Services can be both soft and hard.

The foundations who provide support for the development of family preservation programs, the developers of family preservation programs, and the child welfare agency administrators who have implemented intensive family preservation programs, all speak in one voice--"family preservation programs work." The research results are much less enthusiastic. There is not yet scientific proof--at least using data that meet the normal standards of scientific evidence--to support the claim that family preservation works. Although there have been more than 100 evaluations of family preservation programs, fewer than a dozen of these evaluations meet the normal standards of scientific evidence for evaluation research. One evaluation of intensive family preservation programs that does meet scientific standards for evaluation research was conducted by The Chapin Hall Center for Children at the University of Chicago. This was a two-year study of the Illinois Family First Program. The Chapin Hall study found only modest differences in subsequent confirmed reports of child maltreatment between the experimental groups that received intensive family preservation and the control groups that received standard child welfare interventions. Thus there is neither research evidence that intensive family preservation places children at decreased risk.

A significant problem with many of the other evaluations of intensive family preservation programs is that the evaluations examine placement-avoidance and cost-effectiveness as the key outcomes variables. Child safety and child outcome are not measured in these studies. Thus even if the studies are scientifically sound, they tell us nothing about whether children actually benefit from intensive family preservation services.

A second compelling concern about family preservation and family reunification as uniform policies of child welfare agencies are the data on child homicide. Research on child homicide clearly reveals the damage done by <u>rigidly</u> following the Family Preservation model. Thirty to fifty percent of the children killed by parents or caretakers are killed <u>after</u> they have been identified by child welfare agencies. These children were involved in interventions, and were either left in their homes or returned home after a short-term removal.

A third problem with intensive family preservation programs is not related to the programs <u>per se</u>, but the targeting of the programs A major failing in the child welfare system is the crude way behavior change is conceptualized and measured. Behavior change is thought to be a one-step process--one simply changes from one form of behavior to another. For example, if one is an alcohol or substance abuser, then change involves stopping using alcohol or drugs. If one stops, but then begins again, then the change has not successfully occurred. A second assumption is that maltreating parents or caretakers all want to change--either to avoid legal and social sanctions or because they have an intrinsic motivation to be caring parents. As a result, family preservation interventions assume that all parents, caretakers and families are ready and able to change their maltreating behavior. Absent a reliable and valid means of assessing behavior change, child welfare case workers often use <u>"compliance"</u> with case plans as a proxy or indicator of change. Thus parents who attend parenting classes or go to counseling are seen as changing--even if these same parents continue to deny abuse and neglect. Compliance with a court-ordered program of services or classes is not the same as psychological readiness to change or actual behavior change.

One of the reasons why intensive family preservation programs have such modest success rates is that family preservation programs are "action" programs often provided to individuals who are neither ready nor willing to change their behavior.

Child welfare agencies often wait for a child to be seriously or permanently injured to suspend "reasonable efforts," because the agencies do not have the ability to identify families where "reasonable efforts" are unlikely to work.

A fourth concern is that the policy of "reasonable efforts" embodied in the Adoption Assistance and Child Welfare Act of 1980 (P.L. 96-272) and intensive family preservation programs were based on the theoretical assumption that "anyone" can abuse and neglect a child. By the late 1970s, explanations of child abuse that emphasized social, social psychological, or socio-cultural factors replaced purely psychological explanations of child abuse. Thus instead of arguing that only crazy or sick people abused their children, the new theories proposed that "anyone" could abuse his or her child, given the right conditions. The right conditions tended to be when the stresses on caretakers outweighed the supports they had. Those in the field of child abuse and neglect applied a "Continuum Model" of child abuse neglect. The continuum model does not view abusers and neglectors as defective, deviant, or sick individuals; rather, abuse and neglect is explained by what I call a "tipping point" or a "deficit" model of parental behavior.

In the "tipping point" model, stresses or problems pile up until a "tipping point" pushes parents from being caring parents to maltreating parents. These stressors can be poverty, unemployment, marital conflict, social isolation, sexual difficulties, physical illness, child-produced stressors such as colic, developmental delays, or delinquency when over-stressed, parents either actively lash out and physically abuse their children, or passively neglect their children.

The "deficit model" assumes that some parents lack personal, social, or economic resources to be effective parents. Thus inadequate resources are seen as the cause of abuse, and adding resources, such as psychological counseling, parent education, or home visitors will help parents to meet their own needs and the needs of their children. Thus the goal of child welfare interventions is to: (1) add resources, (2) remove stresses, or, (3) both, and make the home safe again so that children can be reunified with their parents. A key assumption of this model is that children need only be removed from their parents when they are at risk of harm and should be returned when the parents are able to adequately care for them.

I believe there are compelling data that challenge the belief that anyone can kill a child and that there is a continuum of violence and abuse. Instead, I believe the data support a theoretical model that states that there are distinct types of abusers. This model is greatly oversimplified and is a version of the model of human behavior Woody Allen presented in his movie, Annie Hall, where he divides the world into the "horrible" and the "miserable.". The "horrible" are parents who deliberately kill their children, burn and scald their children, torture their children, or who have sex with six-month-old children. And, in the words of Woody Allen, the miserable are "everyone else. "

There are, I believe, distinct types of abusers, but there is overlap between the types. The "distinct type" model assumes that there are some upper thresholds that guide people's behavior toward children. Thus most parents who use physical punishment will not hurt their children, although some injuries do occur as a result of loss of control, poor aim, or random unexpected factors.

Although there are parents who do set out to hurt their children, most operate within an upper threshold that limits the damage they do. Their maltreating behavior is unlikely to lead to serious or life-threatening injury. Again, factors such as loss of control, poor aim, a child turns at the last minute, a child falls on a sharp object, could indeed result in a traumatic injury or death in some cases. Finally, there are parents who, for whatever social and psychological reasons, set out to severely injury, maim, torture, or kill their children. Sometimes these efforts fail and the children are not injured or killed, but the upper threshold for these parents behavior is so high that injury and death are a much more likely outcomes of their behavior than it would be for other types of parents.

It is unrealistic to assume that one theory can possibly explain all the various forms of child maltreatment and it is equally unrealistic to believe that one intervention or treatment, such as intensive family preservation, can help "cure" all abusers. I believe that we need to employ a theoretical model that recognizes that in the most serious and harmful cases of abuse, the parents, caretakers, and families are probably constitutionally different from those parents who do not seriously abuse or kill their children.

With regard to the provisions of the Adoption Assistance and Child Welfare Act of 1980, so-called "reasonable efforts" become unreasonable when they are targeted for individuals or families for whom the services cannot work or who are simply non amenable to changing their dangerous and harmful behaviors.

I would not be as concerned as I am about intensive family preservation programs and their impacts on children were these programs but one of a spectrum of programs in a full menu of services and interventions in cases of child abuse and neglect and if intensive family preservation programs were properly targeted for families in which the risk of severe abuse was low and the likelihood of behavior change high. This, however, is not the case. Intensive family preservation programs have been aggressively "marketed" as effective and cost-effective child welfare programs. There are significant problems with the "overselling" of intensive family preservation programs.

The problems with the overselling of intensive family preservation were evident in the proposed rule for the "Family Preservation and Support Services Program: Proposed Rule" (45 CFR Parts 1355, 1356, and 1367) as announced in the Tuesday, October 4, 1994 issue of the Federal Register.

The proposed rule implements the provisions of the "Family Preservation and Support Services" program enacted as part of the Omnibus Budget Reconciliation Act of 1993. As the members of the Subcommittee know, the "Family Preservation and Support Services" program provided $1 billion over five years for family support and preservation programs.

The proposed rule states that the new program shall have as a goal to keep children and family members safe at all times.... and that if a child cannot be protected from harm without placement, family preservation services are not appropriate. However, the actual consequence of the implementation of the proposed rule may actually decrease safety to children.

Child protective agencies and workers strive to balance the need to keep children safe and preserve families. Unfortunately, the new federal funds for family preservation will probably tilt the balance away from child safety. The proposed rule and the lure of the new funding provides a powerful financial incentive for child welfare workers and agencies to preserve the family unit at the expense of child safety. This problem already exists in many agencies and will no doubt become a greater problem as the funding

dictates the programs.

The proposed rule provides no new guidance as to what constitutes "reasonable efforts" and under what circumstances family preservation services are inappropriate.

The proposed rule identifies a number of family preservation programs such as "Homebuilders" and "Families First" without noting that research has failed to find these programs reduce placement, reduce costs, or prevent further harm to children. As I noted earlier, the evaluation of the Illinois Family First program, one of the most methodologically sound and rigorous evaluations of a family preservation program to date, found that the Families First program was no better at reducing placement, no less costly, and no more able to prevent subsequent maltreatment than alternative interventions.

The flaw of family preservation is not that it is ineffective, the flaw is that it is not a generic panacea for child maltreatment and thus, should not be embraced as a single, generic solution to the problem of child maltreatment. Unfortunately, the proposed rule not only implies that such programs are effective, the rule provides substantial new funding to implement programs that have no known effectiveness. The arguments for the effectiveness and cost effectiveness of some family reunification/family preservation programs, including arguments made in favor of such programs at the focus groups convened in the Fall, 1993, are largely anecdotal or based on data that are not scientifically rigorous enough on which to build a national policy.

In the words of Peter Rossi who evaluated the effectiveness of the Homebuilders program for the Edna McConnell Clark Foundation, the government is "running pell-mell into family preservation without fully considering the evidence for it."

Rather than being one service on the menu of services, family preservation has become <u>the</u> service, or at least the best funded and mostly widely touted effective service in child welfare. Sadly, this will likely <u>reduce safety</u> for many children.

A final concern with intensive family preservation programs is whether such programs facilitate permanency planning or, inadvertently, delay the process of finding children a permanent placement. It is my belief that an unintended consequence of the widespread implementation of intensive family preservation programs and the belief that such programs are effective, is a delay in the process of finding children safe and permanent homes. Foster parents are frustrated by child welfare workers' insistence on reunification of children with abusive and neglectful parents. The belief in the effectiveness of family preservation programs can lead to a series of placements and reunifications. By the time child welfare workers recognize that their "reasonable efforts" and family preservation efforts have failed, abused and neglected children are unlikely candidates for adoption, either because they are beyond the desirable age for adopted children or because the accumulated effects of abuse and neglect have reduced the adoptability of these children.

I have argued that "family preservation" be replaced with a "child centered" policy. In a child-centered child welfare system, children at risk would not remain in abusive homes for long periods of time, experiencing repeated physical and sexual abuse and having their emotional and physical development compromised. Nor would they languish in foster care while the doctrine of reasonable efforts was applied long beyond the point where it was clear that abusive parents were not going to change. Abused children would not go in and out of foster care and their biological homes like a never-ending revolving door.

The main goal of a child-centered child welfare system would be to

act expeditiously, when necessary, so that children were able to develop a nurturing relationship with an adult during the critical period of the children's development. Under a child-centered system, the goal would be to terminate parental rights, when appropriate, quickly enough so that: (1) children are not permanently harmed, physically or psychologically; and (2) make children available for adoption earlier enough in their lives so that they are "adoptable."

Because the most injurious and deadly abuse occurs early in a child's life, a child-centered child welfare policy would make children available for adoption much earlier in the lives, before many had been badly hurt, and at times when children are the most likely to be adopted (prior to their first birthdays).

Our research has found that children's optimal development is not dependent on living with their birth parents, but on developing a nurturant relationship with a caring adult. More importantly, children need to develop this attachment during a finite developmental period, somewhere between age four and ten. The failure of family preservation programs is that they often leave children in limbo during this developmental stage while child welfare agencies are providing so-called "reasonable efforts" to rehabilitate and support parents with the goal of reunification.

I am not proposing that we abandon family preservation programs. Properly targeted to families according to level of risk and likelihood of change, and with a realistic understanding of the effectiveness of such programs, family preservation programs are an appropriate and useful component of the menu of services available as interventions in cases of child abuse and neglect. However, family preservation programs are only one service, with a very modest record of success. The most important goal of the child welfare system should be to assure the safety and well being of children. Thank you.

Mr. CAMP [presiding]. Thank you, Dr. Gelles.
Dr. Pecora.

STATEMENT OF PETER J. PECORA, PH.D., MANAGER OF RESEARCH, THE CASEY FAMILY PROGRAM, AND ASSOCIATE PROFESSOR, SCHOOL OF SOCIAL WORK, UNIVERSITY OF WASHINGTON, SEATTLE, WASH.

Mr. PECORA. Thank you for the invitation to appear before you today.

I have spent the last 18 years conducting research in child protective services, family-based services, and foster care. Currently, I hold a joint appointment as the associate professor with the University of Washington and as manager of research with the Casey Family Program.

As Congresswoman Dunn mentioned, the Casey Family Program is a voluntary long-term foster care program that also provides some adoption services. As an operating foundation, we serve over 1,400 children through 23 offices in 13 States, from Hawaii to Washington and as far east as Louisiana.

Upholding parent rights and a child's need for connections with the birth family, while ensuring child safety, is a serious challenge. The case from Florida that is making national news is an example of the need for professionally trained and carefully supervised staff who are held accountable for child outcomes.

In contrast to some of the opinions that you have heard and will hear later today, I believe that a well-designed and carefully implemented family-based services program can be an effective safeguard of child protection for many children.

But there are a small percentage of parents in our country who are unwilling to make the commitment to stop abusing illegal drugs or alcohol. There are parents who have such severe emotional problems that Dr. Gelles mentioned that they are not able to improve their childrearing patterns. For these adults, termination of their parental rights and adoption by relatives or other people may be in the child's best interest.

However, for the vast majority of families who are seen by child welfare programs, the situation is more complex. A variety of services can and need to be provided to keep those children safely with their birth parents. Family-based services represent an essential part of an interconnected continuum of social services. But these services cannot substitute for other programs that families might need, such as employment, housing, mental health counseling, drug and alcohol treatment, and child care.

Some parents will be unable to benefit from even these programs and then their children will need planned family foster care, residential treatment, and/or adoption services. So family based services, under certain conditions, can improve the ability of social service agencies to assess these family situations.

These workers can assist the judicial system to determine the viability of keeping the family together versus placing the child with relatives, foster parents or an adoptive home. This is achieved through the intensive professional assessment that is possible, and because the service is a cost effective way to satisfy the reasonable

efforts provisions of the Adoption Assistance and Child Welfare Act of 1980, Public Law 96–272.

There is a small but growing body of research evidence that supports judicious use of family-based services, especially if outcomes other than just placement prevention are considered. Many program critics, and I have to include Dr. Gelles among this group, have not read or have ignored the more positive scientifically sound evaluations, especially the exemplary studies conducted by Dr. Henngeler at the department of psychiatry at the University of South Carolina, and some of the less publicized, smaller research efforts.

Appendix A in my testimony does present some of the data from a number of those studies. Some of those, in all fairness, are ground breaking. They are in press in the Journal of Psychiatry and other journals, so they are just now becoming available to the larger field.

There have been, and Dr. Gelles mentioned those, a number of studies with negative results. That is why we still need to conduct additional rigorous evaluations that use comparison groups and case studies, a situation that is very similar to the early days of Head Start.

With proper implementation and funding, in certain situations, family-based services will be a more cost-effective alternative to the child rescue approach that is being advocated by some. But to accomplish these family preservation and permanency planning objectives, the staff members must be skilled in a variety of intervention approaches while following a well-defined treatment model, something that has been lacking in a number of those early programs.

The staff members need to be trained to recognize situations that constitute high risk for child abuse and neglect, to save and protect those children; and it is helpful to work with families in their home environment because that is where you see the family's strengths and their limitations most dramatically. You can't do it out of an office.

In addition, there have to be a number of judicial reforms that will improve the laws regarding termination of parental rights and guardianship, because these are needed in many States because for some children, subsidized and conventional guardianship may be the best route to go, where adoption may not be as likely.

So family-based services are not a panacea. They will not be appropriate for every family and they certainly cannot be provided in isolation from other support programs. But to improve these and other child welfare programs in this country, a more outcome-oriented approach to service delivery is needed.

"Alice in Wonderland," a book that my wife and I read to our daughter, states the case very well. One of the Queens told Alice that: If you don't know where you are going, any way will take you there. And too often, the agency emphasis has been on the service delivery process instead of the outcomes that need to be achieved. And furthermore, with budget cuts, frequent turnover in key administrative positions and the shortage of professionally trained socialworkers in public child welfare services, children are not protected or they stay too long in foster care.

In summary, the social service and mental health agencies in many States need to sharpen their focus on key outcomes, along with placing renewed emphasis on consistent program implementation, staff training and high-quality supervision. They cannot accomplish this with drastic funding cuts, but these agencies will be able to provide more cost-effective services if better permanency planning is provided earlier, more vigorously and with fewer organizational and judicial delays. Family-based services should be part of this more effective service delivery system.

Thank you.

[The prepared statement and attachment follows:]

TESTIMONY OF PETER J. PECORA, MANAGER OF RESEARCH
UNIVERSITY OF WASHINGTON

Mr. Chairman and Members of the Sub-Committee:

Thank you for the invitation to speak with you today. I have spent the last 18 years conducting research in child protective services, family-based services, and foster care. Currently I hold a joint appointment as an Associate Professor at the University of Washington and as Manager of Research with The Casey Family Program. The Casey Family Program is a voluntary long-term foster care and adoption agency begun in 1966 by Jim Casey, one of the founders of United Parcel Service. We are one of the largest private operating foundations in the country devoted to children and families with offices in 23 communities in 13 states.

Based on my research in child protective services, family-based services and foster care, it is clear that upholding parent rights and a child's need for connections with his or her biological family while ensuring child safety is a serious challenge. In contrast to some of the opinions that you have heard and will hear later today, I believe that a *well-designed and carefully implemented* Family-Based Services program can be an effective safeguard of child protection for some children.

There is a small percentage of parents in our country who are unwilling to make the commitment to stop taking illegal drugs, stop abusing alcohol or who have such severe emotional problems that they are not able to improve their childrearing patterns. For these adults, expedited termination of their parental rights and adoption by relatives or other people may be in the child's best interest.

However, for the vast majority of families who are seen by the child welfare services system in this country, the situation is more complex. And a variety of services need to be provided to keep children safely with their birth family, with reasonable provisions available to secure placement of a child with relatives or with an adoptive family if family preservation can not be achieved within a reasonable period of time. The following information, derived from research data and actual practice, may be helpful to the deliberations of this Subcommittee:

- Family-Based Services (also known as Family Preservation Services) represent an essential part of the continuum of social services but can not substitute for other programs that some families will need such as employment, housing, mental health counseling, drug and alcohol treatment, and child care. Furthermore, some families will be unable to benefit from Family-Based Services and their children will need planned family foster care, residential treatment and/or adoption services. (Please see Exhibit 1.)

- Family-Based Services (FBS), *under certain conditions,* can improve the ability of social service agencies to assess family situations, deliver necessary services and help the judicial system determine the viability of family preservation versus placing a child with relatives, with licensed foster parents, or with an adoptive family.

- Family-based services can help reduce the amount of time that is necessary to reunite children with their families or free them for adoption because of the intensive professional assessment that is possible, and because the service is a cost-effective way to satisfy the legal requirements ("reasonable efforts") of the Adoption Assistance and Child Welfare Act of 1980 – Federal Law 96-272.

- With proper implementation and funding, FBS programs can be part of a balanced approach in contrast to a child rescue approach. For example, Family-Based Services methods are just now beginning to be used to help support adoptive families as their adoptive children become older and emotional difficulties arise in the children or in the family.

To accomplish the above family preservation and permanency planning objectives, the FBS staff must be skilled in a variety of treatment approaches. They must also be trained to recognize situations that constitute high risk for child abuse or neglect, and see families in the home environment where the family problems and strengths are most evident.

A number of judicial reforms that improve the laws regarding termination of parental rights will also be necessary in many states so that the legal system does not present unreasonable barriers to adoption or long-term foster care with guardianship. Subsidized and conventional guardianship may be necessary to achieve a permanent living arrangement for some children because for some ethnic groups, relatives or clan members are reluctant to formally adopt a child who in their eyes is already kin. They may be willing to raise that child to adulthood and need the proper legal status to do so.

A more clear outcome-oriented approach to delivery of FBS and other child welfare programs must also be implemented, along with a renewed emphasis upon consistent implementation, staff training and high quality supervision. While budget cuts have been a problem, too often the agency emphasis has been on the service process instead of what key outcomes need to be achieved. Furthermore, with the frequent turnover of key administrative positions, staff burnout, and the shortage of professionally trained social workers in public child welfare services, children are not protected or they stay too long in foster care.

Defining Program Effectiveness

While some of the findings of preliminary studies of FBS are positive, the research findings, particularly those based on more rigorous designs, are mixed. The information gathered thus far by a number of studies, together with reports from consumers and practitioners, has created a confusing body of evidence about the effectiveness of these service approaches. This confusion has been exacerbated by some program critics who have ignored some of the more positive studies and distorted the purpose of other studies.

Placement prevention has been the focus of much of the research, while other aspects of program effectiveness have received less attention. There are a number of problems with using placement prevention rates as a primary measure of success. Differences found in placement rates varied from zero to 40%. Clearly, more studies of whether delays in child placement are beneficial need to be conducted, along with how children actually fare when FBS programs allow them to remain at home.

Some of the other major outcome criteria that have been used to evaluate these programs are number of placement days used; reduction in the restrictiveness of placement location; reports of child maltreatment; changes in child, parent, and family functioning; family reunification; and consumer satisfaction ratings (Pecora, 1995). As summarized in Appendix A, the evaluation results for each of these criteria, with the exception of placement prevention (with fewer significant effects), have been generally positive, but mixed. The variability in outcomes is due, in part, to the limitations in the research design and measures used; few analyses of findings by sub-populations of families; lack of adequate staff training; and insufficient organizational stability in many of the programs.

The FBS program evaluation results, while promising across a range of outcome criteria, do not show dramatic differences between control and treatment groups, and are not conclusive. Studies have been confounded by a number of administrative and evaluation problems, however. Problems in administration include referral, staff training, and community resources. Evaluation problems include the use of non-experimental designs, small samples, poor case targeting, under-use of qualitative designs, and inappropriate assessment measures. Across many different fields, evaluation studies appear to suggest that we cannot expect single services to produce dramatic changes in complex social problems. We need to conduct additional rigorous evaluations that use comparison groups and case studies, a situation that is similar to the early days of Head Start.

Conclusion

In summary, the social service and mental health agencies in many states need to sharpen their focus on key outcomes, along with placing renewed emphasis upon consistent program implementation, staff training and high quality supervision. They can not do this with drastic funding cuts, but will be able to provide more cost-effective services if better permanency planning is provided earlier, more vigorously, and with fewer agency delays. FBS should be part of this more effective service delivery system. And this system must minimize the amount of time that children spend in foster care instead of being with their birth parents, other relatives, or with an adoptive family.

Supporting Testimony[1]

The Origin of Family-Based Services

Reform of the policies and systems that provide services to families and children is underway throughout the nation. Public agencies, not-for-profit agencies, and grass roots organizations are developing new service approaches, integrating services across traditionally separate domains, and collaborating with new partners to demonstrate the potential of reform and to better serve families. The underlying themes of these reform efforts are remarkably similar: meeting changing family needs, maximizing limited resources, and increasing effectiveness.

A variety of social services that focus on strengthening families to prevent unnecessary out-of-home placement of children have emerged in the fields of child welfare, mental health, and juvenile justice. In the 1950s and 1960s, early forerunners of these services were developed as programs to treat the "multi-problem family." Since that time, these placement prevention services have been described as "family-based services," "home-based services," "services to children in their own homes," and "family preservation services." While program design and specific interventions differ, most of the programs fitting the broader name of "Family-based Services," share some or all of the following characteristics:

- A primary worker or case manager establishes and maintains a supportive, empowering relationship with the family.
- A wide variety of helping options are used (e.g., "concrete" forms of supportive services such as food and transportation may be provided along with clinical services).
- Caseloads of three to twelve families are maintained.
- One or more associates serve as team members or provide back-up for the primary worker.
- Workers (or a back-up person) are available 24 hours a day for crisis calls or emergencies.
- The home is the primary service setting, and maximum utilization is made of natural helping resources, including the family, the extended family, the neighborhood, and the community.
- The parents remain in charge of and responsible for their family as the primary caregivers, nurturers, and educators.
- Services are time-limited, usually 2-12 months (Adapted from Bryce & Lloyd, 1981).

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[1] Material is adapted from the following sources: Pecora, P. J. (1995). "Assessing the Impact of Family-based Services." In B. Galaway and J. Hudson (Eds.) Canadian Child Welfare: Research and Policy Implications. Toronto, CN: Thompson Educational Publishing, pp. 100-112. Pecora, P.J., Fraser, M.W., Nelson, K., McCroskey, J., & Meezan, W., (1995). Evaluating Family -Based Services. New York: Aldine de Gruyter. Pecora, P.J., Selig, W., Zirps, F., & Davis, S. (Eds.) Quality Improvement and Program Evaluation in Child Welfare Agencies: Managing into the Next Century. Book to be published by Child Welfare League of America in 1995.

Family-based services arose in various service systems for somewhat different reasons. The fields of child mental health, juvenile justice and child welfare were criticized during the 1960s and 1970s from a number of perspectives. In child welfare it was thought that some children were placed in foster care, juvenile justice facilities, or residential treatment centers who could have remained at home or in less restrictive settings. Children in substitute care usually lacked clearly specified case plans. This resulted in "foster care drift," with unnecessarily long-term placements, multiple placements, and no sense of permanence for many children (Gruber, 1973; Maas & Engler, 1959). Child welfare agency overload, termination procedures, and adoption practices also constrained the use of adoption as a realistic case goal. All of these conditions prompted the development of a variety of foster care preventive programs (Compher, 1983; Jones, 1985; Magazino, 1983).

One of the principal assumptions underlying foster care prevention and permanency planning efforts is that, in most cases, a child's development and emotional well-being are best ensured through efforts to maintain the child in the home of her or his biological parents or extended family (providing that at least minimal standards of parenting are maintained). Child placement and adoption, however, in some situations may be the more beneficial and necessary option.

A number of policy and program innovations have been instituted by federal, state, and local authorities to address critiques of the child welfare system. Most notable among these were Permanency Planning, and the related program and fiscal reforms promoted by the Adoption Assistance and Child Welfare Act of 1980 (P.L. 96-272). This federal law mandated that a series of reforms be implemented in state child welfare agencies in order to qualify for special supplemental Title IV-B federal appropriations under the Social Security Act. P.L. 96-272 also requires that states implement a variety of placement prevention services as part of their strategy to ensure that "reasonable efforts" (never precisely defined) have been made to preserve the family before a child is placed in substitute care (Pine, 1986).

Permanency planning refers, first, to efforts to prevent unnecessary child placement, and second, to return children from foster care to their biological families or to some other form of permanent placement such as an adoptive home or long-term foster care family with guardianship. This emphasis took hold in child welfare agencies in the late 1970s and 1980s with the leadership of the Oregon Permanency Planning Project and other training efforts. In the past, permanency planning has been helpful in reducing the numbers of children lingering in family foster care. For example, as of 1985, 26% of the children who left substitute care had been there for 4 months or less; 46% of the children were in placement less than 6 months (Maximus, 1985, p. III-37).

There is, however, growing concern about a lack of program alternatives for family reunification, foster care re-entry, delays in adoption and, more importantly, placement prevention through improving child and family functioning. In fact, many would argue that the focus on permanency planning, creating service alternatives, child stability, and achieving timely adoption of children has not been supported through staff training, supervision, and provision of the necessary resources (Fanshel, 1992).

For example, although the child population in substitute care had fallen from 502,000 in 1977 to 276,000 in 1985, by the end of 1992 it had again risen to 442,000, considered to be very conservative estimate (Tatara, 1992, p. 1, Tatara, 1993, p. 1). Foster care placements are projected by Gershenson to reach 553,600 by the mid-1990s (850,000 if mental health and juvenile justice placements are included), unless something is done to address the increased flow of children into substitute care and the backlog of children who could benefit from more systematically defined and delivered reunification services (Select Committee on Children, Youth, and Families, U.S. House of Representatives, 1990, p. 15).

Child advocates, therefore, remain concerned that essential preventive services are not being provided. These advocates maintain that it is possible to identify families with a sufficiently high risk of maltreatment or harm to justify an intensive intervention to prevent further family deterioration or child placement. But these services are not being provided, in part due to ineffectual enforcement of P.L. 96-272, a general lack of funding for preventive services (Forsythe, 1992) and continuing problems of targeting and screening of families most in need of the service. Consequently, many children have been placed outside

their homes not once but multiple times in different family, group home, residential treatment, juvenile justice, and psychiatric hospital settings (Fanshel & Shinn, 1978; Rzepnicki, 1987); and some children who could be adopted are languishing in substitute care.

According to Farrow (1991), Nelson (1991), Whittaker (1991) and others, FBS, like some of the new family support programs, represent a significant departure from the more traditional categorical services that embrace a child-rescue philosophy, that place treatment within a narrowly "person-centered" perspective, and that give little attention to addressing the family's needs in a holistic manner. In response to the rising number of child placements, some juvenile court judges are ordering local departments of social services to provide housing assistance or FBS under the "reasonable efforts" mandate of P.L. 96-272 (Personal Communication, Judge Richard Fitzgerald, 1991).

Family-Based Services Program Models

As mentioned earlier, within the broad framework of Family-based Services, there is wide variation across the nation in the kind of interventions, duration of services, size of caseloads, and components of service that characterize these programs.[2] Perhaps this is inherent in all program innovations, but it is one reason why research findings on FBS programs have been confusing. There is enormous variation in the service characteristics of these new programs. The programs themselves are often described using more specific terms such as *intensive family preservation services, intensive family services, family support, family-centered, home-based* and *placement prevention* services. In all of these services the family is not seen as deficient but as having many strengths and resources (Kagen et al., 1987).

FBS programs have recently been started in a number of new service arenas, including juvenile justice, developmental disability, adoption, and foster care reunification programs. An example of a FBS program with a broad public health and family-centered focus is Hawaii's "Healthy Start" program which provides a comprehensive array of health care, counseling and concrete services to families judged to be at moderate to high risk of child maltreatment (Breakey & Pratt, 1991).

The more intensive short-term family-based service programs are designed for families "in crisis," at a time when removal of a child is perceived as imminent, or the return of a child from out-of-home care is being considered (Whittaker, Kinney, Tracy & Booth, 1990). Yet the reality is that this service model is also being applied to chronic family situations that involve child neglect or abuse. These programs often share the same philosophical orientation and characteristics as other FBS programs, but are delivered with more intensity (including a shorter time frame and smaller caseloads), so they are often referred to as intensive family preservation service programs.[3] In summary, while FBS programs may share core features, much diversity in treatment models exists among them.

Program Limitations and Policy Pitfalls Need to Be Recognized

It is important to note that FBS programs will not replace other types of child and family services or broader societal and service system reforms (Halpern, 1990). While a number of case situations can be addressed by FBS programs alone, some families will always be in need of one or more other child welfare services such as day treatment, family foster care, residential treatment or adoption; and most will need other preventive or support services such as income support, child care, parent education, substance abuse treatment or job training (Pecora et al., 1995, Chapter 1). (See Exhibit 1.) As with other social service interventions such as home-visiting (Weiss, 1993), FBS should not be promoted as a cure-all for families.

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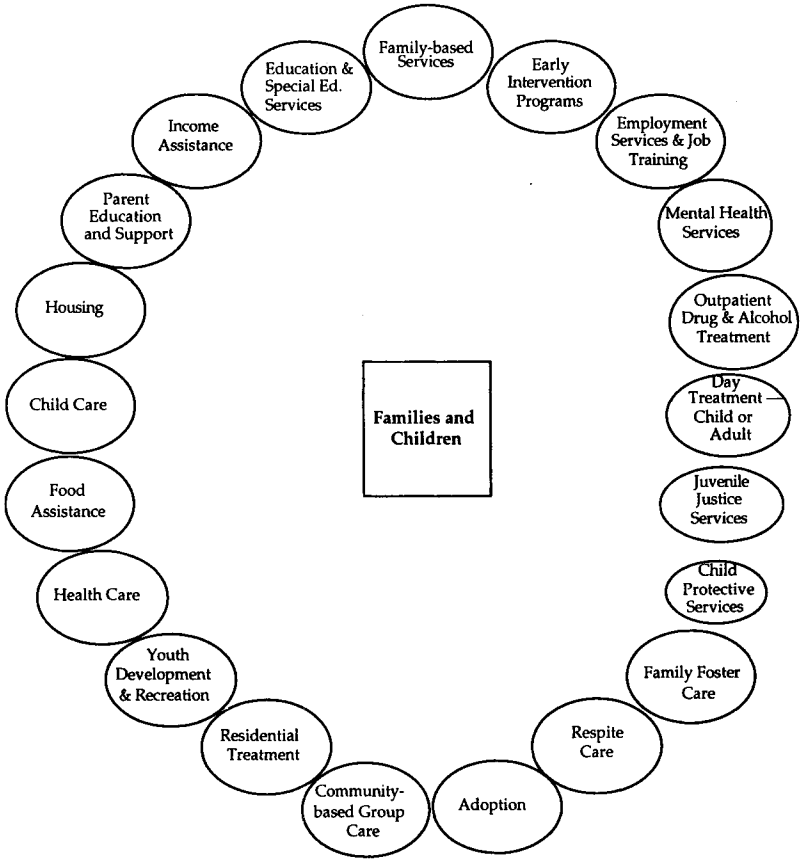
[2]See, for example Bryce and Lloyd (1981); Compher (1983); Kinney, Haapala and Booth (1991); Maybanks and Bryce (1979); Nelson and Landsman (1992).

[3]For studies of program characteristics and effectiveness of FBS programs see for example, AuClaire and Schwartz (1986); Cabral and Callard (1982); Heying (1985); Hinckley and Ellis (1985); Jones (1985); Jones, Newman, and Shyne (1976); Nelson and Landsman (1992); and Szykula and Fleischman (1985). For studies of the program dimensions and effectiveness of the more intensive and time-limited Family Preservation Services programs, see Feldman (1991); Haapala and Kinney (1988); Haapala, McDade, and Johnston (1988); Henggeler, Melton, & Smith (1992); Kinney, Haapala and Booth, (1991); Kinney and Haapala (1984); Kinney, Madsen, Fleming, and Haapala (1977), and Yuan, McDonald, Wheeler, Struckman-Johnson, and Rivest (1990).

Exhibit 1. An Array of Child and Family Supports in Addition to Family-Based Services is Necessary



While significant foster care and residential treatment program savings may be realized for some children, FBS programs are just one of an array of services that must be available to support families throughout the life cycle. Without a broader network of family supports available in the larger society and local community, families may not be able to maintain the gains made during FBS, and children may be vulnerable to continued abuse or neglect. Furthermore, some families need services on a long-term basis and are not well served by a short period of intensive work (Maluccio, 1991). Other families need high quality foster care to help them through a difficult period or until the child reaches adulthood (Fanshel, Finch & Grundy, 1990).

Defining Program Effectiveness

While some of the findings of preliminary FBS studies are positive, the research findings, particularly those based on more rigorous designs, are mixed. The information gathered thus far by a number of studies, together with reports from consumers and practitioners, has created a confusing body of evidence about the effectiveness of these service approaches. This confusion has been exacerbated by some program critics who have ignored some of the more positive studies and distorted the purpose of other studies.

Placement prevention has been the focus of much of the research, while other aspects of program effectiveness have received less attention. There are a number of problems with using placement prevention rates as a primary measure of success. Differences found in placement rates varied from zero to 40%. Clearly, more studies of whether delays in child placement are beneficial need to be conducted, along with how children actually fare when FBS programs allow them to remain at home.

Some of the other major outcome criteria that have been used to evaluate these programs are number of placement days used; reduction in the restrictiveness of placement location; reports of child maltreatment; changes in child, parent, and family functioning; family reunification; and consumer satisfaction ratings (Pecora, 1995). As summarized in Appendix A, the evaluation results for each of these criteria, with the exception of placement prevention (with fewer significant effects), have been generally positive, but mixed. The variability in outcomes is due, in part, to the limitations in the research design and measures used; few analyses of findings by sub-populations of families; lack of adequate staff training; and insufficient organizational stability in many of the programs.

The FBS program evaluation results, while promising across a range of outcome criteria, do not show dramatic differences between control and treatment groups, and are not conclusive.[4] Studies have been confounded by a number of administrative and evaluation problems, however. Problems in administration include referral, staff training, and community resources. Evaluation problems include the use of non-experimental designs, small samples, poor case targeting, under-use of qualitative designs, and inappropriate assessment measures. Across many different fields, evaluation studies appear to suggest that we cannot expect single services to produce dramatic changes in complex social problems.

Selected FBS Implementation Challenges

Case Screening. Targeting services to cases at imminent risk of placement, if placement prevention is the purpose of the program, remains a serious challenge. Note that many of the largest FBS studies with placement prevention objectives were unable to target services to children truly at risk of imminent placement, as evidenced by the fact that few children were placed within 30 days of referral to the study.

Serious efforts are needed in programs with this target population to refine placement criteria, implement interdepartmental screening committees, involve juvenile court personnel, better manage the politics of implementation, and address staff concerns about child safety in order to improve case targeting and screening. Otherwise we will

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[4] For critical reviews of selected evaluation studies of family-based services or the research as a whole, see Bath & Haapala (1994); Frankel (1988), Jones (1985), Magura (1981), Pecora, et al. (1995), Rossi (1992), Stein (1985), and Wells & Biegel (1991). For an incisive discussion of similar challenges with home-visiting program research see Olds & Kitzman (1993).

continue to find only small differences in placement rates between treatment and comparison groups.

Improving Program Implementation. Another serious issue that has been inadequately addressed by many FBS initiatives is the need to achieve program consistency and rigor with respect to model specification, staff selection, staff training, program funding, quality control, staff turnover, and maintaining *planned* program refinement in contrast to model "drift" (Gershenson, 1993, Pecora, Haapala & Fraser, 1991; Schuerman, Rzepnicki, & Littell, 1991).[5]

For example, one of the most comprehensive studies thus far, conducted in Illinois, found no significant differences in child placement rates between the experimental and comparison sites. But this was a likely finding given that only 7% of the comparison group cases were placed within 30 days and 16% at six months (Schuerman et al., 1993, p. 104). Despite some innovative approaches to random assignment and careful measurement strategies, a number of complications arose in the following areas: (1) considerable variation among sites and variations in outcomes that are due to characteristics of cases and the services provided to them; (2) substantial differences between the experimental sites in the risks of subsequent maltreatment, placement, and case closing; (3) patterns of case openings and closings differed substantially across sites; and (4) substantial variation was found across sites in the amounts, types, and duration of services provided to Family First and regular services cases (Schuerman, Rzepnicki, Littell & Chak, 1993, p. 118).

As illustrated by the Illinois, California, Iowa, New Jersey, Utah, Washington and other evaluations of FBS, the program implementation process, worker training, variation in services, and other implementation factors are critical in interpreting study findings and in developing effective research designs.

Conclusion

In summary, as stated earlier, the social service and mental health agencies in many states need to place renewed emphasis upon consistent program implementation, staff training and high quality supervision. They can not do this with drastic funding cuts, but will be able to provide more cost-effective services if better permanency planning is provided earlier, more vigorously, and with fewer agency delays. FBS should be part of this more effective service delivery system. And this system must minimize the amount of time that children spend in foster care instead of being with their birth parents, other relatives, or with an adoptive family.

References

References are available from the author (The Casey Family Program, 1300 Dexter Avenue North, Suite 400, Seattle, WA 98109).

[5]Maintaining program implementation and fitting the evaluation design to program stage are under-emphasized areas. For more information, see Basch et al. (1985), Bielawski and Epstein (1984), Doueck, Bronson, & Levine (1992); King et al. (1987), and Scanlon et al. (1977).

Appendix A. Family-based Services Outcome Criteria and Findings From Selected Studies[a]

Days in Placement and Case Closure

- Children in the IFPS treatment group spent significantly fewer days in placement than comparison group children (e.g., AuClaire & Schwartz, 1986, pp. 39-40+; Nelson, 1984+; Yuan et al., 1990, p. v+).

- The likelihood of case closing for the FBS cases was 46% greater than for the control group cases (Littell & Fong, 1992; as cited in Rzepnicki, Schuerman, Littell, Chak, & Lopez, 1994, p. 61+).

- There is some evidence that FBS may shorten the placement time of those children served by the program. In one study in Connecticut, more than half of the children placed were home within 12 months compared to the state-wide average placement duration of 31 months (Wheeler, Reuter, Struckman-Johnson, & Yuan, 1992, p. 5.10).

Changes in Placement Rate

- In Michigan counties where IFPS programs were established using a "staging approach" where some counties who did not yet have the service were used as comparison sites, out-of-home placement rates grew more slowly in the counties with IFPS than those in non-served counties. In those counties where IFPS programs were implemented later, placement rates also appeared to slow as a consequence of the service. Considerable costs were saved by the governmental agencies in those counties as a result of the placement trend decrease (Visser, 1991 as cited in Bath and Haapala, 1994).

Restrictiveness of Placement

- Treatment group used a larger proportion of shelter care days compared to other forms of placement (e.g., Yuan et al., 1990+)

- Children in the FBS treatment group used "less restrictive" placement options (e.g., Kinney & Haapala, 1984+; Willems & DeRubeis, 1981, pp. 16-25+).

Further Reports of Child Maltreatment

- Treatment group children (n= 52) from chronically neglecting families had fewer subsequent reports of child maltreatment compared to control group children (n=19) (Littell et al., 1992, pp. 8 and 16+).

Improving Child, Parent, and Family Functioning

- Improvements in child and family functioning were found, with the treatment group being rated as better in several areas compared to the control group (Feldman, 1991a, pp. 30-33+). In some studies the differences in improvement found at about seven months after FBS services began, however, did lesson over time, with few differences reported by parents at a 16 month follow-up (Rzepnicki, Schuerman, Littell, Chak, & Lopez, 1994, pp. 67-68+).

- In a quasi-experimental study, ratings by workers and parents indicated improvement in caretaker parenting skills, verbal discipline, knowledge of child care, child's school adjustment, child oppositional or delinquent behavior, and child's oppositional behavior in the home (Spaid, Fraser & Lewis, 1991, pp. 139-156).

- In the Los Angeles study of two IFPS programs, there were improvements in the following areas of family functioning: Parent-child interactions, living conditions of the families, financial conditions of the families, supports available to families and developmental stimulation of children (Personal Communication, J. McCroskey and W. Meezan, January 4, 1994+).

- Parental use of new skills at six month follow-up was higher in a recent family reunification study using an experimental design (Walton et al., 1993+).

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*p≤ .05. **p≤ .01. ***p≤ .001.

+=An experimental or case overflow research design was used in these studies.

Appendix A. (Continued)

Family Reunification and Child Adoption

- Stein, Gambrill, and Wiltse (1978+) emphasized behaviorally-specific case planning to achieve more permanent plans for children in family foster care. They found that more experimental group cases were closed (50%) than comparison group cases (29%), and a greater number of experimental group children were returned to their birth families.

- Lahti (1982, p.558+) found that 66% of the treatment group children either returned home or were adopted, as compared to 45% of the comparison group children, when special efforts were made to provide services to birth families.

- A recent experimental study of IFPS focused on serving children who were in foster care for more than 30 days and who were randomly assigned to receive a three month IFPS intervention. These children were reunited more quickly, in higher numbers, and remained in the home for a greater number of days during a 12-month follow-up period than the control group youth (Walton et al., 1993).

Consumer Satisfaction

- Primary caretakers have reported relatively high satisfaction levels with most aspects of the FBS service (e.g., Hayes & Joseph, 1985; Magura & Moses, 1984, p.103), including studies that involved comparison of the FBS-served parent ratings with those of parents receiving traditional child welfare services (McCroskey & Meezan, 1993, p. 6; Rzepnicki, Schuerman, Littell, Chak, & Lopez, 1994, p. 77+).

- Primary caretakers mentioned as positive the ability of the worker to establish a good rapport with them, as well as the teaching of communication, problem-solving and chore chart/reward systems (Pecora et al., 1991).

- In a recent family reunification study using an experimental design (E = 62, C = 258) consumer satisfaction ratings in a number of areas were significantly higher for the experimental group families (Walton, 1991, pp. 106-109+). (Also see Walton et al., 1993.)

Juvenile Delinquency Reduction

- In a quasi-experimental study of a home-based service program, based on Alexander's behavioral systems family therapy (Alexander and Parsons, 1973), the FBS treatment group participants were assigned based on the need to prevent placement or reunify, and high likelihood of re-committing a delinquent offense within one year. Recidivism in juvenile delinquency differed between the FBS and comparison groups (11.1% treatment, 66.7% comparison group**). When the recidivism rates were adjusted for different follow-up periods, the differences were maintained (5%, 25%). (See Gordon et al., 1988, p. 250+.)

- A home-based FBS program using the Multi-Systemic Treatment (MST) model was used as the treatment for 43 youth (an additional 41 youth were in the control group) to reduce rates of institutionalizing young juvenile offenders. At 59 weeks post-referral, youth who received MST had statistically significant lower arrest rates, had an average 73 fewer days of incarceration, and had less self-reported delinquency (Henggeler, Melton, & Smith, 1992+). (For a review of related studies with equally positive findings see Santos, Henggeler, Burns, & Arana, The American Journal of Psychiatry, in press.)

Footnotes for Appendix A:

[a]Source: Adapted from Pecora, P. J. (1995). "Assessing the Impact of Family-based Services." In B. Galaway and J. Hudson (Eds.) Canadian Child Welfare: Research and Policy Implications. Toronto, CN: Thompson Educational Publishing, pp. 100-112.

*p≤ .05. **p≤ .01. ***p≤ .001.

+=An experimental or case overflow research design was used in these studies.

Chairman SHAW [presiding]. Thank you.

Thank all of you.

Mr. Camp.

Mr. CAMP. Thank you, Mr. Chairman.

Ms. Kelly, I want to thank you for your excellent presentation, and I just have a couple of questions.

The chart there shows that if there is a Families First intervention, it is much less likely that the child will go back into an out-of-home placement. Your earlier chart showed that as a result of Family Preservation or Families First, there was significant savings because money wasn't being spent on expensive out-of-home placement.

Did that chart show simply the State dollars, that number was a reflection of what the State might be spending on foster care?

Ms. KELLY. Those were the total appropriated dollars of a first year savings for all the children we have actually had in Families First. So it is total State and Federal dollars, Mr. Camp.

Mr. CAMP. So that did include the 50-percent Federal match——

Ms. KELLY. Yes.

Mr. CAMP [continuing]. In that number? Because under our legislation that recently passed, that number would remain—those dollars would remain with the States now even though they aren't being used for foster care. So that would be able to be plowed back into Families First as well, not just the State's share, but the Federal share of foster care.

I guess I wanted to get your comments on the fact or the assertion that family preservation may delay adoption if adoption is ultimately going to be something that occurs, and the assertion that maybe family preservation isn't appropriate for every family.

Is there a prescreening process? I wanted to just hear a little bit about how a family is selected for this in Michigan.

Ms. KELLY. Well, first of all, I couldn't agree more with my two colleagues on the panel that for some families, it isn't appropriate, we wouldn't make a referral, it would do harm instead of good. And we do screen those families out, and those would be a threshold assessment around indicators of severe abuse or maltreatment, serious neglect, so we would, in the beginning, never refer those families.

Additionally, we have a window of opportunity when we get into those families. If, by some chance, a serious risk to that child is present and we are working in the home, we would immediately withdraw from that family. And we have done that in significant numbers, about 15 percent of our families, we have withdrawn because safety risks are too high. So we agree. I agree wholeheartedly that keeping families together doesn't mean keeping families together at all costs. It means keeping the safety of children first.

Mr. CAMP. If it is about 15 percent of the families that leave the program, how many would not ever get referred in the first place, if you know that?

Ms. KELLY. We have 120,000 calls to CPS annually. We substantiate about 25 percent of those calls, and those substantiated families would receive some kind of service. About 8,000 of those children eventually end up being removed, and the remainder of those families get some kind of either in-home service, intensive preven-

tion services or, if they have been removed, some kind of reunification service.

It is not about having one program that meets every family's need, but it is about having a full array of services that families have equal opportunity to be targeted for when their situation calls for it.

Mr. CAMP. And that is the protective services number you referred to in terms of——

Ms. KELLY. Yes.

Mr. CAMP. So you see this as one of several options available to a department of social services in order to protect children?

Ms. KELLY. Absolutely. And even at the conclusion of a short-term intervention like Families First, 70 percent of those families go on to either some informal or formal less-intensive services. So we are not trying to say in any case that a 4- or a 5-week program can turn multiproblem families around. We are saying that it offers an opportunity to broker resources, to target appropriate services and to make sure that we are in there assessing that with the family.

Mr. CAMP. Does this program apply at all to what the statutes call delinquent children?

Ms. KELLY. Absolutely. We take referrals from adolescents, delinquents.

Mr. CAMP. Do the statistics that you have shown the committee include abuse, neglect, and delinquency?

Ms. KELLY. This chart that shows the matched comparison excludes reunification or delinquency, because this began almost as soon as we began the program and we didn't take that population in statistically significant numbers at that point.

Mr. CAMP. OK, thank you very much.

Ms. KELLY. We do now.

Chairman SHAW. Mr. Rangel.

Mr. RANGEL. Thank you, Mr. Chairman.

As much as I wish this issue could be colorblind, is it safe to say that with all the statistics we have as to a child being placed for adoption, a child being put in foster care, a child being at-risk, a child being subjected to abuse and neglect, that when we talk about teenage mothers, we have different types of problems and more serious problems than in the general population? Is a child born to a minority teenage mother more subject to being abused, neglected than a child that comes from a two-parent family that is working? I am asking.

Mr. GELLES. We have published two reports on that question. One found that, indeed, single mothers have higher rates of physically abusing their children, unless you control for income.

Mr. RANGEL. What is that?

Mr. GELLES. Unless you control for income. Once you control for income, it turns out that single mothers and mothers in two-caretaker families have the same rates, so income drives——

Mr. RANGEL. You mean, if there were more resources, then you find less abuse?

Mr. GELLES. Yes. Well, in theory that would be the case. The second is that, indeed, teenage mothers in their lifetime will have higher rates of abusing their children, but not necessarily when

they are teenagers. Early onset of having children is a predictor of abusing the child, but it depends on where she is living with that baby. So if she is living with her mother with the baby, the chances of abuse taking place are very low. If she is living with a boyfriend or a transient lover, the chances go up, although she may not be the abuser.

Mr. RANGEL. It is generally accepted, though, that a child would be better off at home with the mother, and better off adopted than in foster care, but the ideal thing is to rehabilitate or to have the child as close to its family, and if there is no family, a mother is possible.

Now, suppose we had a policy that a woman that is 18 years old or less had a child and could not identify the father of that child and we cut off cash benefits to the mother for that child. How would that help in having the child stay closer to the mother as opposed to being abused, neglected and put into foster care? Do you think that would be a factor, based on what you said, Dr. Gelles, in terms of resources and income?

Mr. GELLES. Well, I think I know what the answer to the question is.

Mr. RANGEL. I am not a professional. I am just a politician trying to work with the majority.

Mr. GELLES. In theory. In theory, if you restrict resources for a young mother, you raise the risk that she will abuse her child.

Mr. RANGEL. And if you had one child, and you add resources, and were going to school and working, and then for some reason had another child without the blessing of marriage, then you would increase the danger of the child being abused if you cut off the resources for the second child?

Mr. GELLES. In theory, you would do that. I should qualify all my answers to this and subsequent testimony by saying that there was a time where I believed that simply adding resources to families would across-the-board reduce the likelihood of child abuse. I know now that that is not true.

Mr. RANGEL. That wouldn't make any sense at all to give money to somebody who has a problem that—so you don't have to qualify it. These people on the majority have to change policy. Money is not going to resolve people's problems. We are talking about lack of it.

And I would ask another question. In your professional opinions, would you not say that if concentration was given to education and job training and job opportunities, that there would be less children born out of wedlock?

That is a rough one for you, isn't it? Based on the statistical data that you would see.

Mr. GELLES. I would choose jobs only of the three.

Mr. RANGEL. Well, good. Then don't you believe that people in jobs are trained for jobs? I am asking.

Mr. GELLES. If you want to have an effect on——

Mr. RANGEL. I will say jobs only, OK?

Mr. GELLES. Then I would say yes.

Mr. RANGEL. Then would you say that qualified people get jobs?

Mr. GELLES. I am sorry. What?

Mr. RANGEL. Don't you believe that you have to be qualified to get a job?

Mr. GELLES. Oh, yes.

Mr. RANGEL. Don't you believe education is a part of qualification?

Mr. GELLES. It depends on——

Mr. RANGEL. Give me a break, Doctor. Do you not believe that it is in America's best interest to have the most educated work force in the world?

Mr. GELLES. Yes, but I can't be simply advocating that more education——

Mr. RANGEL. Are we talking about educated people having these babies?

Mr. GELLES. The education has to match the job. Simply adding education——

Mr. RANGEL. I am asking you, Doctor, based on your statistics, when we are talking about children born out of wedlock in a minority community, do you have any statistics at all to show that these are educated people that are having the babies?

Mr. GELLES. In the minority community?

Mr. RANGEL. Yes, sir. People who look like me. People nonwhite, brown and black.

Mr. GELLES. Yes, we do have data. The data is—the greatest likelihood of abuse takes place with someone who has some high school but hasn't gone beyond.

Mr. RANGEL. And most of these people who haven't gone beyond are unemployable, aren't they?

Mr. GELLES. They aren't employable in the inner city any longer, no.

Mr. RANGEL. So there would not be a "profile in professional courage" to say that if we concentrated on education and job training, chances are we could dramatically reduce the number of children born out of wedlock?

Mr. GELLES. All I can speak to is you can reduce the number of children who are going to be physically abused. I am not qualified to talk about whether they will be born out of wedlock.

Mr. RANGEL. Are you qualified, Ms. Kelly?

Ms. KELLY. No, but I am going to give you an opinion here, if I may; that 80 percent of the families that we deal with in the program have some kind of welfare benefits, and 60 percent of them are absent-father households. With some strategic, limited, cost-effective resources, many, over 80 percent of those families, have been able to figure out how to get what they need to appropriately care for their children and many of them have been able to get the support to move on to jobs.

When we look in at them at 1 year, and now with this sample, 2 or 3 years down the road, what we find is that that self-esteem that comes from a job has been very helpful.

Mr. RANGEL. The Chairman has been very kind to me, but I am not talking about after the child is born. The problem with—Dr. Gelles said he was not qualified to answer is that in the minority community, do people who have education, who are employable, have a propensity to have children out of wedlock as teenagers?

That is what I was asking. I really didn't think it took a lot of training. Statistics, could you tell me——

Ms. KELLY. I don't know whether that is true.

Mr. RANGEL. You don't know?

Ms. KELLY. No.

Mr. RANGEL. You don't know whether most teenage minority mothers are without high school diplomas?

Ms. KELLY. I don't have a statistic.

Mr. RANGEL. Do you know it?

Mr. PECORA. I guess I could make one comment as a person who is responsible as part of a management team for 1,400 youth, 56 percent of whom are children with color.

One of the key outcomes we strive for is to make sure every child in the Casey Family Program, no matter if they are in Louisiana, Washington, Arizona, or wherever, graduates with a high school diploma or a GED, because we know that is part of what helps us keep our out-of-wedlock birthrates down, and it helps propel those youth into meaningful employment.

Mr. RANGEL. So you would say that——

Mr. PECORA. I can say from our Casey program experience, one of the key outcomes we strive for is to make sure our graduates are high school alumni and taxpaying citizens.

Mr. RANGEL. When people are colorblind, sometimes they don't recognize the problem; therefore, they can't come up with a solution to it.

Thank you so much.

I've got to find out what schools you went to so I can recommend it to other people so that they can figure it out.

Chairman SHAW. Jim.

Mr. MCCRERY. Thank you, Mr. Chairman.

Frankly, the line of questioning by Mr. Rangel is appropriate, although we have won that debate. We have passed a welfare bill that, to many of us, pursues the line of questioning a little further. Mr. Rangel would try to highlight, you might say, the root causes of abuse and abusive families, and I think that is appropriate. But I think he doesn't go far enough.

What we tried to do in the welfare bill is go one step further and try to get at the root causes of poverty and abuse, which is to a large extent, due to the high rate of illegitimate births in this country. And we feel that for too many years the Federal Government, through its welfare programs, has encouraged that, and we have gotten what we have paid for, and so we had this debate. We won the debate.

We are hopeful that the Senate will follow our lead, and if not, at least give the States the flexibility to enact some rules in their welfare programs which will discourage illegitimate births and thereby prevent these problems from occurring.

Mr. RANGEL. If the gentleman will yield?

Mr. MCCRERY. I will not yield right now.

I think the gentleman's line of questioning is short-sighted and only looks at children who are in the world now, and certainly we all want to make sure that those children are not neglected or abused and we want to give them care. But if we only use tunnel vision and look at those children and not look at what is causing

the circumstances that those children are born into, then we have not done our jobs.

So I wish the gentleman would go a little further and try to help us in instituting policies in this country which would discourage young single women, who are unable, either emotionally or economically, to take care of a child from ever having a child.

Mr. RANGEL. Would the gentleman yield on that?

Mr. MCCRERY. I would be glad to yield.

Mr. RANGEL. Listen, you won the debate because you had the votes. I only thought——

Mr. MCCRERY. Which, Mr. Rangel, you should be accustomed to.

Mr. RANGEL. I am accustomed to it.

I thought that all of these professionals were here to see whether there was any merit to what you won, and I don't mind being——

Mr. MCCRERY. Reclaiming my time.

I think these expert witnesses——

Mr. RANGEL. I was trying to ask them.

Mr. MCCRERY. Reclaiming my time.

Chairman SHAW. Mr. McCrery has the time.

Mr. MCCRERY. I think these expert witnesses did an excellent job of providing us testimony within their expertise and did a fairly good job in fending off your politically motivated questions.

Mr. RANGEL. I don't think that is fair, Mr. Chairman. This is a——

Mr. MCCRERY. I think it is highly fair.

Mr. RANGEL. We are talking about children and we are talking about poor people, and——

Mr. MCCRERY. And I am telling you that your questioning was appropriate but didn't go far enough. And I think that it is clear that these witnesses answered their——

Chairman SHAW. Mr. Rangel, I will give you a second round since you are the only one from the minority here, but I am going to insist that you——

Mr. MCCRERY. Mr. Rangel, I know what you were trying to do.

Mr. RANGEL. I don't think we should——

Chairman SHAW. Let me just say, let me just say, the 5-minute rule, I extended to 10 minutes for your questioning because you are the only one left.

Mr. RANGEL. And I appreciate that.

Chairman SHAW. Mr. McCrery now has the time.

I am going to—I am going to insist—Charlie, I am going to insist that Mr. McCrery continue the line of questioning uninterrupted.

Mr. RANGEL. We don't need these accusations when we are working together.

Mr. MCCRERY. Everybody here can be the judge of motivations and whether we work together. But frankly, surely you don't think that you won the arguments all these years because of your superior intellect and ability to argue the point. You said we won because we had the numbers. Mr. Rangel——

Mr. RANGEL. Mr. Chairman, point of order, here, please.

I am not going to stand here and be insulted. Now, if I am wrong, I am wrong.

Mr. MCCRERY. You can insult me, but I can't insult you?

Mr. RANGEL. If I said anything to offend you, I apologize.

Mr. MCCRERY. Likewise.

Chairman SHAW. I would ask that the members refrain from commenting on other members, and continue the questioning.

Jim, do you have any further questions?

Mr. MCCRERY. I have made my point, Mr. Chairman.

Chairman SHAW. I think you have.

Mr. English.

Mr. ENGLISH. Thank you, Mr. Chairman.

I would like to get responses from Dr. Gelles and Dr. Pecora on a couple of specific points.

Is it your view that the scientific evidence now permits the conclusion that family preservation programs reduce the probability of a child going into foster care?

Dr. Pecora.

Mr. PECORA. We have mixed evidence right now. We can't say definitively that it does work or it doesn't work because the studies have been like comparing apples and oranges and lemons. For many of the studies that looked at well-implemented programs where staff were well-trained and there was one definitive treatment model, we are seeing increasingly that those programs are successful for juvenile delinquents or family placement prevention, for reduction of emotional problems in parents as well as youth.

For a variety of some of the large-scale studies that were done, particularly in Illinois and some of the other States, where you had a mixture of models and staff received 1 day of training, or 5 days of training, or 2 weeks of training, many of those results are dismal and the experimental studies show that.

So we are at an early point in the development and the evolution of these programs. It is not unlike the early days of Head Start or some of the other major social service movements in this country, and I think it is going to take a little more time to shake out the more effective programs from those that are sloppily implemented or don't have—don't hold water in terms of their integrity.

Mr. ENGLISH. Dr. Gelles.

Mr. GELLES. I think Dr. Pecora is right. I think that the evidence is so mixed that you cannot say that intensive family preservation programs reduce children going into foster care. The only thing I would add to that is that having looked at the various studies that measure the so-called effectiveness of intensive family preservation programs, I would argue that one of their shortcomings is that they measure the wrong outcome; that most of the studies fail to measure child outcome, not whether the child goes to foster care or doesn't go to foster care, but is this program good for the short-term development of the child or the long-term development of the child? And one of the real gaps in this literature is most of the studies simply don't measure that.

Mr. ENGLISH. Is the scientific evidence any more conclusive with regard to a conclusion that family preservation programs have positive measurable impacts on children's behavior and development, using indicators, outcomes such as school attendance, school performance, and delinquency?

Dr. Gelles.

Mr. GELLES. No. I am looking at the outcomes assessed in the dozen or so high-quality studies, at least that I know of, including

the Michigan study, and that is simply not an outcome variable that is typically—that was measured at all in these studies.

Mr. ENGLISH. Dr. Pecora.

Mr. PECORA. There are a few studies that are looking at that area, and some of the most groundbreaking work that is being done out of departments of psychiatry involving socialworkers and psychologists as some of the providers, is showing some dramatic reductions in delinquency, and they are also starting to measure some of the things you mentioned, those critical outcomes, like does this child attend school better, are they getting better grades. So now what we have is a third wave of research that is finally reaching the journals.

A number of the things that I have here are just in press out of Psychiatry and Psychology; these studies are beginning to show that there are dramatic outcomes. But it has taken us 12 years or more for some of these programs to be developed well enough and rigorously enough so they can be implemented.

So we have a number of programs out there in the country that are not being implemented well, where staff are not sufficiently trained, and where the models are not theory-based. So for those programs, we are not going to see much in the way of differences.

Mr. ENGLISH. Ms. Kelly, on these two points, working within your program, beyond the anecdotal evidence, do you have anything to add on those two points?

Ms. KELLY. Well, we do have two things: One is that we are seeing a comparable reduction in the use of out-of-home care, and we are finding reindications of serious abuse and neglect in the families that have been through family preservation services. So in 31 children who have been through our services in the last 7 years, we have had, unfortunately, 2 children die, and 1 child is too many, but those are really highly significant indicators of the effectiveness of keeping families together safely.

We are moving into looking at the comparison between school attendance, for example, with delinquency. We are looking in on the kind of intensive probation and followup services that accompany a short-term crisis intervention service, and we will have some family functioning data available soon.

Mr. ENGLISH. Thank you, and that concludes my questions. But I do want to thank all three of you for coming here and offering your real expertise in this area.

Thank you.

Chairman SHAW. Mr. Ensign.

Mr. ENSIGN. Thank you, Mr. Chairman.

I would just like to make a few comments before I question, and that is that I think that what we see here a lot with the foster care system, we see a lot with—especially when we get into the abusive situations and see people that have to give their children up, or the State has to take them away, is that we are not getting at the root causes.

And in our society, if we actually are looking at root causes for what we are dealing with here, I think that we are dealing with almost moral and spiritual underpinnings in the decay that we have seen in this country, because we don't value life, we don't value life when you are old, we don't value life when you are

young, when you are unborn, and I think there are those underpinnings. And then with the violence that we see on television, people are what they are in a lot of ways because of what goes into their mind. And if we think that what they see on television and in the movies doesn't affect them, I don't care what scientific research somebody says, causal effects, I don't see how it can't influence children and then enter their adulthood. And so when we are looking at root causes, it seems like to me that we are dealing with the whole picture.

Certainly, economics plays a part of that. But also the moral decay that we have had in the last 30 to 40 years in our country, I would think that has contributed greatly.

And it would also seem to me that if we are serious about these problems in our country, that we need to address those as well, instead of just trying to throw some money at it at the end of the problem, and in social services and everything, that those need to be some moral underpinnings that we need to reestablish in this country.

I am not talking about putting somebody's morality on other people. I am talking about certain universal truths and certain rights and wrongs that we all know are rights and wrongs, and we don't even teach those anymore because we are afraid of teaching what somebody's morals and not somebody else's morals. And there are certain universal truths to which we do not get into anymore because we are afraid of teaching religion or any type of morality in our schools.

Anybody wish to comment?

Ms. KELLY. I think that your comments are well taken, sir. And I really believe that we have to look for long-range theories and problem solving, but we also have millions and millions of children here right now—and my question to all of us is, how can we put together right now for these children who come to the attention of all of our systems, the best kind of service available to meet their needs now, regardless of the situations that surround them? We are not talking about children that are yet to be born.

Mr. ENSIGN. Right.

Ms. KELLY. We are talking in Michigan about 13,000 children who have come into foster care. What do we do now, and I think that is the question.

Mr. ENSIGN. I would agree with you. And part of the problem, and I think everybody is coming up with it, is that there are gray areas in these areas and that is why a lot of statistics don't show the clearest answers. When is the best time to take a child out of the home?

When is the—when is—you know, for the child's well-being, because sometimes you guess wrong. Sometimes all the theory in the world doesn't make it easier to decide when you see these situations developing, you should take them out of the home.

Well, that doesn't always work, and sometimes it does. All I am saying is that, yes, absolutely, we need to look at the answers for those, but it would be best to not get to that situation in the first place. And we are dealing with statistics here, so overall, how can we decrease those numbers in the future?

We have to be looking long term as well as in the short term. I think you have to address both problems at the same time, which would lead me into my next question, and that is, so what is the Federal role in getting to these short-term problems?

You have the State role. Right now some people are dealing with the State role. What is the role of the Federal Government in all of this? What should we be telling the States to do? Should we be involved at all in this?

Ms. KELLY. I think our history in the past has been one of a partnership. For us in Michigan, what has really worked is to be creatively allowing to use the flexibility that we have had to take the funding sources available and maximize them. It is not about a program and it is not just about a discrete service. It is really about developing a continuum of care that uses all available resources, flexibly enough to meet the needs, not just of statistics, but real-life children whose lives we are trying to work with right now.

Mr. ENSIGN. Are you saying the Federal Government should just supply funds then and let the States have complete flexibility? I am just asking for your input, what you see as the best role for the Federal Government in this.

Ms. KELLY. I think you have heard from my Governor and our director of social services regularly on how we have been able to creatively maximize flexibility. I think that doesn't come without accountability and real responsibility for those children's lives.

Mr. PECORA. I think there needs to be a balance between core standards and holding people accountable for key outcomes, that includes State and local governments, and then balancing that with local flexibility, with good research studies accompanying some of these innovations, these program innovations.

Too often we fund programs without rigorously evaluating their worth, and I think you need to have a balance of the two. You have to have the two. You have to hold the local folks accountable as well as at the Federal Government level we have to be setting some clear universal standards that help drive some of the program development in the right direction. So it is a balance of both.

And I appreciate your remarks about the need to look at the foundation and societal context for things, because if you look at our system as sort of a river and we have got a broken bridge upstream, and you have family preservation, foster care, and adoption services as the people who are downstream with the life preservers, it sure would be nice to put some dollars into fixing the bridge upstream so so many people wouldn't be falling into the river. So I think your point about looking at our societal values and what we are teaching kids and paying attention to some of the basics is very important.

Mr. ENSIGN. I see my time is up.

Thank you, Mr. Chairman.

Chairman SHAW. Thank you.

Ms. Kelly, I would like to direct a couple questions to you, if I may.

We have a case in Florida which was the subject of a large article in the New York Times just yesterday, and has been, of course, covered by our own local newspapers, the Sun Sentinel and the

Miami Herald down in the Miami-Fort Lauderdale area. It relates to a Dr. Rider who is keeping a baby in foster care. And it shows what happens when the system gets just totally out of whack and out of control.

The child was born to a drug-dependent mother who already lost a couple of her kids, and I think since then, another child has been taken away from her. And this child was put in foster care with Dr. Rider who was led to believe that she would be able to eventually adopt the child.

The child was in her care for almost 2 years in foster care, and then when the authorities decided that they did find a family member that they felt was appropriate for adoption, they came and took the child away from her. This led her to flight, and as a result, she is facing a felony right now, and is under house arrest in her own—in her own home.

I think it shows the tragedy of what happens when the State cannot move expeditiously in deciding the future of a child. This is not only played out in this particular case, but we are seeing it in so many cases, where children are in foster care 5, 6, 7 years while the States are trying to either rehabilitate the parent or find a suitable relative, when that particular child could be part of a family environment, could be adopted, and they are simply just not doing that.

What do you feel is an appropriate time, or is there any way that you can describe what would be an appropriate time for the State to make a determination, one, if the relationship with the natural parent is to be severed, and two, what is an appropriate time in which to find a suitable family member or go ahead and have the child put up for adoption with a—with a member outside their own family?

Ms. KELLY. I don't know all the answers to that, and I do think——

Chairman SHAW. Obviously, we don't in Florida either.

Ms. KELLY. It is a serious problem. But I do know that it is a no-win situation for children when a system leads a foster family to believe that they will have the right to someone else's child, which obviously from that article, there was an indication that the system believed that it could guarantee the right to that mother of someone else's child.

And I do think that in many cases that I have been familiar with, parents have tried unsuccessfully to get their biological children back early on and haven't been able to do that despite their best interests and an unexpeditious court system. So I think in those cases, we have to look both at the system that propagates the myth that really someone else might have a right to your children, for no fault of your own—and I don't know, and I wish Judge Steketee were here, because he has had a great deal of experience moving parental right terminations quickly and moving adoptive placements quickly.

I think, again, we have to look at that child. What is in the best interest of that child. And when too much time passes, it gets really cloudy, because for that child, the only family she knows is the one that she was with. And I think that, unfortunately, puts a dilemma in that child's life forever. So I think what you have right

there is a no-win situation. And I think, unfortunately, there are a lot of pieces of that system that didn't work appropriately.

But I do think we have to keep that child's welfare first when we look at it, and I do know that in our system we do not terminate rights expeditiously. We wait too long for many children, and we don't move children to permanency as fast as we can, and will in the future. That is one of our goals. We see the damage it does to children. I don't know if any of my other colleagues have a comment on that.

Chairman SHAW. I would welcome any comment any of the other panelists might have on that subject.

Mr. GELLES. I would, at the risk of oversimplifying, I take a harder position that the rights should have been terminated expeditiously, as early on in the child's life as possible. In order to make that possible in the State of Rhode Island, in July 1994, we enacted two pieces of legislation.

One is that a previous termination of parental rights is prima facie evidence for terminating parental rights without making reasonable efforts on subsequent children, and that allows the courts to terminate parental rights without having to make reasonable efforts and keep the child in limbo.

The second legislation that was enacted was that an uncured substance abuse problem that goes on for 12 months is also prima facie evidence for termination of parental rights. If you follow Ms. Kelly's argument to its logical conclusion and you really are concerned with the best interest of the child and you look at developmental outcomes and what predicts best developmental outcomes, you terminate parental rights as early as possible, and I say that with a small footnote, you are going to make mistakes, but you have to decide what kind of mistakes you want the system to make.

Do you want to make mistakes that ultimately end up in children having poor developmental outcomes or even being killed, or do you want to take children away, maybe inappropriately from parents, maybe a little bit early because the system is tilted toward the best interest of the child? It would be the latter system I think that we need.

Chairman SHAW. Well, in the particular case that I refer to, it seemed to me it was a no-brainer as far as the termination of the rights of the natural mother, and that already three other kids, I think, had been taken away from her—and as I say, the only thing I know is what I have read in the press, or I have thought there may be some complications that I am not aware of, but to me, once you have that situation where the mother is certainly deemed not a fit person to have custody of the child, that there ought to be some quick way to decide whether there was a family member who is a proper person, make that determination and go on with it and let the child be adopted at a very early age and very quickly.

Mr. GELLES. We had a child in foster care, the foster mother wanted to adopt the child. The parental rights on the father had been terminated on two previous children and the mother was in jail on a substance abuse charge, and instead of terminating parental rights, the State returned this child to the father who beat the child to death within 2 weeks. That also seemed to be a no-brainer.

When we did a fatality review and got to the bottom of it, the bottom of it was that the department and the worker felt that our job was to make every possible effort toward reunification, toward preserving the family. Somehow the reasonable efforts provision of Public Law 96–272, was interpreted at the street level as "every possible effort," and it cost this little boy his life.

Chairman SHAW. I am not sure I know where the Federal hook is or where our involvement is in this particular regard, but I think that it is important that this committee search for that, and also that we shine a light on the tragedy that is living itself out every day in this country because of the complete breakdown of the foster care program. I shouldn't say complete breakdown, but to the breakdown that has prevented so many kids from having families.

Mr. Levin.

Mr. LEVIN. Just very briefly, because we do have a vote.

I have read the testimony, and we have had a chance to talk before, and I have followed the Families First program in Michigan, and I think it is a strong program. My only point would be, I don't know why we get ourselves, Mr. Chairman, into an either/or proposition, why we juxtapose family preservation against a decent foster care program, because I think the experience is that you need to have both. And I think there has been a tendency to look for the magic wand here, and there isn't, I don't think.

I think the evidence is pretty strong that there isn't. And we have to have adequate resources, well-used, and we haven't. Either sometimes the resources have been adequate or they haven't been well-used, and sometimes the resources have been inadequate.

So I enjoyed reviewing the testimony, and I—and we all want to work together to make sure this happens. But there is no easy answer here, I don't think.

Chairman SHAW. The problem is when the system doesn't work, everybody becomes a victim. The natural parent, the prospective or adopting parent, and of course the largest victim of all, the most tragic victim of all is the child.

There is presently a vote on the floor. If none of the members have any additional questions.

Mr. RANGEL. Mr. Chairman, I would like to thank the panel for taking the time to share their expert testimony with us, and also apologize for subjecting you to the exchange that took place between me and another Member. And I want you to know that it was never my intent to politicize your testimony.

I did ask what I meant, and I meant what I asked, and I hope that there is no offense taken by you who have taken the time to share your views with me.

Chairman SHAW. I think that quote was in Dr. Seuss.

Mr. RANGEL. I haven't read his latest issue, but I will accept that.

Chairman SHAW. Well, the committee will stand in recess.

And I would like, too, to add my thanks to this most distinguished panel, for taking your valuable time to travel to Washington and testify before the committee.

We will take only a brief recess. I know that the third panel, or the second panel today is on time constraints.

I am also aware of travel problems that you have, and I will reconvene this committee in about 15 minutes.

[Recess.]

Chairman SHAW. OK. The committee will be back in order.

We now have our second and final panel for this afternoon. Dr. Albert Solnit, and I realize, Dr. Solnit, you are the one with the travel schedule and so when you feel uncomfortable about remaining with us, you can just get up and leave. We will know that you are not mad at us, that you did have an airplane to catch.

Dr. Solnit is the senior research scientist at Yale University Child Study Center. He is commissioner of the Connecticut Department of Mental Health. One of the other witnesses, Dr. Nicholas Zill, is the vice president and study area director of Westat, Inc., a survey research firm based in Washington, D.C.

Jean Price is vice president, social services, for the Children's Home Society of Florida, a statewide nonprofit children's agency with 14 divisional offices. Dr. Carol Statuto Bevan is vice president for research and public policy for the National Council for Adoption.

And finally, we have Judge William Maddux of Cook County Circuit Court in Chicago, Ill. Welcome all.

And Dr. Solnit, we will start with you, sir.

STATEMENT OF ALBERT J. SOLNIT, M.D., SENIOR RESEARCH SCIENTIST, YALE UNIVERSITY CHILD STUDY CENTER, NEW HAVEN, CONN., AND COMMISSIONER, CONNECTICUT DEPARTMENT OF MENTAL HEALTH

Dr. SOLNIT. Mr. Chairman, thank you. Members of the committee, thank you for inviting me to testify. I am sorry I am not going to be able to participate in the panel which probably may be one of the more interesting ways in which to learn from each other and to communicate to you what we think is useful to you.

At the outset it is my assumption that so long as the child is a part of a viable family, his or her own interests are merged with the other members. Only after the family fails in its function should the child's interests become a matter for State intrusion. At such times, the child's interests are paramount in comparison with the interests of the contending adults or agencies and I have titled my presentation "Child Preservation."

Historically, it is important to understand that adoption, the kindness of strangers, is indeed a relatively recent effort on the part of lawmakers to give weight to the best interests of children when their biological parents are unable to care for them, prefer not to keep them, or in some way, for example, through violence or abandonment, do not provide the standards of care for the child that our society requires.

It is important to realize that the following criteria are what assure the child of the best opportunity to realize his or her potential for a full, healthy and productive development. One, to feel wanted; two, to be provided with continuous affection and safe care on a permanent basis; and three, to have at least one adult who insulates the child from the law and all that it represents.

And there really should be a fourth that the State fails to meet, that is, to respect the child's sense of time. The State does not seem

to know how to develop a fast track to avoid some of the issues that came up in the first panel by allowing the passage of time to create dilemmas which could be avoided.

Therefore, although there is an advantage to the birth parents of preparing biologically and psychologically to receive their child when he or she is born, that advantage ceases to be useful to the child. When the child is not wanted; is abandoned; or is severely abused to the point where the child's life is endangered and the child may be permanently injured; such parents are disqualified. Then, other adults who want the child and can provide affectionate, safe, nurturing care on a permanent basis can achieve the same degree of importance to that child as the biological parents could have achieved had they been able to function adequately.

The great advantage of being cared for by one or more adults who want that child and who will provide affectionate care on a permanent basis far outweighs for the child the disadvantage of wondering who were his original parents and why they didn't or couldn't keep him or her with a continuity of affectionate care, uplifting expectations, and useful, safe guidance.

A parent who can provide day-to-day attention to a child's needs for physical care, nourishment, comfort, affection and stimulation will form an attachment with and build a psychological relationship to the child and will become that child's psychological parent in whose care the child can feel valued and wanted. An absent biological parent will remain or tend to become a stranger.

The role of a psychological parent can be fulfilled either by a biological parent or by an adoptive parent or by any other caring adult but never by an absent, inactive adult whatever his biological or legal relationship to the child may be. A psychological parent fulfills the child's psychological needs for a parent, as well as the child's physical needs, on a continuing day-to-day basis, through interaction, companionship, interplay, and mutuality.

The psychological parent, as mentioned previously, may be biological or adoptive or may be a foster or common-law parent or any other person who fulfills the criteria of what the child needs. There is no presumption in favor of any of these after the initial assignment at birth.

Initially in a hypothetically contested child placement conflict, a decision was rendered by a fictitious judge in referring to the conflict between long-term, care giving foster parents and absent biological parents.

He said, to leave undisturbed the relationship of the child to his common-law parents protects the well-being of the child. To favor the biological parent also would impose an intolerable hardship on both the child and the psychological parents. To favor the child would be to favor as well his psychological parents.

If each human being's interest is entitled to equal weight, more interest will tilt the scale toward leaving well enough alone in this case than toward allowing the biological parents to prevail. However, the State's preference to serving the child's best interests refers to the child's interests being paramount when there is a conflict between two sets of contesting adults.

Most adult professionals, socialworkers, legal professionals, and so on, and nonprofessionals have a tendency to favor biological par-

ents because they find it difficult to place themselves in the child's place and they are more comfortable embracing the mystique of the blood tie and in searching for what is most fair for the contending adults or agencies as compared to what is the least detrimental alternative for the child.

Clearly in such situations, taking into account the child's needs and tolerances, including the child's sense of time, the available choices are far from ideal. They are choices between what is most harmful and disadvantageous and what is least detrimental.

In the Florida case, there would have been no doubt of what is in the child's best interests even though you might want to fine some adult or set of adults or the State for not having moved more quickly toward a resolution.

Finally, family preservation should be viewed as child and family preservation—we have already heard how everyone agrees with the continuum—a viable alternative when the risk factors can be transformed by at-home and in-community services that are child centered and family oriented.

But when the child has already been repeatedly injured by parents or abandoned or severely neglected to the degree that it is life-threatening or leads to serious physical impairment, then it is too late for family preservation. But it is never too late for child preservation if society will provide laws and resources that will lead to termination of parental rights and within the child's time tolerances to adoption or permanent foster care, that is foster care with tenure.

And finally, experimenting with children should be avoided. If we are going to try family preservation, it shouldn't be done as an experiment that has the likelihood of not succeeding. I don't think it is right without informed consent to do experiments of using family preservation when the facts that are known indicate that that isn't going to work and that even your best hopes aren't going to be realized.

On the other hand, when the risk factors indicate that there is a good chance that not only will the family be able to stay with the child, and the foster care system does not offer a better alternative, we need to use family preservation. Our social policy should provide both options and each child and family should be provided with the option that gives the best fit in the service of the child's best interests. We need to keep those factors in mind when you are making social policy.

Thank you for having me and I am sorry I am going to have to leave early.

[The prepared statement and attachment follow:]

TESTIMONY OF ALBERT J. SOLNIT, M.D.
YALE UNIVERSITY

CHILD PRESERVATION

Introduction:

At the outset, it is my assumption that "so long as the child is part of a viable family, his or her own interests are merged with those of the other members. Only after the family fails in its function should the child's interests become a matter for state intrusion." (Goldstein, 1979B) At such times the child's interests are paramount in comparison with the interests of the contending adults or agencies.

In giving meaning to the traditional goal of serving the best interests of the child "decision-makers in law have recognized the necessity of protecting a child's physical well-being as a guide to placement. But they have been slow to understand and to acknowledge the necessity of safeguarding a child's psychological well-being. While they make the interests of a child paramount over all other claims when his physical well-being is in jeopardy, they subordinate, often intentionally, his psychological well-being to, for example, an adult's right to assert a biological tie. Yet both well-beings are equally important, and any sharp distinction between them is artificial." (Goldstein, 1979-A, p.4)

Historically, it is important to understand that adoption, the "kindness of strangers," is indeed a relatively recent effort on the part of law-makers to give weight to the best interests of children when their biological parents are unable to care for them, prefer to not keep them, or in some way (e.g., through violence or abandonment) do not provide the standards of care for the child that our society requires. It is important to realize that the following criteria are what assure the child of the best opportunity to realize his or her potential for a full healthy and productive development: (1) to feel wanted; (2) to be provided with continuous affection and safe care on a permanent basis; and (3) to have at least one adult who insulates the child from the law and all that it represents.

Therefore, although there is an advantage to the biological parents of preparing biologically and psychologically to receive their child when he or she is born, that advantage ceases to be useful to the child and such parents are disqualified if the child is not wanted, is abandoned, or is severely abused to the point where the child's life is endangered or the child may be permanently injured. Then, other adults who want the child and who can provide affectionate, safe, nurturing care on a permanent basis can achieve the same degree of importance to that child as the biological parents could have achieved had they been able to function adequately. The great advantage of being cared for by one or more adults who want that child and who will provide affectionate care on a permanent basis far outweighs for the child the disadvantage of wondering who were his original parents and why they didn't or couldn't keep him or her with a continuity of affectionate care, uplifting expectation, and useful, safe guidance.

*****

The following testimony is submitted in response to questions prepared by the Subcommittee on Human Resources regarding Federal Adoption Policy Hearings.

1. Does research and clinical experience support the claim that adoptive parents and children can form the type of intimate and trusting relationship usually formed between biological parents and their children?

A parent who can provide day-to-day attention to a child's needs for physical care, nourishment, comfort, affection and stimulation will form an attachment with and "build a psychological relationship to the child...and will become his (or her) 'psychological parent' in whose care the child can feel valued and 'wanted.' An absent biological parent will remain, or tend to become, a stranger." (Goldstein, 1979-A, p.17) The role of psychological parent "can be fulfilled either by a biological parent or by an adoptive parent or by any other caring adult--but never by an absent, inactive adult, whatever his biological or legal relationship to the child may be." (Goldstein, 1979-A, p. 19) A psychological parent fulfills the child's psychological needs for a parent, as well as the child's physical needs, on a continuing, day-to-day basis, through interaction, companionship, interplay, and mutuality. The psychological parent, as mentioned previously, may be biological or adoptive, or may be a foster, or common-law parent, or any other person (who fulfills the criteria of what the child needs.) There is no presumption in favor of any of these after the initial assignment at birth. (Goldstein, 1979-A, p. 98) Recently, in a contested child placement conflict, a decision was rendered where the judge, in referring to the conflict between long-term care-giving foster parents and absent biological parents, said: "to leave undisturbed the relationship of the child to his common-law parents protects the well-being of the child...To favor the biological parents would impose an intolerable hardship on both the child and the psychological parents. To favor the child would be to favor as well his psychological parents. If each human being's interest is entitled to equal weight, more interests will tilt the scale toward leaving well enough alone than toward allowing the biological parents to prevail." (Goldstein, 1979-A, p. 110) However, the state's preference for serving the child's best interests refers to the child's interests being paramount when there is a conflict between two sets of contesting adults.

2. Is it correct to claim, as have several witnesses who have appeared before the Subcommittee, that the social work and legal professionals favor the rights of biological parents and thereby slight the needs of children in the handling of abuse or neglect cases?

Most adults, professionals (social workers, legal professionals, et al) and non-professionals have a tendency to favor biological parents because they find it difficult to place themselves in the child's place and they are more comfortable embracing the mistique of the blood tie and in searching for what is most fair for the contending adults or agencies as compared to what is the least detrimental alternative for the child. Clearly, in such situations, taking into account the child's needs and tolerances, including the child's sense of time, the available choices are far from ideal -- they are choices between what is most harmful and disadvantageous and what is least detrimental.

3. Does the family preservation movement represent a further elaboration of the view that the rights of biological parents should in practice supersede those of children?

Similarly, is it possible that states could create programs in which parents who abuse or neglect their children receive brief but intense services and then, if the services fail, in which the court moves expeditiously to terminate parental rights and make the children available for adoption?

Family preservation should be viewed as child and family preservation, a viable alternative when the risk factors can be transformed by at-home and in-community services that are child-centered and family-oriented. But when the child has already been repeatedly injured by parents or abandoned or severely neglected to the degree that is life-threatening or leads to serious physical impairment, then it is too late for family preservation; but it is never too late for child preservation if society will provide laws and resources that will lead to termination of parental rights and, within the child's time tolerances, to adoption or permanent foster care, that is foster care with tenure.

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Chairman SHAW. Thank you, Doctor.
Dr. Zill.

STATEMENT OF NICHOLAS ZILL, PH.D., VICE PRESIDENT AND DIRECTOR OF CHILD AND FAMILY STUDIES, WESTAT, INC., ROCKVILLE, MD.

Mr. ZILL. Thank you. My name is Nicholas Zill. I have been working for the last 20 years to study children's well-being through large national surveys and longitudinal studies. I have been asked to come here today and tell you something about adoptive families in the United States and adopted children, based on a large national survey that was done in 1988 by the National Center for Health Statistics. I analyzed data from the survey along with Mary Jo Coiro of Child Trends and Barbara Bloom of the National Center for Health Statistics. This was a survey of 17,000 children across the United States, a probability sample of all children, and in it were 273 adopted children.

What I do in my written testimony is compare those adopted children with three other groups of children: Children who are being raised by unmarried mothers; children who are living with their grandparents; and children in the "natural situation of living with both of their biological parents."

What I am looking to provide are answers to the questions in the Chairman's opening statement, namely: Can adoptive parents fulfill children's developmental needs as well as biological parents? What do we know about the home environments provided by adoptive parents? How do children fare in adoptive placements? I want to emphasize that this is not an experimental study. It is a cross-section of children to give us an idea of what adoptive families look like in the United States.

To summarize: Can adoptive parents fulfill children's developmental needs as well as biological parents? Yes. What do we know about the home environments provided by adoptive parents? They are generally excellent. In fact, they are significantly better than those provided by unmarried mothers and those provided by grandparents. If you look at some of the figures at the back of my presentation, you will see, for example, various indicators of the home environment.

Mr. FORD. What page?

Mr. ZILL. Figure 1 after the end of the statement. Does the child have a late or irregular bedtime? That was true of 8 percent of adoptive children compared to 30 percent of children living with unmarried mothers and 16 percent of those living with both birth parents.

Does the child use a seatbelt when riding in a car? All but 21 percent of adoptive children did use seatbelts. That was half the rate of not using seatbelts of children living with unmarried mothers and better than those with both birth parents.

Does the child have an adult smoker in the household that poses a threat to the child's health? That was true for 32 percent of children in adoptive families compared to a majority of children living with unmarried mothers or living with their grandparents.

What is their access to medical care like? If you look at figure 2, you see that children have excellent access to medical care in

adoptive families. Only 8 percent have no health insurance, only half the rate of children living with unmarried mothers.

Has the child seen a dentist in the last 2 years, a good indicator of general preventive health? True of all but 10 percent of children with adoptive parents. Whereas for children living with unmarried mothers, it was 25 percent. Does the child have a regular provider of sick care? Also true for all but 13 percent, a lower rate than that for all other family types.

Is the good home environment that the adopted children have reflected in the state of the children themselves? How are the children doing? The answer to that is that the majority fare very well indeed. Looking at their health, we find that 56 percent are rated in excellent health with no activity limitation. This is the same as children who live with both of their birth parents, whereas it is only true of a minority of children who live with unmarried mothers or with grandparents.

On the other hand, if we look at the percentage who are in fair or poor health or with limiting conditions, we do find that a significant minority of children, about 11 percent, have a condition and that is about comparable to those children living with unmarried mothers.

What about their use of medical care? If we look at figure 4, we see that adoptive children spend about 3.8 days in bed due to illness or injury, less than that for unmarried mothers and comparable to that for children with both birth parents. The number of physician contacts is slightly higher, but that seems to reflect the willingness of good access to medical care that adoptive children have and the adoptive parents to obtain that care very readily.

But look at the situation with hospital visits. Only 2.1 per 100 children among adopted children, less than a quarter of that for children living with unmarried mothers and substantially less than those living with both birth parents. In other words, by getting good care, the adoptive parents are avoiding inappropriate use of hospitals, as well as emergencies produced by illness or injuries. A very good sign.

How are the children doing in school? If we look at figure 5, we find that about 56 percent of adopted children are described as being in the lower half of their class, which is comparable to that for unmarried mothers and somewhat higher than the rate for both birth parents. But look at the situation for repeating a grade or being suspended. Adopted children are only half as likely to have repeated a grade, 16 percent versus 33 percent, for children of unmarried mothers, and only one third as likely to have been suspended or expelled from school, 6 percent versus 17 percent.

Now, a significant minority of adopted children do have psychological disorders of various sorts and that is shown in figure 6. About 36 percent have a developmental delay or learning disability or behavioral problem. About one out of four have a significant emotional or behavioral problem. But if we compare children who were adopted in infancy and those who were adopted later, which is shown in figure 7, we find that those who were adopted after the first year of life have a much higher risk for psychological problems.

Forty-two percent of those children have seen a psychologist or psychiatrist compared to 13 percent of children adopted in infancy. Similarly in the last year, 10 percent of children adopted in infancy needed psychological help compared to 23 percent of those who were adopted later in life.

What do I conclude from this about adoptive situations? I believe the data presented here show that the impact of adoption on children is overwhelmingly a positive one. The family situations of adopted children and their health and school performance compare favorably with those of children living with unmarried mothers and children living with grandparents.

Adoptive families provide supportive, nurturing environments for young people whose biological parents are unable to care for them properly. The effects of those positive family environments are evident in the health, development, and behavior of the young adoptees. The data also underline the importance of facilitating adoption early in a child's life, before neglect, abuse, or family turmoil leave scars that are slow to heal. Adoption cannot solve all of the problems that young people bring with them as a result of early experiences and temperamental characteristics, but it can make and has made a very important difference in a great many young lives.

I think that in the earlier testimony it was clear that we need to make a balance between adoption and preserving the rights of parents, but the balance needs to be tipped much more in favor of adoption and making that a rapid possibility. It is a very viable alternative.

On the other hand, adoptive parents who adopt children after infancy need to know what they are in for and we need to think of providing assistance. There was a study that was done by HHS suggesting that providing assistance in special-needs cases does reduce the waiting time for hard-to-place children. I will be happy to make that study which was conducted by Andrea Sedlak at Westat available to the committee.

Thank you.

[The study is being retained in the committee files.]

[The prepared statement and attachments follow:]

Adopted Children In The United States:
A Profile Based On A National Survey of Child Health

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To help inform the discussion of federal policies with respect to adoption that is being undertaken by the Ways and Means Subcommittee on Human Resources, I have been asked to present some information about adopted children in the United States, about the living situations in which they typically find themselves, and about the health, achievement, and psychological well-being of the children themselves.

The data I present are drawn from a large federal survey conducted by the National Center for Health Statistics of the U.S. Department of Health and Human Services. This was the 1988 National Health Interview Survey on Child Health. The data were analyzed by Mary Jo Coiro of Child Trends, myself, and Barbara Bloom of the National Center for Health Statistics for a recent report entitled, Health of Our Nation's Children, that was published in the *Vital and Health Statistics* series (Series 10, No. 191) of the U.S. Public Health Service. The information presented here goes somewhat beyond the published report to include additional analyses on measures of children's academic performance. It also includes results from an earlier study I did using data on adopted and other children from the 1981 National Health Interview Survey on Child Health.

By adopted children, I mean young people who have been legally adopted by adults who are not biologically related to them. Thus, I am excluding children living with foster parents who have not adopted them and those who are being raised by grandparents, aunts or uncles, or other relatives. I am also excluding children living with one birth parent who have been legally adopted by a stepparent, as well as the small number who live in orphanages or other institutions. The data I present concern adopted children who are living in families. According to the national survey estimates, there were about 823,000 children living in adopted families in the United States as of 1988. These children represented 1.3 percent of all children aged 17 years and under in the country in that year.

I compare and contrast statistics on adopted children with parallel figures on children from three other groups:

1) children born to unmarried mothers who are being raised by those mothers in single-parent families;

2) children who live with one or two grandparents, but apart from both of their birth parents; and,

3) children who live with both of their birth parents.

Children born outside of marriage form the pool of children from which most adopted children are drawn. There may well be important differences between unmarried parents who give up their children for adoption and those who choose to raise them without benefit of marriage. Nevertheless, the circumstances of children living with unmarried mothers give some indication of what life might have been like for adopted children had they not been adopted.

Children who live apart from their birth parents but with one or two grandparents also form an interesting comparison group. These children are likely to have experienced some form of family disruption or hardship that caused them to live apart from both parents. But they have the presumed benefit of living with caregivers who are biologically related to them, albeit at one remove. Finally, children living with both birth parents who have been

continuously married to one another form the "normal" comparison group that, while still a majority, is becoming increasingly less commonplace in our society.

Social and Economic Circumstances

We often think of adopted children as unfortunate or disadvantaged because they have lost or been separated from their biological parents. But adopted children are actually privileged if we look at the typical social and economic characteristics of their adoptive families. Adoptive parents tend to be well above average in terms of education, income, family stability, and other characteristics that social scientists have found to correlate with favorable outcomes for children.

For example, the national survey data show that adopted children are twice as likely as non-adopted children to have parents who are college graduates, and only half as likely to have parents who have not completed high school. (It is the adoptive parents of the adopted children I am referring to here, not their biological parents). In one survey, more than half of all adopted children were in families that were in the upper third of the family income distribution, and only 7 percent of adopted children were in families that were in the bottom fifth of family incomes. Less than one percent of adopted children received Aid to Families with Dependent Children, whereas among white children born outside of marriage and raised by their biological mothers, 32 percent were receiving welfare.

There are several reasons why adoptive parents tend to be above average in family resources. Adults who decide to adopt are generally older than non-adoptive parents, and therefore further along in work experience and earning power. Adoptive families are more likely to be two-parent families, with the economic and personal resource advantages that come from having dual earners, dual housekeepers, and dual caregivers. Also, adoptive parents are a select group, both self-selected and screened by social agencies. Adults who lack resources and are having a difficult time getting by are less likely to want to adopt -- or be allowed to adopt -- than couples or individuals who are in more comfortable financial circumstances.

Perhaps as important as the educational and economic resources that adoptive parents command is the commitment to parenthood and child rearing they have demonstrated. Adults who adopt have chosen to be parents in a conscious, deliberate way that many adults who become biological parents have not. They have children by deliberate choice, not by whim, or accident, or in spite of their best efforts to prevent it.

Quality of Their Home Environments

Children are resilient and able to thrive in many different kinds of environments. But to maximize their chances of staying safe and healthy, we want them to have home environments that provide them the nourishment, shelter, and rest they need to grow and develop and that are free from obvious hazards. Three indicators of the quality of home environments that parents provide their children were available in the National Health Interview Survey on Child Health. One was whether the child had a regular and reasonable bedtime; the second, whether the child always wore a seatbelt or was in a child restraint when riding in a car; and the third, whether the child had to share the household with an adult who was a cigarette smoker. The homes that adopted children live in came out better than average on all three of these indicators.

Regular bedtime. In order to be well rested and stay alert in school and at play, children need to get sufficient sleep each night and stay on a daily schedule that is reasonably consistent and predictable. Children in adoptive families are more likely to adhere to such a routine than children in other types of families, especially children who live with unmarried mothers. Thirty percent of children raised by unmarried mothers were reported to have a bedtime that was irregular or unusually late for children of their age. The same was true of only 8 percent of children in adopted families. Among children living with both birth

parents and those living with grandparents, 16 percent had irregular or late bedtimes; so adopted children compared favorably with these groups as well.

Use of seatbelts. To help ensure their children's safety and survival, parents need to teach them to take precautions like looking both ways when crossing the street and always wearing seatbelts when riding in cars. Parents have to enforce these rules until they become automatic behaviors for their youngsters. In the National Health Interview Survey, 70 percent of all U.S. children were reported to usually wear seatbelts or be in child restraints while riding in cars. Adopted children did better than average on this indicator of safe behavior: all but 21 percent of them usually wore seatbelts. The percentage of children who rarely or never used seatbelts was twice as great among children raised by unmarried mothers -- 41 percent. It was also significantly larger among children living with grandparents (34 percent) and slightly larger among those living with both birth parents (26 percent).

Smoker in household. Having a parent who smokes is bad for a child's health in several ways. First, breathing the ambient smoke that cigarette users create is not good for a youngster's respiratory functioning, aggravating conditions like bronchitis and asthma. Second, having lit cigarettes and matches or cigarette lighters around the house increases the chances of a residential fire. Third, parents who smoke set a bad example for their children as far as modelling healthful behavior is concerned and increase the chances that the youngsters will become a smokers themselves when they reach adolescence or young adulthood.

It is hardly encouraging that 44 percent of all U.S. children live in households in which a parent or other adult is currently a smoker or has been a smoker during the past year. Among adopted children, this proportion is significantly lower, 32 percent, though still unacceptably high. A majority of children living with unmarried mothers -- 52 percent -- and of children living with grandparents -- 58 percent -- have adult smokers in their households. The proportion is lower for children who live with both biological parents, 39 percent, but slightly higher than the proportion for adopted children.

Because of the rapid social change that has occurred in adult smoking behavior, older adults are more likely than younger adults to be current or former smokers. As noted earlier, adoptive parents tend to be older than other parents. This may help explain why the percentage of adopted children who have a smoker in the household, though lower than average, is as high as it is.

Access to Medical Care

Given the higher education and income levels that adoptive parents tend to have, it is not surprising that they are able to obtain better-than-average medical care for their children. In addition, it appears that adoptive parents tend to be especially scrupulous about obtaining preventive care for their children and getting professional attention for any problem or potential problem, whether it be medical, educational, or developmental. Several indicators of access to care were available in the National Health Interview Survey. One was whether the child was covered under a health insurance plan, either private or public. Another was whether the child had had a dental visit in the last two years. A third was whether the child had a regular source of medical care and a particular doctor, nurse, or physician's assistant who usually saw the child when he or she was sick or injured. Adopted children did better than average on all three of these indicators.

Health insurance. Eight percent of children in adopted families had no form of health insurance coverage. This was significantly less than the 13 percent of children living with both birth parents who had no health insurance and only half the percentage who were uncovered among children raised by unmarried mothers (17 percent). Even more children who lived with grandparents had no insurance coverage -- 21 percent. This may be because many of the grandparents were retired and had no employer-furnished health insurance or other plan that provided coverage for their grandchildren.

Dental visits. In addition to helping insure that children have sound teeth, regular dental visits have been found to be a good indicator of preventive care in general. All but 10 percent of adopted children aged 3-17 had been to the dentist within the last two years. The proportion who had not received dental care was nearly twice as large among children who lived with both birth parents (18 percent) or with grandparents (19 percent), and was two-and-a-half times greater among children being raised by unmarried mothers (25 percent).

Regular pediatrician. Thirteen percent of adopted children had no particular doctor or physician's assistant who took care of them when they were sick or injured. This was about the same as the proportion among children who lived with both biological parents (15 percent). But it was only about half the proportion of children who were without a regular provider of sick care among youngsters living with unmarried mothers (33 percent) or with grandparents (29 percent).

Health Status of the Children

We have seen that adopted children are likely to have safe and healthful home environments and good access to medical care. Are these qualities of their environments matched by the health statuses of the children themselves? Parents in the National Health Interview Survey were asked to rate their children's general health on a five-category scale that ranged from excellent to fair or poor. They were also asked whether the child was limited in school attendance, school work, or play activities because of a health condition or impairment. Responses to these questions were combined to form an indicator of optimum child health (general health rated "excellent" and no limitation in activity) and an indicator of problematic health (general health rated "fair" or "poor" or some limitation in school work or play).

Other indications of how healthy different groups of children are were obtained from the mean number of days children in the group spent in bed during the last year due to illness or injury; the mean number of physician contacts they had during the last year; and the number of hospital visits during the last year per 100 children in the group (the rate per 100 children is used since hospitalizations tend to occur at a much lower rate than bed days or physician contacts). Adopted children came out relatively well on most, but not all of these indicators.

A 56-percent majority of adopted children were reported to be in optimal health; i.e., their general health was described as "excellent" and they had no health-related limitations in school work or play activities. This healthy majority was essentially as large as the proportion found to be in optimal health among children living with both birth parents. By contrast, only a minority of children living with unmarried mothers (41 percent) and children living with grandparents (39 percent) were reported to be in optimal health.

The picture was different with respect to the indicator of problematic health. Although only one adopted child in nine was said to be in fair or poor health or to have a health-related activity limitation, this proportion was the same as that found among children living with unmarried mothers (11 percent). Both proportions were nearly twice as large as the proportion in problematic health among children living with both birth parents (6 percent). Children living with grandparents (9 percent of whom were in problematic health) fell in between. However, they were not significantly different from adopted children on this indicator.

Frequency of illness and medical care utilization. Adopted children had about the same average number of days in bed per year due to illness or injury (3.8) as children living with both biological parents (3.9). Both groups spent one less day in bed, on average, than children living with unmarried mothers (who had an average of 4.8 bed days). Children living with grandparents were not significantly different (3.3 bed days). By contrast, adopted children had one more physician contact per year (5.4), on average, than children living with unmarried mothers (4.5) and nearly one more than children living with both biological parents (4.7). This probably reflects the greater access to medical care that adopted children

have and the readiness of adoptive parents to seek care. Children living with grandparents had fewer physician contacts (3.7), perhaps reflecting their less adequate access to care.

The most dramatic difference between adopted children and the comparison groups occurred with respect to episodes of hospital-based care. Adopted children had by far the lowest rate of hospital use (2.1 visits per 100 children per year), less than half as high as the rates for children living with both birth parents (4.5 visits per 100) or grandparents (5.0 per 100). The hospital use rate for adopted children was only one-quarter the rate found among children living with unmarried mothers; the latter group had an usually high rate of hospital visits (8.2 visits per 100 children per year). This high rate may partly reflect an inappropriate use of hospital emergency rooms and clinics to obtain sick care that would best be obtained elsewhere. But it probably also reflects a higher injury rate among these children and a greater need for emergency care for potentially life-threatening conditions such as asthma.

Thus, while adoptive families have good access to care and a propensity to contact physicians at a higher-than-average rate, their use of medical care seems appropriate and relatively cost-effective. They seem to be having success in heading off medical emergencies and the need for expensive hospital-based care for their children.

Academic Performance of the Children

How are adopted children doing in school? The National Health Interview Survey did not test children's achievement directly, but did collect reports from parents of school-aged children about their children's academic performance. Parents were asked to describe the child's standing relative to other students in the class, by rating the child on a five-category scale that ranged from "one of the best students in the class" down to "below the middle" and "near the bottom of the class." Parents also reported on whether their child had had to repeat a grade or had ever been suspended or expelled from school.

Standing in class. A 56-percent majority of adopted children aged 7-17 were described as being in or below the middle of their class. This was comparable to the 60 percent of children with unmarried mothers and the 59 percent of children living with grandparents who were also rated in the lower half of their class. It was significantly worse than the average rating received by children who lived with both birth parents, 38 percent of whom were ranked in the lower half of their class.

Repeating grades. A very different picture emerged with respect to grade repetition and suspension. On these indicators, adopted children did approximately as well as children living with both birth parents, and significantly better than children living with unmarried mothers or children living with grandparents. Thus, 16 percent of adopted children aged 7-17 had repeated a grade, less than half as large a proportion as the 33 percent of children living with unmarried mothers or the 31 percent of children living with grandparents who had had to repeat one or more grades. The proportion repeating among children living with both biological parents was 13 percent.

Being suspended. Among adopted children aged 7-17 years, 6 percent had ever been suspended or expelled. By comparison, among children living with unmarried mothers, nearly three times as many -- 17 percent -- had been suspended. Among children living with grandparents, the proportion suspended was nearly twice as great -- 11 percent -- as the adopted percentage. Among children living with both birth parents, 5 percent had been suspended.

What are we to make of these somewhat disparate indications as to adopted children's academic performance? One explanation is that the genetic pool from which adopted children are drawn is more similar to that from which children who live with unmarried mothers and children who live with grandparents are drawn than to that from which children who live with both biological parents are drawn. That is, the native intelligence of adopted children is more average than the relatively high socioeconomic status of their families would

imply. This accounts for their class standing ratings. On the other hand, the beneficial effects of having adoptive parents who are above average in education, income, and school involvement, and of going to relatively good schools, show up in the low rates of grade repetition and suspension that adopted children exhibit.

Another, somewhat different explanation is that adoptive parents are more objective and realistic in rating their children's standing in class than are parents who are biologically related to their offspring. Because the questions about grade repetition and suspension are more factual, they admit to less distortion by wishful thinking and, hence, reflect the true state of affairs more accurately. There may be some truth to both explanations, of course.

Prevalence of Psychological Disorders

Despite the fact that children living with adoptive parents were among those with the most favorable overall health status, resembling children living with two biological parents, they had a notably higher prevalence of reported psychological disorders than children with two biological parents. The disorders asked about in the survey included delays in growth or development, learning disabilities, and emotional or behavioral problems that lasted 3 or more months or required psychological treatment. Adoptive parents reported all three of these types of disorders in their children at above average rates.

More than one adopted child in four (27 percent) was reported to have had a significant emotional or behavioral problem, compared with one child in twelve (8 percent) among those who lived with both biological parents. Nearly one adopted child in six (16 percent) was said to have a learning disability, compared to one child in 16 (6 percent) among those with both biological parents. And one adopted child in 11 (9 percent) was reported to have had a significant delay in growth or development, compared to one child in 25 (4 percent) among children living with both biological parents. Combining across these three types of psychological disorder, more than one adopted child in three (36 percent) was reported to have had a developmental delay, learning disability, or emotional or behavioral problem (this was among those aged three or older). The comparable proportion for children living with both birth parents was less than half as large, 15 percent.

Children living with unmarried mothers and those living with grandparents fell in between adoptive children and those living with both biological parents. About one child in four among these two groups was reported to have had a developmental delay, learning disability, or a significant emotional or behavioral problem. Because parents in these groups tended to have lower education levels and were more apt to be from racial and ethnic minorities, the reported prevalence of psychological disorders in these groups should be treated with some caution. There is evidence of differential underreporting of these types of problems due to such factors as an unfamiliarity with the terms involved, an unwillingness to seek mental health services, or lack of access to health care professionals who would identify psychological disorders. These differences would be especially pronounced in comparison with adoptive parents, who, as noted earlier, have a propensity for use of professional health care services and would have extensive familiarity with clinical terms.

Possible reasons for the higher prevalence of psychological disorders among adopted children include genetic explanations, explanations that emphasize the willingness of adopted parents to obtain psychological help for problems that might not receive clinical attention in other families, and explanations that presume that there may be something about the adoptive parent-child relationship that, in at least some cases, leads to psychological problems. It is important to emphasize, however, that the majority of adopted children were reported not to have any of these psychological disorders. It is also important to describe the findings of a previous study of the mental health of adopted children that was done with data from an earlier national survey, the 1981 National Health Interview Survey on Child Health. That study found a marked contrast between the psychological well-being of adolescents who had been adopted in the first year of life and those who had been adopted after infancy.

Adolescents Adopted In Infancy and Those Adopted Later

Parents of children and adolescents in the 1981 national survey were asked whether their children had ever seen a psychologist or psychiatrist for an emotional or behavioral problem, and whether the youth had received such care in the last year. Even if they had not been treated, the parent was asked whether she felt that the young person needed to receive psychological help during the previous year. Among adolescents who had been adopted during the first year of life, 13 percent had seen a psychologist or psychiatrist at some point. Among adolescents adopted after infancy, however, the comparable figure was 42 percent. Among children living with unmarried mothers, 15 percent had received psychological counselling or treatment at some point, as had 5 percent of children living with both of their biological parents.

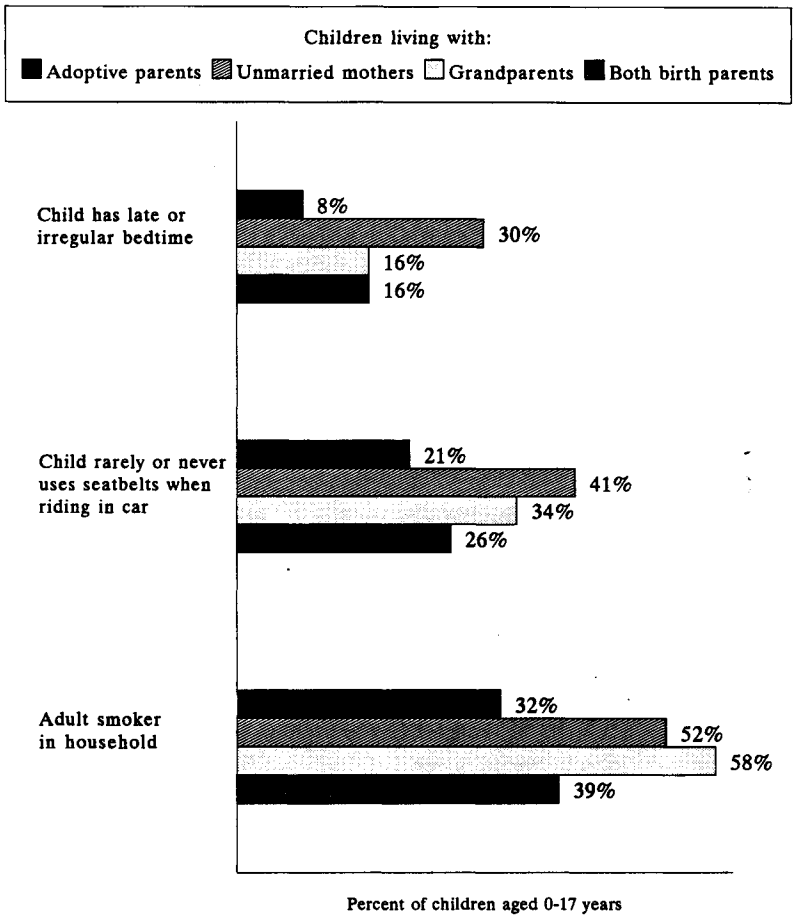
A similar pattern emerged with respect to psychological treatment needed or received in the previous year: 10 percent of adolescents adopted in infancy needed or received counselling during the year, compared with 23 percent of those adopted after infancy. Eleven percent of adolescents living with unmarried mothers had needed or received care, as did 5 percent of teens living with both of their biological parents. And when parents reported on the specific problem behaviors their teenagers were displaying, the teens adopted in infancy showed somewhat more problems, on average, than those living with both biological parents, but nowhere near as many as teens adopted after infancy nor teens who lived with unmarried mothers.

Thus, a large measure of the greater risk that adopted children exhibit with respect to psychological disorders derives from those whose family lives have been disrupted after infancy, and who may have experienced neglect, abuse, and other traumatic events prior to joining their adoptive families. The increased risk that children adopted in infancy display is quite modest by comparison.

Implications of the Findings

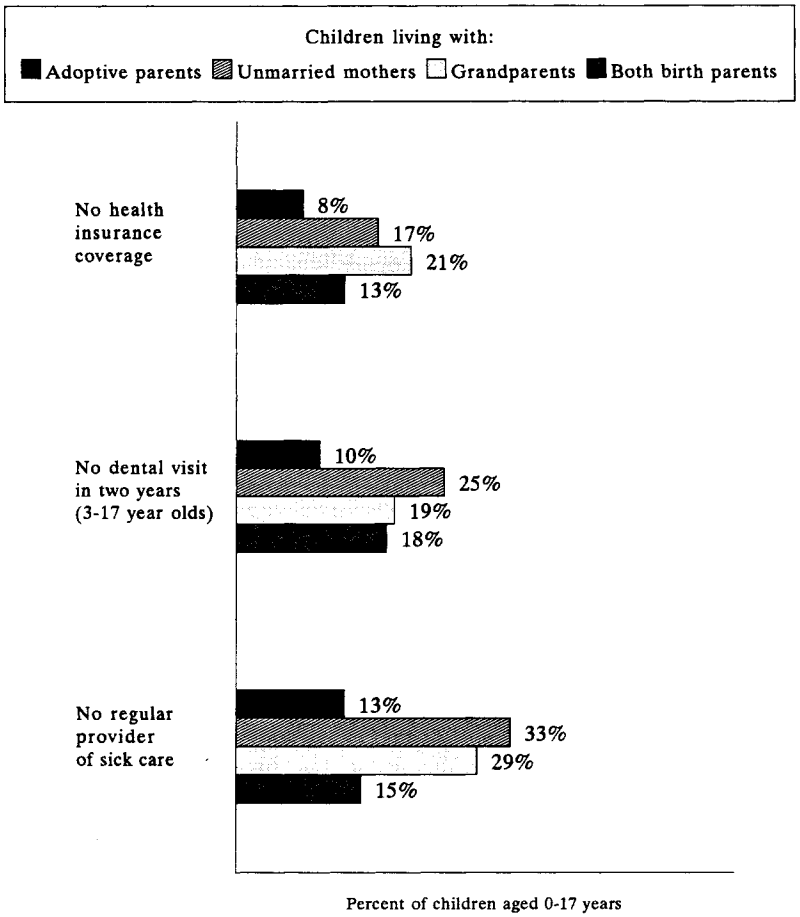
In conclusion, I believe that the data presented here show that the impact of adoption on children is overwhelmingly a positive one. The family situations of adopted children and their health and school performance compare favorably with those of children living with unmarried mothers and of children living with grandparents. Adoptive families provide supportive, nurturing environments for young people whose biological parents are unable to care for them properly. The effects of those positive family environments are evident in the health, development, and behavior of the young adoptees. The data also underline the importance of facilitating adoption early in a child's life, before neglect, abuse, or family turmoil leave emotional scars that are slow to heal. Adoption cannot solve all the problems that young people bring with them as a result of early experiences and temperamental characteristics, but it can make and has made a very positive difference in a great many young lives.

Figure 1: Adopted Children in the United States:
Quality of Their Home Environments



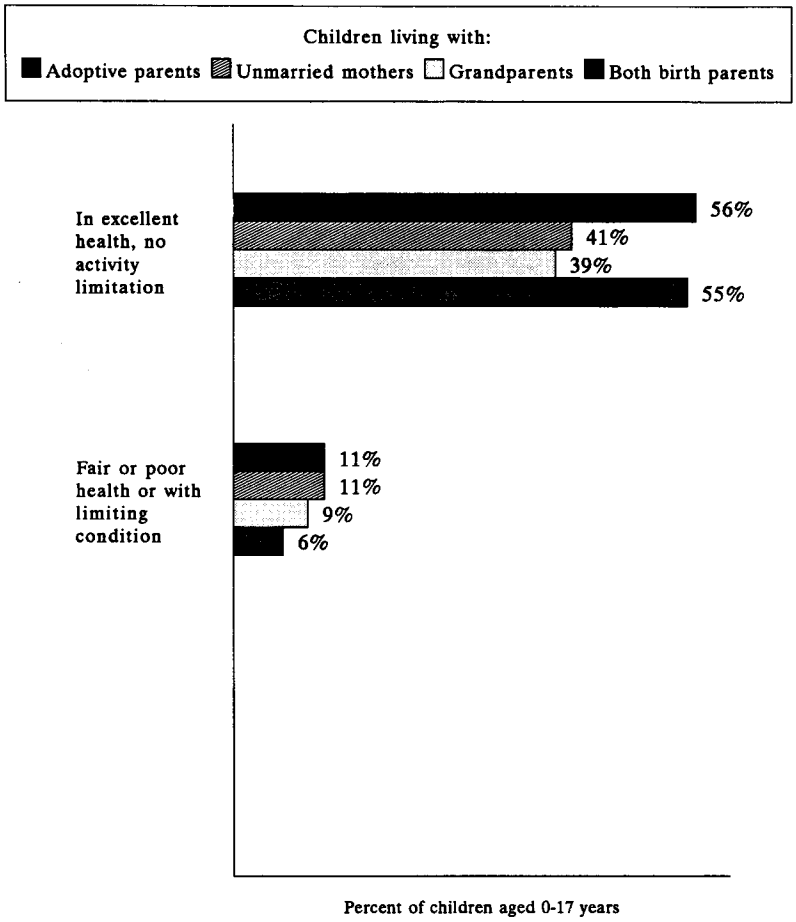
Source: Coiro, M.J., Zill, N., & Bloom, B. Health of Our Nation's Children (1994), and additional analysis of data from the 1988 National Health Interview Survey on Child Health.

Figure 2: Adopted Children in the United States:
Access to Medical Care



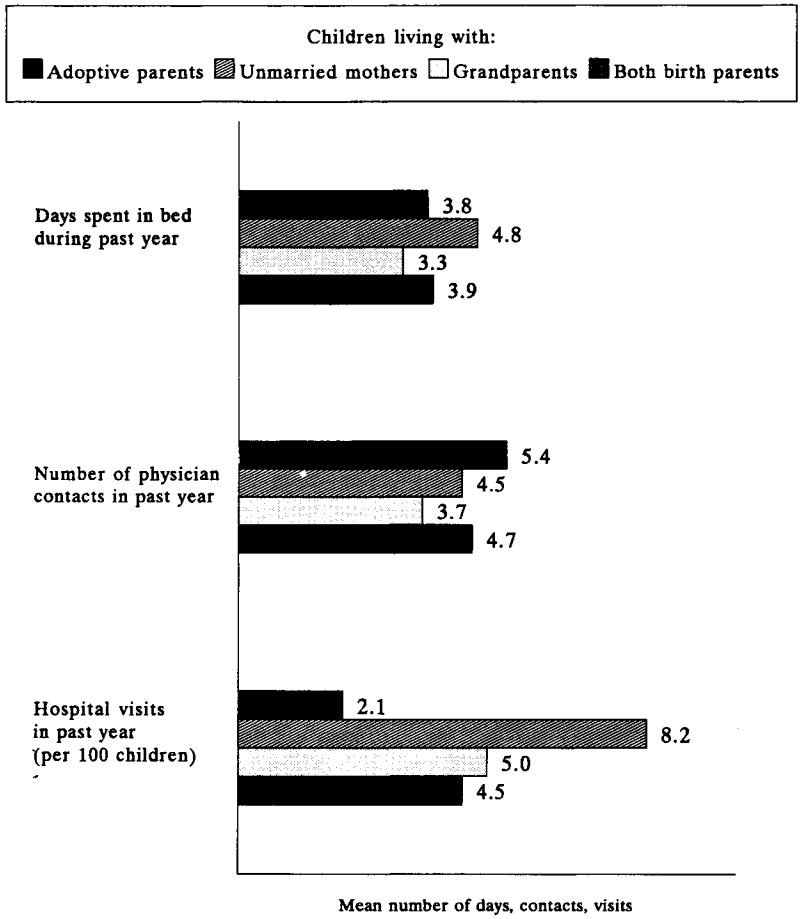
Source: Coiro, M.J., Zill, N., & Bloom, B. Health of Our Nation's Children (1994), and additional analysis of data from the 1988 National Health Interview Survey on Child Health.

Figure 3: Adopted Children in the United States:
State of Their Health



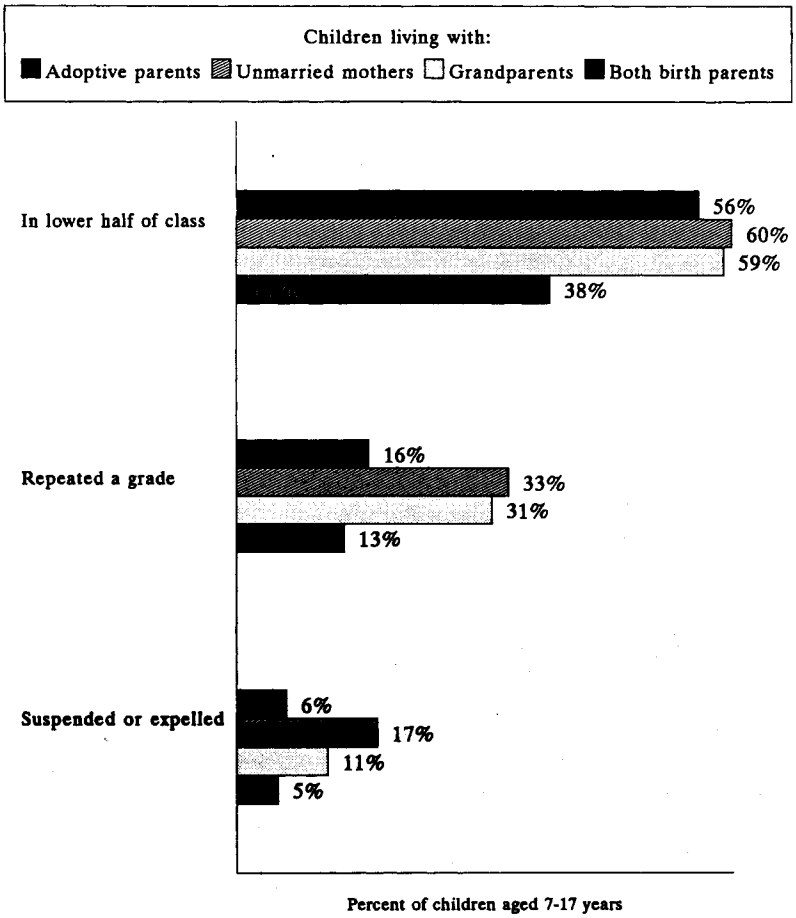
Source: Coiro, M.J., Zill, N., & Bloom, B. Health of Our Nation's Children (1994), and additional analysis of data from the 1988 National Health Interview Survey on Child Health.

Figure 4: Adopted Children in the United States:
Illness, Injury, and Medical Care Utilization



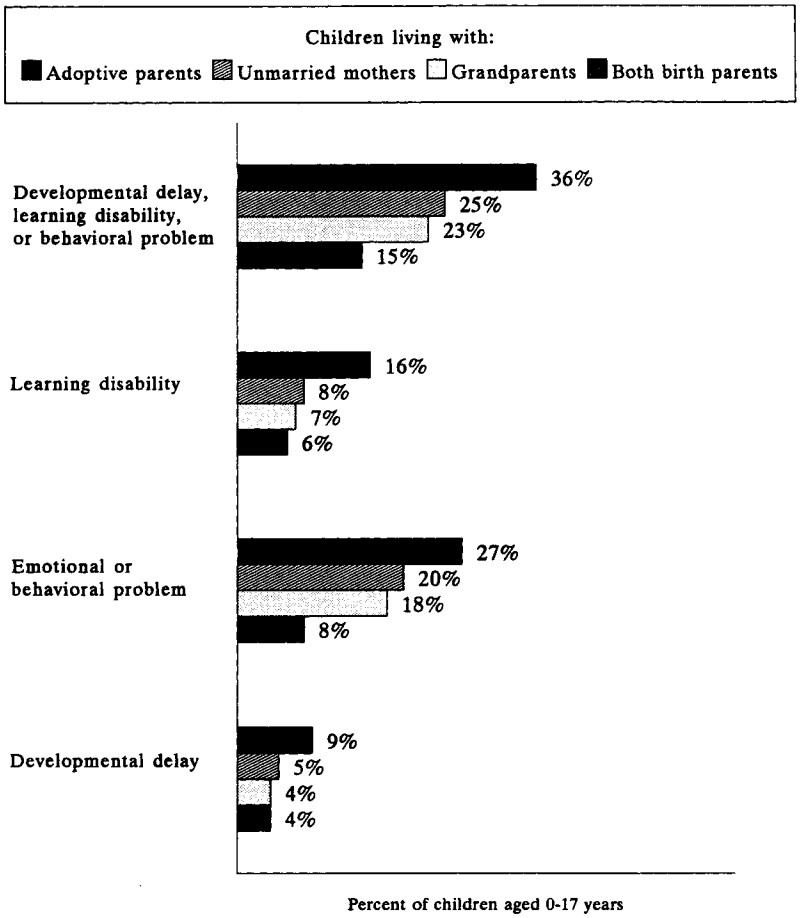
Source: Coiro, M.J., Zill, N., & Bloom, B. Health of Our Nation's Children (1994), and additional analysis of data from the 1988 National Health Interview Survey on Child Health.

Figure 5: Adopted Children in the United States:
How They Are Doing in School



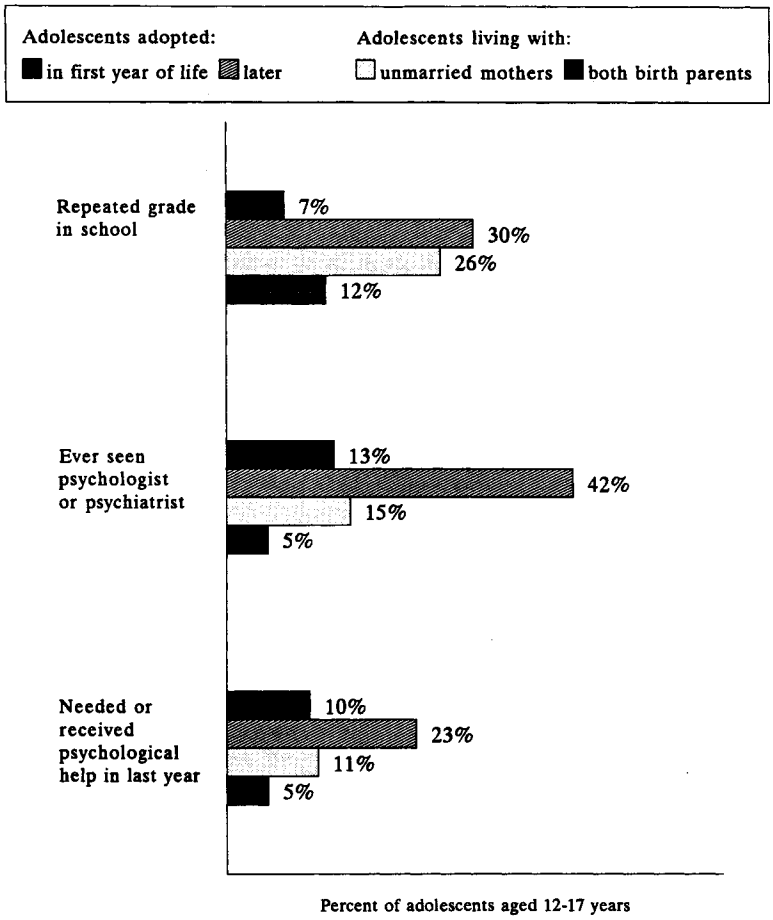
Source: Zill, N., & Coiro, M.J. Analysis of data from the 1988 National Health Interview Survey on Child Health

Figure 6: Adopted Children in the United States:
Psychological Disorders



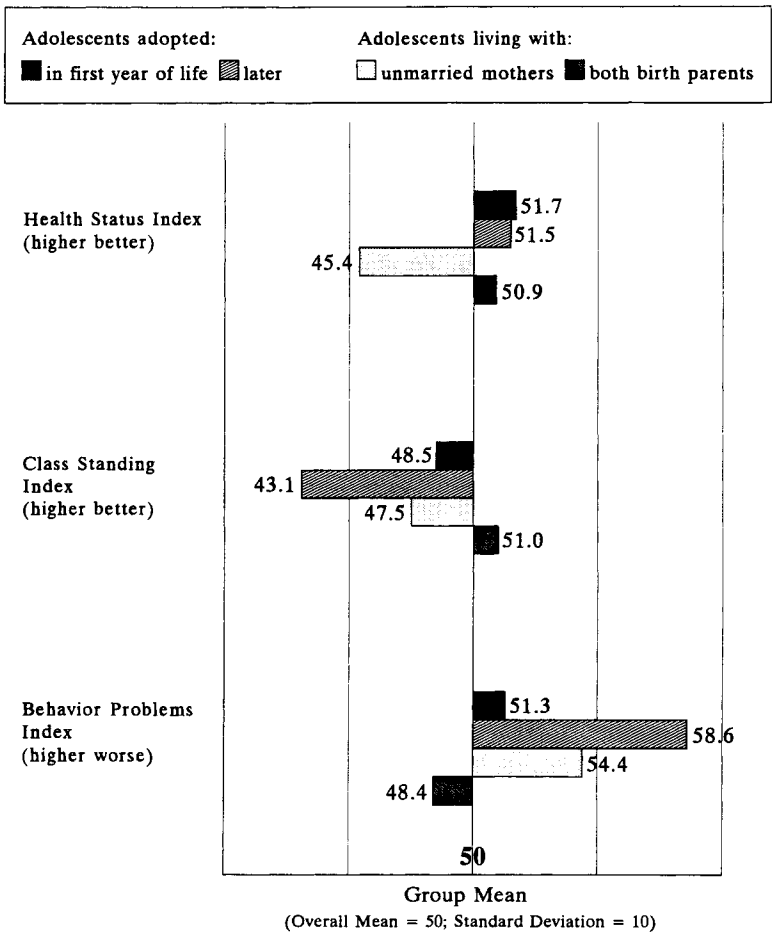
Source: Coiro, M.J., Zill, N., & Bloom, B. Health of Our Nation's Children (1994), and additional analysis of data from the 1988 National Health Interview Survey on Child Health.

Figure 7: Adolescents Adopted in Infancy and Later:
Grade Repetition and Psychological Help



Source: Zill, N. Analysis of data from the 1981 National Health Interview Survey on Child Health.

Figure 8: Adolescents Adopted in Infancy and Later:
Health, Achievement, and Behavior Problems Index Scores



Source: Zill, N. Analysis of data from the 1981 National Health Interview Survey on Child Health.

Table 1. Number of Children in Adopted Group and Comparison Groups, National Health Interview Survey on Child Health, United States, 1988

Group	Number in National Sample	Estimated Number in Population	Estimated Percentage of All Children Aged 0-17 Years
All children	17,110	63,569,000	100.0%
Adopted children	273	823,000	1.3%
Children living with unmarried mothers	1,431	4,982,000	7.8%
Children living with grandparents	448	1,194,000	1.9%
Children living with both birth parents	10,086	38,999,000	61.3%

Chairman SHAW. Ms. Price.

STATEMENT OF JEAN S. PRICE, VICE PRESIDENT, SOCIAL SERVICES, CHILDREN'S HOME SOCIETY OF FLORIDA, JACKSONVILLE, FLA.; AND CHAIRMAN, NATIONAL ADVISORY COMMITTEE ON ADOPTION, CHILD WELFARE LEAGUE OF AMERICA

Ms. PRICE. Thank you, committee, for inviting us to come here today. I do want to say that the agency from which I come has been in existence for 93 years and during that period of time we have placed 28,000 children for adoption, so we feel we have some background and knowledge in what children need in the way of permanent families. I also want to say that I am representing the Child Welfare League which is this year experiencing its 75th year of advocacy for vulnerable children.

I want to repeat something that you have heard this morning and emphasize it in the time that has been allotted to me. I as a professional person, and I think many of our professional people who come with an agency background have a lot of concern when family preservation services and adoption services are looked at as incompatible. There needs to be available a continuum of services for children and their families to which they can access when they need a particular kind of service. The beginning point of the continuum can be family preservation services as presently provided. I recognize that in their current form family preservation services are in their infancy. However, the concept of family preservation is not a new concept.

Through family preservation services families who are on the brink of neglecting their children, abusing their children, not understanding how to parent but hopefully wanting to parent, can get help with their parenting skills from the professional staff who are providing the counseling and the supportive services.

And I agree that not all families are appropriate as referrals to family preservation services. Certainly the ones who have exhibited egregious behavior toward their children should not be considered nor accepted as referrals.

As professional staff work with these clients a relationship develops between parents, the child, and professional person. When this is a good relationship and the assessment shows that the family cannot parent their child the staff person is in a good position to help the parents think through what is the next best plan for their child.

And there may be numerous choices. It could be placement with relatives. It could be that foster care for a planned period of time is the best plan for this child. It could be that termination of parental rights on a voluntary basis, which is really the best way to terminate parental rights, is what would be best for this child.

And through this assessment process and the relationship between the professional person and the family, principally the parents, you can really move these families to make the best plan for their child. So I think that we need to remember that it is not an "either/or" situation. There is no one right way, I guess, to do anything as long as it is not illegal. I think we need to remember that there is no "one only" service. We need to have an array of services

and staff who can help people to select the service that is best for them and help them to obtain and use it.

Now, the other thing I want to move into is the whole area of adoption. I think we need to recognize, all of us, that there are really several kinds of children who are available for adoption. Some are the infants, the ones whose parents have voluntarily decided that for my child I want someone else to parent. There are thousands of couples and single persons in the United States who want to adopt infants.

But there is another group of children whom I think all of us in this room should have and do have a commitment to do something about. These are the children who for whatever reason are in the public foster care system and the children who are going to come into the foster care system. These are children who have been neglected, abused, abandoned. Some of them have been in foster care for 2 years. Some have been in foster care for 5 years. Hopefully, some have only been there for 3 months.

At the present time I understand that there are about 20,000 such children for whom parental rights have been terminated but in effect adoption plans have not been made. This number is expected to double, and with the influx of AIDS we can look forward, unfortunately, in the year 2000 of many, many more children who have had unfortunate living experiences, unfortunate childhoods, who will need permanent families through adoption.

Now, we all have a responsibility to let people know that these children are with us. And that above all they are real, live children. They are kids who really in their own way want parents, want someone who can psychologically relate to them, put limits on them, love them, care for them. They are not problem-free children, as we have heard from the other two presenters, because they have very mixed backgrounds and very mixed growing up experiences.

But this does not mean that parents who wish to adopt cannot meld well with children such as this. With professional help they can really bring this child into their family and provide the kind of care that he or she needs and above all enjoy the parenting experience. But that is a responsibility of all of us to let potential adoptive parents know that these children are there and, that with professional help and their own skill as parents, they can do an excellent job and expand their families.

Now, what are the barriers to this occurring? I am going to just touch quickly on two. One is a legal barrier. I am certainly not an attorney and not a legal expert in this particular area, but I do have to say that we need to do something to shore up our journal system so that we act more promptly, that we establish hearings on time, we make decisions on time. That when we have appeal hearings, that we insist they occur within the confines of the law, but punctually for the best interests of the child. And this is really a matter of us saying we care about children and children come first.

Agencies have a lot more to do. We have done some of our job but we have certainly not done all of it. We need to identify children early who cannot remain and should not remain with their own families. If this is the case, we need to move on an adoption plan quickly. We have to recruit families who can care for them.

We have to employ staff who can assess what these children need in the way of adoptive parents.

Staff need to understand their diverse cultural backgrounds. They have to understand their individual needs at whatever age in life they may be. And above all, these staff must have the training and experience to recognize the continuum of services that these children and their adoptive families will need after the adoption occurs.

I think the biggest barrier is in the area of finances. What do we mean when we say "special-needs child?" This is a child who has been in foster care an extensive period of time. He has suffered separation from family. He is likely to have medical, social, educational handicaps. He may have been sexually abused, physically abused. He may have developmental delays. The potential adoptive parents, single persons, single men, single women, or couples who are coming forth to adopt these children are persons who have had experience parenting themselves. Many of them are middle-aged persons who are truly committed to starting another family. They may be single persons who are interested in parenting an older age child. We should be grateful that these people are there for these children but we have to also recognize that the demands that are going to be put upon them require some financial assistance.

And this is where I want to speak about the value of the title IV–E foster care and adoption assistance program. This program has enabled adoptive parents to adopt children such as I have described, rear them to adulthood, help them to get the medical care they need, to get the counseling they need, to get the education they need, to learn how to enjoy life as youngsters and as adolescents, to learn how to relate to their siblings if there are siblings, and to relate to other children in their school.

These people are performing a great service for their children which takes a great deal of time and a great deal of commitment. Certainly the small amount of subsidies which we pay, which in some States run between $200 and $300 a month for a child, is not excessive. They are definitely very much needed so that these families can parent these children well.

Now, we are concerned that this committee and the House of Representatives has voted to put the IV–E program into the block grant program. We think that there are many programs that are appropriate in a block grant program but we feel that this is one that leaves too much discretion to a State to determine its priorities, which can be detrimental to adoption assistance.

This program has been effective. We have placed, since we had the Federal adoption assistance program, 91,000 children with special needs who are receiving adoption assistance funds. And Westat did a study a number of years ago, over a 5-year period 40,000 children had been placed and about $1.6 billion was saved in Federal expenses that would have been incurred for foster care costs.

We are fearful that the States will not maintain the current assistance program for those who have adopted children who are still minors. We are fearful of what a State is going to determine in the way of its assistance program from here on out. And one of the greatest—and I say fears—one of the greatest fears we have is that an adoption subsidy will not be attached to the child and the family

wherever they live. In this mobile society, people find that it is necessary for them to move from one State to another for employment for family reasons, whatever, and of course under the Federal assistance program, this grant goes with them.

It is not that we distrust the intent of States but we feel that when the financial pressures become great, we are not always sure that without the Federal mandate, children will get their share of what is needed for them.

I would only like to say in ending, and I know I am running overtime, that our board of directors met last week in Orlando and they adopted a resolution which I will read to you.

Resolved, that Congress should protect adoptive children and abused and neglected children and that this can be done by preserving the title IV–E foster care and adoption assistance program. Furthermore, the Children's Home Society of Florida believes that issues concerning services for children and their families should be considered and dealt with separately from general welfare reform issues.

I am also speaking, as I am sure you know, for the Child Welfare League of America as I make that statement.

In ending, I would like to say that we urge you to seriously give consideration to reinstatement of adoption assistance as it is presently administered and funded. These vulnerable children, and there are hundreds of thousands out there presently in the foster care system, need permanent homes through adoption and the Adoption Assistance program is a mighty tool to achieve this. These children are our responsibility and they are tomorrow's adults.

Thank you.

TESTIMONY OF JEAN S. PRICE
CHILD WELFARE LEAGUE OF AMERICA

Mr. Chairman and members of the Subcommittee, I am Jean Price, here today representing the Child Welfare League of America (CWLA) and my agency - The Children's Home Society of Florida, a non-profit children's agency. Presently, I am serving as Chairman of CWLA's National Advisory Committee on Adoption. At Children's Home Society, I am the Vice President of Social Services. I welcome this opportunity to discuss with this Subcommittee how to protect children and to assist the growing numbers of American children who need loving adoptive parents for a lifetime.

Both the CWLA and Children's Home Society enjoy a long history of protecting children. The CWLA is currently celebrating it's 75th year of advocacy for vulnerable children and their families. The Children's Home Society has been serving Florida's children for 93 years. Initially established in Jacksonville, Florida, my agency has expanded to serve the entire state. From an agency that protected children by providing congregate living for young children and adoption, we have developed into an agency with an array of services ranging from child abuse and neglect prevention services to foster care to permanency through adoption. Since our founding in 1902, we have placed 28,000 children for adoption, thus ensuring that they will have a caring family for their childhood and into their adult years. In the past year 280 children were adopted through Children's Home Society.

Family Preservation Services to Adoption: Providing an Array of Service Options

I am concerned that this Subcommittee is suggesting that family preservation services and adoption may be separate and incompatible approaches to serving children, and that, if we make appropriate efforts to strengthen and support a child's family, we are necessarily precluding the option of adoption of that child. Nothing could be further from the way it is. Family preservation services and adoption are not mutually exclusive; each is a vital and necessary part of the continuum of services available for children and their families.

During the course of our agency's history, and in fact during the history of protecting children, it has been recognized by professionals that there is no one "right way" to serve all children and their families. Each child is an individual, a part of a unique family constellation.

There are certain factors that are basic to **all** effective social services for children:

- The first responsibility is to attend to the child's **safety** and protection. For some children and families, family preservation services and family reunification services are **not** indicated and should not, in fact, be pursued. Other families—in effect as many as 80% of those who come to the attention of the child protection system— can be helped to gain the skills they need to live together or to come to another resolution that benefits the child.

- Whenever it can be done safely, it is important to strengthen family ties, keeping children connected to their family of origin. It is vital for all people, but especially for children, to be part of a family. Roots are important to children. "Where do I come from?" is a question that all children and youth ask. As a matter of fact, many troubled adults are still struggling with this question.

- Children need permanent living arrangements. They do not do well when they are moved from place to place with no sense of the past or the future. Children need legal protection as part of their own families, or through adoption.

Family preservation services, when used selectively and appropriately, enhances permanency for children in two ways:

- as families are strengthened through family preservation services, the likelihood that children can remain at home safely or return home safely is increased.

when working with families towards these goals, the family preservation worker learns a great deal about the family and its capacity to change. The worker is able to document progress or lack of progress and to pursue other outcomes for the child that becomes necessary. These options include recommending that the child be placed in out of home care, assisting the family in their decision to release the child for adoption, or preparing for a termination of parental rights legal proceeding.

When, in the process of working intensively with the family through family preservation and family reunification services, it is determined that staying together or reunifying the family is not in the child's best interest, the agency is far more prepared to demonstrate to the court that the parents are unable or unwilling to care for their children and to develop and implement a permanent plan for the child.

When it is determined that a child cannot be reared by his/her birth parents, adoption should be made available without further delay. In most states in the U.S., adoptions are done by licensed voluntary or public agencies, or by independent practitioners. Independent practitioners may include attorneys, physicians, social workers, and others with even fewer qualifications.

Voluntary adoption agencies and independent practitioners generally handle the majority of infant adoptions. The public agencies place most children with special needs into adoptive homes. Children with special needs include children of school age, children with brothers and sisters needing to be adopted together, children of color, and children with serious physical, emotional, or developmental needs.

- An estimated 20,000 abused, neglected, abandoned, or orphaned children with special needs are currently legally free and awaiting permanent and loving adoptive homes, with another 69,000 children likely to need adoption in the near future. As parents with AIDS die, there will be even more children needing permanent families through adoption.

States are the legal parents of these children, many of whom have been abused, neglected or abandoned by their families. These children need to be part of permanent families and it is our duty to help find them appropriate families that can best care for them.

- Seventy-two percent of the children awaiting adoptive placement in 1990 had one or more special needs: medical, developmental, behavioral or psychological. In Florida there are 500 children listed at any one time in the State Adoption Exchange. These are children for whom no family is available.

Families wishing to adopt children vary greatly, including childless couples, older parents who have already reared one or more children, two-parent working families, families from a wide range of cultures and ethnic groups, families of modest income, foster families, families who are wealthy, and families from all educational levels, all religious groups, and all parts of the country.

While there are thousands of couples waiting to adopt infants, the opposite is true of the thousands of children in foster care who are waiting for adoptive families. Far fewer families than needed have been recruited for the large numbers of children with special needs.

In order that there be a sufficient number of adoptive parents available for children with special needs who are in the public foster care system throughout this country, there must be more public recognition of the need that these children have for permanent families and that parents can, with professional help and the necessary resources, effectively parent them.

CONFRONTING EXISTING BARRIERS TO ADOPTION

Legal System Barriers to Adoption

Currently children wait, an average of two years and five months for termination of parental rights to be completed by the courts. This is not responsive to the needs of children. It is essential that courts find a way to give priority to children's cases when setting dockets, hearing cases, issuing decisions, scheduling and hearing appeals. The federal government can help by urging state courts to enact time standards that will ensure prompt handling of all children's cases.

Agency Barriers to Adoption

If child welfare agencies are to eliminate agency barriers to adoption--so that children needing adoption can be adopted without delay--priority needs to be given to: identifying those children very likely to need adoption at the time they enter care and moving promptly toward adoption for these children; recruiting a diverse group of foster and adoptive families on an on-going basis to be available for children with special needs; ensuring that staff are hired who can respond to children's needs, including a range of cultural and language needs; and providing that all child welfare staff are trained in the full range of child welfare programs from family preservation to adoption. Continued national leadership and adequate financial resources are needed if we are to ensure that these barriers are removed in all agencies throughout the the country.

Financial Barriers to Adoption

A major barrier to adoption of children with special needs is financial. These children need multiple services in order to adjust to family living and become part of the adoptive family. Let me give you some examples of children with special needs who have been placed in the State of Florida for adoption. These children have very special needs and very special families have been found for them. Federal adoption subsidies have played an essential role in making it possible for them to have permanency with adoptive families. As of the end of the last fiscal year, 7,001 children with special needs were receiving adoption subsidy from the State of Florida.

- There is a couple in their late 40's who have successfully reared six birth children of their own, all of whom are now adults. This couple was interested in starting a second family and their adult children were in agreement with this. They are now parenting four siblings who came into the public foster care system because of severe neglect and sexual abuse. The children range in age from 10 to 14. Several of the children are slow learners and are in special education classes. The parents receive a monthly subsidy between $200 to $300 for each child. These children had formerly resided in a group home where the costs for their care were several thousand dollars per month. Since the children have come to live with this couple they have begun to achieve in school, they are getting medical care which they so badly need through the Medicaid system; and several of them are in counseling. They are beginning to function as a family and are developing self-esteem and respect for each other. It is anticipated that this adoption will soon be finalized and that these children will have a permanent family.

- Another couple in Florida took into their family a 14-month-old male child. The child is African American, and the couple is white. The wife had formerly been married to an African American man, and the couple had already adopted a seriously drug-addicted baby, a child of her former sister-in-law. The 14-month-old placed with them has severe cerebral palsy; his future is very unsure; he is being seen by 10 doctors. He is now nearly two years old and is enjoying the security of a family who care for him and are committed to parent him. Without their care this child would have been no doubt a ward of the state and endured a lifetime of institutional living. Without the guarantee of a federal adoption subsidy, this family unit could never have been established.

- Another youth, aged 14, has a permanent family in the state of Florida. This youth and his siblings had been placed in out-of-home care in another state. This young man was in a group care program. When parental rights were legally terminated, his siblings were placed with their foster parents and the state department made every effort to locate a family for this lad. They were unsuccessful. Finally, through the use of an adoption exchange that accepts registrations from all over the country, the Florida family with whom he now lives was found for him. This young man had a history of sexual and physical abuse, was extremely overweight, and needed extensive dental work and eye care. He was mildly retarded and lacked all social skills. After two years with this family he has lost weight, and is doing better in school; children now invite him to play or go to recreational events with them rather than shunning him as in the past. The continuing services that this young man will need as he grows into adulthood could not be provided by this family without a guarantee of a federal adoption subsidy. If this subsidy had not been available, the placement of this young man from another state into Florida would in all likelihood not have occurred.

- There is another situation in which an older African American couple with grown children decided to start a second family. A sibling group of four African American children ranging in age from 8 to 14 was placed with them. Two of these children have on-going medical problems. Several are slow learners, and one of the children was sexually abused and is in counseling. They had had severe behavior problems, however, they are now adjusting well. As a result of this placement, the son of this couple and his wife also became interested in adoption and adopted two siblings with emotional problems. All of these children are enjoying the permanency of adoptive homes which would not have been possible without the guarantee of a federal adoption subsidy.

In many instances, the most suitable families for these children—ones who are committed to meeting their needs—are families of modest or low income who cannot afford to pay for the daily needs and often extensive medical services for these children without an assured subsidy.

One of the many benefits of the current Title IV-E Adoption Assistance subsidy is that it is available wherever the child and family reside. If it becomes part of a block grant, states will develop their own service priorities and there is no assurance that adoption assistance will be available across state lines.

It is for these children that it is essential to maintain the Title IV-E Foster Care and Adoption Assistance Program (Title IV-E of the Social Security Act) as it is presently funded and administered. There are some categorical programs that can be included in block grants, but adoption assistance for children with special needs is not one of those programs.

Agency Board Resolution: On May 5, 1995, the Board of Directors of Children's Home Society of Florida, at a meeting in Orlando, Florida, unanimously adopted the following resolution: RESOLVED that Congress should protect adoptive children and abused and neglected children and that this can be done by preserving the Title IV-E Foster Care and Adoption Assistance Program. Furthermore, the Children's Home Society of Florida believes that issues concerning services for children and their families should be considered and dealt with separately from general welfare reform issues.

FEDERAL ROLE IN EXPEDITING ADOPTIONS

CWLA and my agency appreciate that this Subcommittee is interested in adoption and family preservation and has arranged today's hearing. However, we have great concerns about the action taken by this Subcommittee and the U.S. House of Representatives in approving the Child Protection Block Grant as contained in Title II of H.R. 4, the Personal Responsibility Act of 1995. We consider the single, most important assurance that the federal government can provide for the majority of children awaiting adoptive families is to continue federal adoption subsidies and to keep federal protection for children in place.

H.R. 4 ELIMINATES THE INDIVIDUAL GUARANTEES FOR FOSTER CARE AND ADOPTION ASSISTANCE

If federal adoption subsidies are included in child protection block grants:

- **Each state would determine what portion, if any, of the block grant would be used for adoption subsidies.** Although the current legislation indicates that existing subsidy agreements should be honored, there is no assurance that every state would do so, or what other constraints such as means tests or reduced payments might be imposed on families. Also, very importantly, it does not address the children who would need subsidized adoption in the future.

- **Many children who need adoptive families would not be adopted.** Many children are listed on regional and national exchanges in order to find an adoptive family leading to adoptions across state lines. There would be no guarantee that a subsidy would follow a child out of state or continue until adulthood. States facing funding shortages might well be tempted to cut obligations wherever possible. Similarly, there would be no assurance of continuing medical coverage for children, often the most urgent need of adoptive families. Thirdly, if a family adopts a child in one state and then needs to follow a job out of state, they would risk losing all benefits.

  These factors, combined, will mean that many families who could offer a good family to a child will not be able to adopt and will result in a large number of children remaining in care instead of being adopted.

- **A number of children already adopted would be returned to care if the subsidy is reduced or eliminated.** Some families who have adopted children with extremely costly medical needs, or who have adopted several brothers and sisters traumatized by physical or sexual abuse, would have to return their children to public agency care. While they have the patience and love to parent these children, they simply would not have the financial resources without adoption assistance.

- **Subsidies save money- Costs to the taxpayer will increase dramatically because of the children remaining in care until adulthood.** Studies indicate that **adoption subsidies save money.** The adoption of 40,700 children with special needs was found to have saved the federal taxpayer **1.6 billion dollars** in future administrative costs (Westat, Inc. 1992). By keeping children unnecessarily in agency care, these costs and more would have to be absorbed by the taxpayers.

  Perhaps more important are the human costs. Without adoption, as young adults with no permanent family supports, many of these children and youth would experience unemployment and homelessness, and far fewer would make a successful transition to a productive adulthood and future parenting.

Congress enacted the Title IV-E Adoption Assistance Program in 1980 to remove financial barriers to adoption for children with special needs who were not able to be adopted without this assistance. This program works! Since 1980, the federal adoption assistance programs has enabled some 90,800 children with special needs to be adopted. This has also resulted in a great cost savings to the federal government from the savings in future foster care administrative costs that these children would have required.

I urge this Subcommittee, and the full House of Representatives to reconsider the decision about H.R. 4. In the House-Senate conference committee on H.R. 4, please reinstate the federal assurances to this country's most vulnerable children. Leave intact federal protections for abused and neglected children. Child protection does not belong, and should not be included, in any massive welfare reform effort. The federal government must continue its assistance to these vulnerable children in need of loving homes. These children are tomorrow's adults.

Chairman SHAW. Thank you, Ms. Price.
[The prepared statement follows:]
Dr. Bevan.

STATEMENT OF CAROL STATUTO BEVAN, ED.D, VICE PRESIDENT, RESEARCH AND PUBLIC POLICY, NATIONAL COUNCIL FOR ADOPTION, WASHINGTON, D.C.

Ms. BEVAN. Chairman Shaw, you know we have heard a lot this morning about the view that "there is only one way to go." And the view that we need to not just look at "only one way." Let me just tell you, we have been doing family preservation for years. We have not done adoption. We have been doing it "only one way" for years and we have left kids too long.

When you look at some of the numbers in my testimony that you haven't heard discussed this morning, one of them was that half of the kids come into foster care because of abuse and neglect. What you didn't hear was that of two-thirds of children in foster care in 1990, 66 percent went back home. Only 7 percent were adopted.

What you didn't hear was that in a study of "boarder babies" and kids who are what they call "medically fragile," kids who are left abandoned in hospitals, totalling 22,000, only 6 percent of them had adoption plans. So we have been doing it "only one way," all right, but it has been family preservation, it has been family reunification, it has not been adoption.

What is the prevailing ideology here? The prevailing ideology is the "mystique of the blood tie" that Dr. Solnit talked about. The "romanticizing of biology" that assumes that the only ties that bind are blood ties. As you have heard when you go back over the testimony, you will read the view of adoption as the last resort. Throughout this hearing, it has been the status quo at every turn. When you heard adoption, you heard it only after foster care, you heard it only after kinship care, after relative care, only after repeated reunification efforts, then adoption was considered.

It is this idea of blood ties, this ideology that keeps children in foster care for years while exhaustive efforts are made to fix the family. It is consistent with the ideology of more government, more money, more programs, would help keep children safe. It is consistent with the idea that all family forms are equally beneficial and effective in nurturing and raising healthy, productive children.

In fact, one of the important ideological effects of family preservation is an attempt to legitimate illegitize. I mean, you have not heard about two-parent families in the family preservation program. Statistically you are looking at very high rates of single-parent families. I mean, we have got to look at what is a family, what does a family do. What does the family look like that we are trying to preserve. You haven't heard that addressed and there is a reason for that.

The same principle that says when children must be removed from parents there is less trauma when the child is placed with a relative is based on the assumption that blood ties are more permanent and a better placement than any other ties. That is not necessarily the case.

Again, as Dr. Solnit has pointed out, the concept of psychological parenthood is critical. We have not been using the concept of psy-

chological parenthood to weigh this array of services that you have heard about. Only one standard should be paramount and that should be what will provide for the child's needs best, their nurturing and their stability, and the right to have someone crazy about them.

Adoption services, including the termination of parental rights, ought to be as aggressively and enthusiastically pursued as family reunification and family preservation. Clearly that has not been the case. There are many barriers to adoption.

The question was asked what are some of the barriers? My answer is the way the child welfare system is organized and financed. It is a critical barrier to adoption. As long as you have got a billion dollar family preservation program out on the street, you are not going to see adoption services. That is the bottom line.

The socialworkers are paid for and prepared to do family preservation because of the ideology. Adoption needs to be looked at and celebrated from all sectors of our society. Again, in my testimony I listed all the barriers, but let me just say one area that you haven't looked at. In the Washington Post over the weekend was an article by Charles Gershenson, who was with the U.S. Children's Bureau, who is not a Republican, who is not a Conservative, and who raised the question that the private sector has a very critical role to play in the delivery of child welfare services. Clearly, we need to increase contracting out. One of the questions he raised was, why not get rid of those who have failed the children and the community? Why, indeed, I would ask. I would like to submit that for the record

[The information referred to is being retained in the committee files.]

Ms. BEVAN. The State has a role. We need to expedite adoption tracks. We need to say absolutely after 12 months, if the families can't get their act together, then we have got to move on and have the child placed for adoption. In some instances, we cannot give the family a second chance to reabuse the child.

Again, the issue of putative fathers' rights is a very big issue. We need to develop State registries to take care of that so we don't have an issue of disrupting adoptive placement because a father did not get notice.

There is a Federal role. I am very disappointed having testified in February that the tax credit was not made a refundable tax credit. I think that is really critical for getting low-income families to not only adopt but to help agencies deal with getting some more revenue and being able to do more.

It is late in the day. But I will just say that we do need to develop a new paradigm that puts child welfare first and that recognizes that children who have been abused need a chance to love and be loved and that adoption offers many children that chance.

[The prepared statement follows:]

TESTIMONY OF CAROL "CASSIE" STATUTO BEVAN
NATIONAL COUNCIL FOR ADOPTION

Chairman Shaw and Members of the Subcommittee on Human Resources: Thank you for providing me the opportunity to testify before you today on the plight of children in foster care. My name is Carol "Cassie" Statuto Bevan, I am the Vice President for Research and Public Policy for the National Council For Adoption.

The National Council For Adoption was established in 1980. Today it represents 130 private, non-profit agencies across the United States as well as several thousand individual members -- those who have been adopted, people who have placed children for adoption, adoptive parents, and professionals who are concerned about children. We are a non-sectarian and non-partisan organization, with our headquarters here in Washington, D.C. and formal affiliates in Texas, Pennsylvania and New Jersey and informal state affiliates in many other locations. We rely solely on private money for support.

I have been with The National Council For Adoption (NCFA) since 1993, after leaving the House Select Committee on Children, Youth and Families. I was recently appointed by Congress to serve as a Commissioner on the U.S. Commission for Child and Family Welfare. I received my doctorate in child development at Columbia University and completed a post-doctoral fellowship at the Bush Program in Child Development and Social Policy at the University of Michigan. I came to Washington as a Congressional Science Fellow under the auspices of the American Association for the Advancement of Science and the Society for Research in Child Development.

My testimony will focus on several areas: (l) what the foster care population looks like including a close examination of the numbers of children in care, their length of stay, the reasons why they came into care and the plans (if any) that have been made for them; (2) the prevailing ideology that defines best interests of the child as promoting blood ties over psychological bonds, parents' rights over children's needs, family preservation services over foster care placement, family reunification over adoption will be examined; (3) the barriers to adoption will be carefully studied. I will end my testimony with specific recommendations.

The Foster Care Population

The only source of comprehensive data on the foster care population comes from The Voluntary Cooperative Information System (VCIS) published by The American Public Welfare Association in 1993. These data are based on FY 82 through FY 90 reports from public child welfare agencies across the country. (Tatara, 1993a) VCIS has published some later statistics and I will cite them where available, all of theses statistics come directly from the 1993 APWA publication.

In 1992, there were 659,000 children in out-of-home care. On any given day there were almost a half a million children in substitute care, about 421,000. The foster care population in the United States rose by almost 50% from FY 86 to FY 90 (Tatara, 1993b).

In FY 90, the majority of children in out-of-home care were young children, between the ages of 1 and 12, with the percentage of infants who entered care increasing to 16.1 % from FY 82. The median age of children in foster care has dropped from about 10 years of age in FY 82 to only 7 years of age in FY 90.

Of the children in foster care at the end of FY 90, over one-third (39.3%) of the children were white, 40.4% were black, 11.8% Hispanic and 4.3% were from other racial/ethnic groups.

The length of stay in foster care at the end of FY 90 ranged from one year (or less) at 32.6% , between 1 and 2 years at 23.9%, between 2 and 5 years at 32.7%, with about 10% spending 5 years or more in care.

An overwhelming number of children, over one half, entered foster care in FY 90 because of abuse or neglect. Another 20% enter care because of some condition of the parent such as illness.

Two-thirds of children who left foster care (66.6%) in FY 90 were either reunited with their families or placed with a parent or relative. Only 7.7% were adopted.

The VCIS data (based on 17 States) show that 15% of the children who had family reunification plans, reentered the system in FY 90. However, the data for children reunited with their families in New York State show a reentry rate of 22% for the same year (Wulzny, 1991). A 33% reentry rate for families reunited in Illinois was reported in 1990 (Goerge, 1990).

According to a study by the U.S. Department of Health and Human Services, (U.S. DHHS, 1993) there were 22,000 babies who were either left in the hospital despite being medically approved for discharge or who were unlikely to go home with their parents once discharged. The overwhelming majority of these babies were drug exposed. Despite being abandoned in the hospital and abused in utero by drug exposure only six percent were expected to go into adoptive placement.

Children can remain in foster care as long as 4.5 years before an agency or a court specifies adoption as a permanent plan. Children can spend an average of 2 to 3.5 years in foster care before the determination is made that adoption is the best option for them (Kusserow, 1991).

In sum, the child welfare system takes in children who are abused and neglected by their parents and then, in overwhelming numbers, returns the children to the same families. Even infants who are abandoned by their biological parents in the hospital are not referred for adoption services but are placed in foster care. In New York City, 60 percent of the babies discharged from hospitals to foster care were still in foster care three years later. Some children can wait over four years for the system to decide that adoption is the best plan.

The Prevailing Ideology

What is the prevailing ideology behind these tragic numbers? The prevailing ideology "romanticizes biology" by assuming that blood ties are the only ties that bind. This view allows a child to be taken away from loving foster or adoptive parents whom the child considers psychological parents to satisfy blood ties. Parental commitment, love, time, and attachment are subordinated to blood lines. Parents' rights to children as chattel are supported over the child's needs as a child to be loved and to form and maintain a critical attachment. Services to preserve the "biological family", in whatever form that family takes, are made paramount over providing the "child" with services, including foster care and/or adoption, to meet his needs for nurturance, safety and security. Family reunification is viewed as almost always in the child's best interest despite the fact that data on child fatalities shows that 30 to 50% of the children killed by parents or caretakers were killed despite being known to child welfare officials as children at severe risk (Gelles, 1994).

The ideology that keeps children in foster care for years while exhaustive efforts are made to "fix" the family is consistent with the ideology that says more government, more money and more programs would help keep more

children safe. It is consistent with the belief that all family forms are equally effective in nurturing and raising healthy, productive children. In fact, it has been suggested that "one important ideological effect of family preservation is to legitimate illegitimacy" (MacDonald, 1994, p. 58). This suggestion acknowledges the high rates (as high as 85% in one program) of single parent families enrolled in family preservation programs. Family preservation services to functional families who have demonstrated competence and commitment in raising their children but who are currently experiencing a crisis, have proven to be highly effective at helping the family get on their feet again. However, "family preservation" has become the prevailing ideology of the child welfare system. Too often assessments of individual families to determine whether a family has enough strength to build on or even to determine whether any family exists for a child are not done as the "one-size-fits-all" treatment of family preservation is prescribed.

Similarly, the principle that says when children must be removed from parents there is less trauma when the child is placed with a relative or someone he knows is a sound one in acknowledging the child's needs for continuity and the importance these attachments hold for the child. However, the child welfare system has distorted this principle and instead of using it to protect established relationships that are critical to the child's growing sense of self, has sought to promote policies of "kinship care". These policies may place a child with a blood relative, whether the child knows the relative or not. Moreover, the assumption is made that because blood ties exist, these placements are superior over any others.

The importance of maintaining blood ties is one of the factors underlying the increasing reliance on kinship care and is consistent with family preservation ideology. The percentage of children placed in kinship care increased to a staggering 31% in 1990 (compared to 18% in 1986) according to a national survey (Kusserow, 1992). While very little is known about the effects of kinship care on child outcomes, what is known is that placement in kinship care means longer stays in foster care and decreases the chances of adoption. Considerable speculation exists among child welfare experts about "the quality of the kinship homes since in many instances these caregivers are the very families that helped to create troubled parents" (Goerge, et. al., 1994, p. 539). Despite the concern, kinship care has become in the words of one New York City Family Court Judge, a "bizarre big business" (Sheindlin, 1994).

The fact is that most public social service agencies seem only capable of doing one thing at a time. This is due, in part, to the fact that money drives the system and determines the policy direction. For example, with one billion dollars pumped into the child welfare system to provide for family preservation services, child welfare agencies will tend to do family preservation over any other service. This leads to the subordination of case work based on an assessment of an individual child's needs in favor of providing the " one- size- fits- all" family preservation service. When this happens, children too often lose.

The other reason why public social service agencies seem capable of doing only one thing at a time is the fact that workers are responding to the "cure du jour" as promoted by the current wave of research and public attention. Securing family ties through family reunification or family maintenance, regardless of how the family functions, what it provides to the child or how successful it is likely to be in terms of changing, is what the majority of workers are told is best for the child. Adoption is viewed not only as the service of last resort but as a failure on the part of, not only the biological family, but of the worker.

The child welfare system should weigh each service option - adoption as well as family reunification - making only one standard paramount: the service

that will best provide for the child's needs for continuity, nurturance, stability and the right to have "someone crazy about them". Given the fact that half of the children who come into care are maltreated, does it surprise anyone that two-thirds are returned to these same families and there is an estimated reentry rate back into the system as high as 33%? Does anyone really believe that 66% of the maltreating families change sufficiently to put them in charge of nurturing and protecting their children? The fact that only 7% of the children are adopted out of foster care speaks volumes about how adoption is viewed by the child welfare system. Adoption services, including the termination of parental rights, ought to be as aggressively and enthusiastically pursued as family maintenance and family reunification services are, but clearly adoption services are not promoted. Let us turn now to the barriers to providing adoption services.

Barriers to Adoption

Adoption needs to be acknowledged as a positive, life affirming choice for parents who can not or do not want to parent, as well as for those parents who do. The positive outcomes for children who are adopted ought to be celebrated and recognition given that adoption is a legitimate, family - building activity. This recognition ought to come from all sectors of our society through our public laws (subsidies, tax credits), private corporations (employee benefits, insurance coverage), religious organizations (maternity home services, adoption services) and the intellectual community (research that shows the positive outcomes for children, birthmothers and adoptive families must be conducted and published). In particular, the child protection system should recognize adoption as a remedy that can support the best interests of many children. Financial, social, and legal barriers to adoption should be removed to allow more children to receive the benefits of adoption.

The child welfare system as it is currently funded and organized is itself a barrier to providing needy children loving homes through adoption. Family preservation services as well as family reunification efforts must be recognized as limited interventions that are sometimes but not always effective at protecting children. Without this recognition, these services will not only put some children at further risk of re-abuse but will stand as a barrier to providing the child with adoption into a safe, loving and stable family.

The child welfare system has been characterized as trying to do"too much, too soon, too little, too late". The same case workers who are charged with the tasks of preserving and reuniting families are also charged with the task of protecting the children in the system and with making plans consistent with their needs. These often conflicting responsibilities lead many workers to feel the strain of investigating child abuse reports, providing rehabilitative services to the families, preparing cases for termination of parental rights and recruiting and preparing adoptive families. This overload leads workers to put aside the burdensome task of documenting a case for termination of parental rights in favor of investigating a child abuse report.

Another barrier to adoption is how to handle the legal rights of putative fathers (men who have not been determined legally to be the father of a child but are reputed to be) when they are not involved. The issue here is how to appropriately balance the rights of the putative father with the rights and needs of both the birthmother and the child. "In cases where the father is unknown or cannot be found, the varying state laws often create extreme burdens on the woman who is pregnant, the child and the adoption agency or intermediary by delaying an adoption until proper notice can be served, by creating a legal risk in an adoptive placement which inhibits the bonding

relationship between child and adoptive parents, or by interfering with the woman's right to privacy and confidentiality" (Style, 1995).

Considerable attention has been given recently to race-matching policies that act as a barrier to adoption. Children of color wait twice as long (in some jurisdictions four times as long) as white children for adoptive homes simply because of the color of their skin. Moreover, while both white and black children enter foster care at about the same rate, black children do not exit at the same rate as white children In fact, findings of an analysis of foster care data from FY 84 to FY 90 from 12 states show that "the foster care exit rates among minority children were substantially lower than the rates among white children...the exit rates of black children consistently lagged far behind the rates of white children" (Tatara, 1994, p. 17). Dr. Tatara noted in his conclusion that "if current trends continue, minority children will become the clear majority in the nation's foster care population in the next few years" (Ibid.).

Children with adoption plans still wait in foster care as long as 3 to 5 years (Kusserow, 1992). Since states do not uniformly track delays in the implementation of the adoption plan, precise data is unavailable. In fact, the lack of data in general in child welfare is a real barrier to adoption because one can not know for certain what is happening to children when the states don't keep or don't report accurate numbers. What we do know is that implementing adoption plans takes longer than implementing other types of service plans. In part, this delay has to do with the documentation that is required to free children from the legal ties to their parents through termination of parental rights proceedings. However, the delays seem to come from not the lack of state statutes but from the administrative barriers to document that "reasonable efforts to reunite families " have been made (Ibid.).

Many barriers to adoption come from the legal and judicial system. The question of whether a child is considered "adoptable" is raised several times and in part determines if the child will be made available for adoption. Case documentation, issues related to judicial decisions about the potential for winning the case, judicial biases, crowded court dockets have all been cited as increasing whether or when the child will be freed (Ibid.).

Recommendations

The Private Sector

The private sector has an important role. Not only through enhancing employees benefits to cover adoption expenses, provide parental leave and nondiscriminatory insurance policies, but in terms of the delivery of child welfare services, through contracting out and indeed through the privatization of the foster care system in its entirety. As child welfare service delivery and policy moves to the states, the role of the non-profit private sector should not be overlooked. One former federal official of the U.S. Children's Bureau writing in the Washington Post just a few days ago stated in reference to the District of Columbia's foster care system that privatization of the entire system "would be a start toward changing the District's motivation and capacity to serve its families and children (Gershenson, 1995). "Why not get rid of those who have failed the children and the community?", he asked. Why, indeed. We believe that privatization of services needs to be considered and implemented on a system-wide, state-wide basis.

The State Role

It is time to acknowledge in our laws, and legal and social services systems that parenting is not an absolute right, but carries with it corresponding duties and responsibilities to children and to society, and when parents abuse, neglect or abandon their children, these parental rights may be lost.

Protecting children in the foster care system entails promoting policies that are consistent with basic child development principles, including the child's need to grow up in a stable, loving family whether biological or adoptive Early and expeditious placement decisions contribute to an increased likelihood that a child will find the stability and permanence the child needs: thus, expedited tracks for the adoption of some children need to be established. In a 1991 report by the Office of the Inspector General at the Department of Health and Human Services , it was noted that 17 states, at the time of the report, had created expedited tracks for freeing children from families where the provision of reunification services was clearly inappropriate (Kusserow, 1991).

In addition, termination of parental rights decisions need to be made earlier - especially for those children removed from their parents for serious and substantiated child abuse. Parents whose children are placed in the foster care system because of serious abuse should have an absolute maximum of 12 months to get rehabilitated and to reclaim their children. In some instances of abuse, the child should not be exposed to the risk involved in giving the family a "second chance". Children should not suffer from their parents lack of personal responsibility or inability to care for themselves or the children in their care. A dispositional hearing must take place no later than 12 months after a child has entered foster care.

Within 30 days after the termination of parental rights proceedings state agencies should place a child who is freed for adoption. After 30 days the state should be required to inform private adoption agencies of the availability of the child for adoption.

States should pass legislation to give foster parents limited standing to bring cases to court to promote and protect the best interests of children in their care.

States should pass legislation that prohibits the removal of a child who is eligible for adoption from foster parents who are willing to adopt. The priority should be given to ensure that the child's developmental needs for continuity of care are respected and that psychological bonds that are formed with the foster parents be protected.

States should require that public social service agencies operate under the same set of licensing and regulatory rules that are currently imposed on private adoption agencies. This would upgrade the quality of the child welfare delivery system.

To reduce the number of children who become lost in the system and trapped in the limbo of foster care and to increase the numbers of children who find homes through adoption, we recommend the creation of specialized "severance units" or termination of parental rights units. These units are composed of staff with particular expertise and experience in the court process. This specialization will decrease the role confusion too often felt by social workers who have conflicting responsibilities. The purpose of the units is to insure adherence to legally sufficient procedures and documentation before the State files a termination of parental rights petition. Arizona and Oregon child welfare agencies have established "severance units" to prepare cases for legal action (Ibid.).

To address the issue of ensuring the putative father's legal rights while being mindful of the rights of the mother to make an adoption plan and the child to find a permanent home as early as possible, we recommend that states establish putative father registries. "The purpose of a putative father registry is to provide states with a method to ensure the timely finalization of an adoption that an unmarried mother desires while at the same time providing the unwed father who is not the legal father a way in which to establish interest in the child and to receive notice of any adoption or custody proceeding concerning the child" (Erickson, 1995). To the best of our knowledge, putative father registries now exist in 20 states. Without the establishment of such putative father registries adoptions may be held up, delayed for years or not take place at all (Ibid.).

The Federal Role

To overcome the financial barriers to adoption and to increase the availability of adoption services, we support the provision of a refundable tax credit of $5,000 for expenses incurred in adopting a child. While the House Ways and Means passed a non-refundable tax credit , what the National Council For Adoption sees as the better policy is the one advocated by Sen. Richard Shelby.(R-AL) The refundability of the tax credit is important for several reasons, as cited in the April edition of the National Adoption Reports : " (1) low-income people benefit more from a credit; (2) with some potential income from this new group of clients, agencies could serve more birthparents considering adoption; (3) if adoption-friendly agencies work with more birthparents considering adoption, more adoptions will take place and fewer children will end up spending years in expensive, often harmful public foster care"(Pierce, 1995).

To end discrimination in the child welfare system, we hope the language passed by this Subcommittee which would not allow race to be used to delay or deny the placement of a child in a foster or adoptive home will become the law of the land. Specifically, we hope the legislation introduced by Sen. John McCain (R-AZ) as a companion bill ought to pass the Senate and send a clear message to the states that placement delays will not be tolerated.

The At-Birth Abandoned Babies Act sponsored by Rep. Harris Fawell (R-Il) should be passed. This bill would allow babies abandoned at birth to be placed in pre-adoptive homes within 10 days, and the termination of parental rights proceedings instituted within 30 days. The legislation gives the pre-adoptive parent or the child's attorney the authority, in addition to state or private agencies, to petition the court for termination of parental rights proceedings.

Congress should revisit and clarify its intent regarding the Indian Child Welfare Act. While protecting the unnecessary breakup of Indian families, the Act should not allow any Indian tribes to extend its jurisdiction over children who are not living on Indian reservations or allow any Indian tribes to arbitrarily declare people of attenuated Indian ancestry tribal members. The bill introduced by Rep. Deborah Pryce (R-OH) is a step in the right direction and should be given careful consideration by Congress.

Congress should pass the Omnibus Adoption Act introduced by Rep. Chris Smith (R-NJ) which would provide for a means tested $5,000 refundable adoption tax credit, establish health certificates for eligible pregnant women to be used to cover expenses incurred in receiving services at a maternity home or other supervised setting. It also establishes a grant program at the Department of Housing and Urban Development for eligible nonprofit entities to rehabilitate existing structures for use as facilities to provide housing and services to pregnant women.

Congress should pass legislation soon to be introduced by Rep. Joseph Kennedy (D-MA) that would exclude adoption assistance employee benefits from taxable income; exclude the reimbursement program for military personnel as it pertains to adoption assistance benefits from taxable income; and add non- recurring adoption expenses to the list of items for which withdrawals from IRAs (individual retirement accounts) can be made without being taxed or penalized.

In conclusion, we need to develop a new paradigm in child welfare that puts children's needs for nurturance, protection and permanence first. A paradigm that recognizes that children's needs are best met by loving and stable families be they biological or adoptive. A paradigm that defines a family not simply by biology but by how well it serves the needs of the children. A paradigm that provides children who have been maltreated with what they need most -- the chance to love and be loved. Adoption offers many children that chance.

[Attachment retained in Committee files]

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Chairman SHAW. Thank you very much and I think you have given a very good introduction.

Now to Judge Maddux.

STATEMENT OF HON. WILLIAM D. MADDUX, SUPERVISING JUDGE, PRETRIAL MEDIATION, COOK COUNTY CIRCUIT COURT, CHICAGO, ILL.

Judge MADDUX. I am going to be very brief because the pros and cons, ins and outs of adoption as a forum for the benefit or nonbenefit or whatever for the child really is not my area of expertise. I want to respond only to the question, what can the courts do to expedite the adoption where it is appropriate.

All too frequently, we get criticized for being the stumbling blocks and the ones who stand in the place of something that people seem to believe needs to be done; in this case, adoption. I am here to suggest that one of the principal reasons, if it is a fact, that adoptions are slow to take place in courts I think is because the judges are handicapped and hamstrung as opposed to not doing what they could or should do.

The law places handcuffs on the courts. The law says that, for example, in the area of the overall policy which must be followed in the institution of services, when a child is brought into custody as a result of abuse, neglect, or whatever, the grant of funds from the Federal Government carries with it to the States the requirement that the States exercise reasonable efforts to reunify the family, that is, to preserve the family. That policy is handed down through the bureaucratic organization which administers the funds and does these things in the States.

In Illinois, for example, the DCFS slavishly follow that policy of reunification of the family. Family first, even in the case when it is obvious that the family will never be reunified, even in those cases they go through the routine of instituting services to see if the family can be put together.

Human nature being what it is, and even though there is a requirement that within 1½ years some final solution be made in that period of time, as I say human nature being what it is, they are also willing to give people a second chance, a third chance, or a fourth chance.

In the case where you have got the mom who neglects her child, a single parent and she is on drugs, and she fails in two or three drug rehabilitation programs, so long as she continues to state that she wants her child, she wants to shape her life up, and she wants to get off of the drugs, people are all too willing to let her do that and time does go by. It may well be that enough time goes by that a child who is adoptable becomes unadoptable. All these things do in fact occur.

My suggestion is that rather than hamstringing the judges with some artificial requirements, another being, for example, that it takes 1½ years, roughly, under the statutes to get to a place where you call it a permanent plan, that is what is permanently going to be done with the child. Have you really tried these services, have they worked, and are you ready to let the child go off to something else? That generally takes about 1½ years.

But more importantly, some statutes are very restrictive, such as Illinois. A judge cannot order, is powerless to do and is prohibited by law from formulating the plan. It rather can only react to the plan that is initiated by the DCFS. If they do not agree with that plan, if they say the child should return home and it is obvious that the child should not return home and should be sent to termination of parental rights, you can only remand that back for further consideration. So another 6 months will go by and they will come back with another plan.

Theoretically, this could go on forever. Since you cannot order a plan, they may not come back with a plan. And in any event, all the requirements, some of those requirements such as a formulation of a plan are artificial. It should be the judge's determination to determine this child is never going to be reunified with the family and should be sent for adoption or some other alternative placement which is more permanent.

In short, I guess what I am arguing for is not the placement of any further handicaps, shackles on the judges, but give them a little more freedom to do the things that should be done. And I think one of the natural things that would be done would be, in an appropriate case, earlier sending the child to termination of parental rights and to adoption.

Thank you.

[The prepared statement follows:]

TESTIMONY OF HON. WILLIAM D. MADDUX
STATE OF ILLINOIS

The Juvenile Court in Chicago is not only the oldest Juvenile Court in the country, but one with an extremely high volume of cases. The number of cases pending approaches 40,000 and is continually increasing. The number of cases cited are abuse, neglect and dependency cases. It does not include delinquency cases.

The judges in the Juvenile Court in Chicago quickly acquire a great deal of experience in balancing the rights of the biological parents and the needs of the children in cases of abuse and neglect.

No balancing need be done in the confirmed cases of extreme abuse or neglect. Where mom inflicts 200 cigarette burns over the body of her two-year-old, no balancing need be done. Such cases are quickly handled and where adoption is possible parental rights are terminated promptly. Those cases then move speedily to adoption.

No real balancing need be done in the "minimal" abuse or neglect case. Where dad takes a belt to the bottom of his fourteen-year-old who wants to join a gang, telling the father he has no right to try to stop him, the needs of the minor are quickly served and the question of termination and adoption will not be reached.

A minimal neglect case might be one where the two-year-old wanders off from mom and dad at a yard party and is found in the street by the police. In both cases the "hot line" to the State agency is called. In the abuse case, the minor calls and in the neglect case, the police call.

The media widely publicizes episodes of extreme abuse and neglect. Accordingly, reporting of abuse and neglect cases includes a great deal of minimal abuse and neglect. This is so, particularly by those in the mandatory reporting category, e.g. police, teachers, medical personnel, etc. Err on the safe side is the rule.

Since so many cases of minimal abuse and neglect come before the court, statistics regarding cases moved to adoption can be misleading. Occasionally, parents in the "horrible" category are discovered in a minimal abuse case and the minor is moved to termination of rights and adoption. A "horrible" I define as one incapable of parenting by reason of various combinations of psychiatric disorder, drug and/or alcohol dependency and ignorance. The mix could be one that makes the minor at risk and eventual abuse or neglect a certainty.

Most of the criticism of the courts pertains to those cases of abuse and neglect where it felt that family re-unification can be accomplished with the institution of appropriate services and monitoring. If it is posited that the best place for a child to be raised is in its family, these attempts at re-unification where possible make sense.

The problem of delay and the minor lingering in foster care does exist. How long does one work with a family before deciding that enough is enough? Drug dependent parents have a high incidence of relapse. They frequently cannot get into programs immediately when the desire to enter a drug treatment program is the highest, i.e. when the state has taken custody of their children. How long does it take for someone with an extremely low intelligence level to learn basic parenting skills?

Frequently repeated attempts at services with a goal of family re-unification results in a time lapse sufficient to place a child in the non-adoptable category.

Probably one of the key factors leading to a great deal of time and effort being expended on family re-unification has to do with federal entitlement programs. With entitlement programs the states are required to adhere to certain federal requirements as a condition to receiving federal funds. The most pertinent requirement is that the policy of family re-unification is paramount as opposed to the "best interests" of the minor. Not only is family re-unification paramount as a policy, but the states are required to show reasonable efforts have been made to re-unify the family as a condition to receiving the funds. Following that policy results in frequent and extended delays in termination of parental rights, thus making children unavailable for adoption.

Some states, such as Illinois have a policy resulting from a court decision requiring the best interests of the minor be paramount. Yet the state agency is required to follow the federally mandated family re-unification policy.

Most judges feel that the best interests of the minor should be paramount. States should be encouraged to more uniformly determine promptly whether a family can be saved or whether termination should occur.

Other reasons for delay can be found in the Juvenile Court Statutes of the States. Another federal entitlement requirement is the development of a permanent plan for a minor in custody. Yet some states do not permit the court to order such a plan. The court can only approve or disapprove. If disapproval, the matter is remanded back for re-consideration. Theoretically, this procedure could be endless, at best time consuming.

One glaring reason for children remaining in foster care at all is that most courts are powerless to order a specific placement. Courts for the most part cannot do more than order custody of the minor to the state. The state then determines placement. Where the minor is placed is determined by the current sociological thinking. Currently, foster care is the darling of the sociologist and is clearly the first choice. Normally, no other choice is considered.

Naturally, a bonding can occur with a foster parent which is difficult to deal with in a return home case. Damage to the child can occur with repeated changes in foster homes. Additionally, foster homes are frequently the place where abuse and neglect occur. Quality control is difficult.

In sum, I feel that most judges would be able and would terminate parental rights sooner. In the average case without conflicting policy considerations where the state agencies work for family re-unification its length of time the child is in foster care is overly extended. However, not all children in foster care are adoptable and some pre-adoptive placements are bad. At a minimum, the court should be allowed to have cases decided in the best interest of the minor and to be able to order alternative placement where the needs of the children so require.

Chairman SHAW. Thank you. I certainly thank the entire panel. I'm sorry that we ran over and Dr. Solnit had to catch his plane.

I would like to sort of walk through Dr. Zill's bar charts that are at the rear of his testimony and ask that the panel members might want to comment on that.

May I have copies of this handed out to the other three panelists because I think there are some good messages here.

I would invite any of the panelists who might disagree with his findings to say so, but the purpose of walking through it is to try to look for explanations as to what went right and what went wrong.

The first bar chart shows that for adopted children in the United States, referring to the quality of their home environment, pertaining to such things as bedtime, seatbelts, and adult smokers in the home, the adoptive parents came out superior to natural parents.

In figure 2, pertaining to adoptive children and access to medical care, it shows that the adopting parents provided better access to medical care through health insurance, through dental visits, and having regular providers for sick care.

I think in all of these areas what we are doing is finding out that the adoptive parents are prequalified, whereas with biological parents, we haven't gotten that much government yet where we are prequalifying people to have children.

In figure 3, pertaining to the adoptive children, and their state of health, we find that it is generally better than all of the other categories with one interesting exception. You find that the—I don't understand this one, but it says that in general, as to the fair or poor health with limiting conditions, you find that generally the child who is with both parents is found to be in better condition. I am not sure how that equates. I guess you find that there is a large number of sick children that are put into adoption that do require care.

Mr. ZILL. I think that is part of it and that it also represents some of the developmental problems that children have.

Chairman SHAW. That starts to show up in the following bar graphs.

Mr. ZILL. Yes.

Chairman SHAW. In looking at the adopted children as to illness, injury, and medical care utilization, generally on that page, it appears that the adopting parents really do better than any of the other categories, including the birth families.

Mr. ZILL. Especially with respect to hospitalization.

Chairman SHAW. Yes. Then you get into how they are doing in school; in the lower half of the class. All of a sudden you find that the—I am only measuring here the adopting parents with both birth parents. And we find that the adopted kids are not doing as well in school and we find that they are more likely to repeat a grade than the others and——

Mr. ZILL. No, no, no. They are less likely to repeat a grade. They are equivalent to the both biological parents group and they are less likely to be suspended or expelled than children living with unmarried mothers.

Chairman SHAW. I'm sorry. I was only comparing the adopting parents with both birth parents.

Mr. ZILL. But it is very close, essentially those are equivalent percentages.

Chairman SHAW. Well, it is not close in the lower half of the class.

Mr. ZILL. That is correct.

Chairman SHAW. We are finding that there is something missing there. Do you have any statistics as to the children that were adopted at a very early age as infants compared with those that were adopted as teenagers or in grade school?

Mr. ZILL. Yes. They tend to look better on this measure. The ones that are adopted in infancy tend to look better than those adopted later, but they still are somewhat less good than the children who were with both birth parents.

Chairman SHAW. How do we account for that?

Mr. ZILL. We don't completely understand it, but one theory is that there are some genetic aspects here and that the pool that adoptive children are drawn from is somewhat different than the middle-class families that they are in. The effects of those good families shows up in the lower rate of grade repetition and shows up in the rate of suspension or expulsion. But there still is a difference: They don't do quite as well as other middle-class kids.

Chairman SHAW. Do any of the other witnesses want to comment on that, on that particular statistic?

Ms. BEVAN. Only in that I think this argues for a policy that provides for early and expeditious adoptions. It is clear that part of what you are looking at is the child's history of prior abuse. The child's history prior to the adoption. You can't blame the adoption experience. If the children were in and out of foster care several times and reabused, it is not the adoption experience that caused these problems. It is the child's prior history. That is not teased out in the statistics.

Chairman SHAW. You would say that probably this is caused by a lot of them being bounced around in foster care before they ever got adopted.

Ms. BEVAN. You certainly can't rule it out.

Chairman SHAW. And that causes some emotional problems and other problems.

Mr. ZILL. I think that is a large part of it. I think that is not the whole story.

Ms. BEVAN. Right.

Ms. PRICE. It would be interesting to know how you chose your control group.

Mr. ZILL. These are representative samples of children in these family types. In other words, what we are talking about here is a representative sample. When I say children with unmarried mothers, that is a cross section of all children that were born outside of marriage and are being raised by their biological mothers in single-parent families. It is a probability sample.

Similarly, the children living with grandparents are representative of all children who live with their grandparents but not their biological parents around the United States. This is not an experimental study. It is a cross section of the child population.

Chairman SHAW. I guess figure 6 is the one that we should be most concerned about of all of your statistics, and that is the prob-

lem with the psychological disorders. You are getting into some high percentages where the adopted kids seem to be doing a lot worse in these other areas.

Mr. ZILL. A couple of points here. One is that these are parents' reports of conditions that they have had diagnosed by others, so that families—biological children, for example, living with unmarried mothers that do not have as high an education level and may not have as good exposure and access to medical care, may be less likely than adoptive parents to get their child diagnosed. So some of that gap represents the very good receipt of care and attention that adopted children get.

Chairman SHAW. You go back, then, with one of the earlier charts in saying that these psychological disorders are known more because these parents have taken the kids to get some type of professional help——

Mr. ZILL. That is right.

Chairman SHAW [continuing]. For which they then become statistics whereas the ones that are in the other three categories aren't necessarily getting tested.

Mr. ZILL. Well, I think that is part of it. I think another element of what is happening is that, again, many of these children with emotional and behavioral problems are ones who were adopted later, who have had experiences of abuse or neglect or having been bounced around from one family to another, and that is showing up.

Again, there may be something about the pool of children from which adoptive children are drawn. There may be a higher preponderance of temperamental characteristics and learning disabilities in that pool of children who are given up for adoption. The adoptive family does many good things for the child but can't solve all the problems. Children are a combination of nature and nurture and I think we are seeing both of these things at work.

Chairman SHAW. I think that introduces us to the final chart which seems to defy some of the earlier charts and that pertains to the way the kids are finishing school and those things where the adopting parents seem to be doing an excellent job. I guess that means that they are very supportive.

Mr. ZILL. Yes, I think that is right.

Chairman SHAW. Generally right.

Mr. ZILL. I think the message is predominantly a very positive one in terms of the supportive quality of adoptive families. But I don't think that, particularly when the child is adopted after infancy and has had a very checkered early childhood, we should expect that the adoptive family, even with all its resources, is going to work miracles. I think parents who adopt those kinds of children, it is very good that they do so. It does all of us a great service. But they have to do it with their eyes open and with the resources they need to be able to cope with some of those problems.

Ms. PRICE. I would add to that, that the expectations for those children may be very different from the ones that were adopted in infancy, the expectations on the part of the adoptive parents.

Chairman SHAW. Do any of the other witnesses have any comments on the——

Ms. BEVAN. I would. I would like to raise the whole issue of who is adoptable and how the kids turn out. I would like to lay to rest who is adoptable. Do you know that there are waiting lists for children with spina bifida. There are waiting lists for children with Down's syndrome. There are waiting lists for children who have AIDS. If you free these kids for adoption, these kids will find homes.

Chairman SHAW. What is keeping them from being free for adoption? Judge Maddux mentioned that there are time segments that they have got to work around which perhaps your State legislatures should be looking at. But other than that, when you start talking about these types of kids, they were obviously somewhat abandoned by their parents and find themselves just in a dilemma.

Judge MADDUX. My experience is that I don't think the seriously abused kids or the ones with some serious problems, I don't think those are a difficulty. I think they move quickly to adoption, if you look at numbers.

The problem we have are with the ones where you have the—not the mild abuse where you rehab the family and get back together, but the ones in the middle ground. Those are the ones where repeated attempts to solve the family's problems, where they are placed, it may well be that some of these youngsters have learning disabilities, it may well be some of them have developmental delays, it may well be that many of them have a lot of the other problems.

I think the reason why we don't move quicker to adoption, termination of rights and adoption is one of inertia because of a concentration on the policy of reuniting the family first, making every effort to do that. I have heard it before, and it is true, where the law says that reasonable efforts should be made. What that translates to is all possible efforts are exercised and they exhaust all those efforts before they even consider moving toward adoption.

And then when we start to move toward adoption, they don't even begin that process until the rights have been terminated by a court, and then it takes a couple of years for the mechanics to get around to do that.

Chairman SHAW. If the parent is willing, it happens instantaneously, doesn't it?

Judge MADDUX. Exactly.

Chairman SHAW. They just sign off and the child is immediately——

Judge MADDUX. They sign consents and they do it in my courtroom on a daily basis. They surrender their parental rights and they move to adoption just like that. It is where you have to make a finding where there is a contest and the parent or parents are fighting every inch of the way. That is where you have to have another full-blown hearing where now you must prove by clear and convincing evidence that the parental rights should be terminated, a higher standard, and those things are cumbersome and they take time.

Chairman SHAW. Is there court backlog that you experience in Illinois?

Judge MADDUX. No. Our backlog doesn't apply to the juvenile court. We have staffed that with sufficient people, 18 people, to

hear the abuse and neglect cases, 18 judges, 24 hearing officers, 2 judges who do nothing but terminate parental rights all day long. I mean, the personnel is there and the people are there to do it.

There is some kind of a—I know that for statistics about Illinois, the number of kids keep coming in, in fact it is 40 a day on the average, 40 new ones a day keep coming in. They seemingly don't ever go out. And adoption right now is one of the things that Illinois has studied very, very heavily and even just got through receiving a Federal grant to streamline that.

The DCFS got the grant to streamline the process internally and the mechanics to getting to adoption. It is not judges who initiate going to adoption. It has got to be done by the people who are dealing with those children directly.

Chairman SHAW. Judge, I was just handed a comparison of Illinois as to the median duration of the first placement and I find that, let's see, California is about 18 months. Illinois is almost 35 months, Michigan is 12 months, New York is 24, Texas is about 9.5 months, which I think probably means what we ought to do is start looking at some comparison as to State statutes to see what is working and what is not and exactly where—what the holdup is.

And also, of course, I am sure in some of these areas case backlog is a problem, but it sounds to me that what you are saying is that the Illinois statute is the worst—and is the big problem that you have got in Illinois.

Judge MADDUX. Exactly. I mean, I hesitate to even say these things anymore because I have begun to sound like a broken record, but a judge in the juvenile arena in Chicago under that specific statute, you can look back and you can see how the statute started and you can see how it got amended over the years because everybody—times change and people with their own particular philosophy feel that a judge has too much power in a particular arena or area, so something is done to curtail that.

So what you have is a patchwork quilt statute that really ought to be thrown out and started over again, where the judge really has no power. And it is very frustrating to be blamed for delay and slowness when there is nothing you can do about it, nothing.

Chairman SHAW. Mr. Ford.

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

Under H.R. 4, does block granting really address the real problem that you are faced with in the Cook County juvenile court system? Does it offer a solution to these abused and neglected children?

I understand that you have suggested legislation that might be needed in the State of Illinois. That might be true in other States. Without any Federal standards, can we accomplish all of this by going around to the States and saying that we are going to block grant this program and send you the money to administer these programs, when you have got 40,000 cases in your own State of Illinois juvenile court.

Will H.R. 4 really help you at all in your State?

Judge MADDUX. The manner of paying the money isn't really, to me, the determining feature. What is critical to me is the Federal mandate to the State of Illinois that says you must work first and

foremost to reunify the family as a condition for getting the money. The emphasis——

Mr. FORD. But the States have imposed these laws upon you, right?

Judge MADDUX. No, sir. The State of Illinois has the policy of the best interests of the minor first, which is at odds with the Federal policy.

Chairman SHAW. If the gentleman would yield, H.R. 4 amends that law that you just referred to and you complained about.

Judge MADDUX. That is why I say that is a plus.

Mr. FORD. Ms. Price, madam, let me just ask you a couple of questions.

Do you think the block grant approach would serve this Nation's abused and neglected children adequately under H.R. 4?

Ms. PRICE. As I have stated, we have concern that we would be able to, within our State, come up with sufficient funds to in effect continue an important adoption assistance program.

Mr. FORD. What effect would the block grant approach have on the adoptive families when the parent takes another job in another State? Is there a guarantee of the subsidy crossing State lines?

Ms. PRICE. That would be something that we would think would be very important. Because of the Federal assistance program, the subsidy goes with the child and the family wherever they may go. Now, States can establish their own priorities in terms of how they want to use the money that they are going to make available for adoption assistance. And, of course, that could be a deterrent if a State would say you can only use it within the bounds of the State of Florida or the State of Illinois or wherever.

Mr. FORD. You are saying the subsidy should travel——

Ms. PRICE. With the child and with the family after the adoption occurs.

Mr. FORD. Still knowing that the subsidy in one State might differ from one State to another?

Ms. PRICE. It could be different in each State. You see, some of the very hard-to-place children may not—for example, in Florida, suppose we have a kid who has many, many special needs. He or she may be registered on an adoption exchange, a national adoption exchange or a regional adoption exchange and, consequently, the right family for him may be found in the State of Illinois, the State of Kentucky, or vice versa. And this is good for the child because there is a match made that, hopefully, is best for that particular child and it is important that the funds be there for that child and family wherever they live.

Mr. FORD. How would you financially describe the typical suitable families for special-needs children? Are they modest income families that benefit from the family subsidies to adopt?

Ms. PRICE. Many of the families whom we have worked with, with whom we have placed special-needs children are persons from low-, medium-income families who have adequate funds to support themselves and their children, but who need additional funds in order to care for more children coming into the family and children who have needs that are very pressing that take parents away from their job during times when they must provide counseling—go with children to counseling services, become part of the counsel-

ing process, see that they get to the medical programs that they need.

These are children who have not had this kind—they have not had this kind of care prior to the time that they are coming into the adopted family and, as a result, there are many additional things that need to be done that might not occur in—with children in your family or my family.

Mr. FORD. About what income level do you find these families at?

Ms. PRICE. I didn't understand you.

Mr. FORD. The income level. Are these working families with——

Ms. PRICE. These are working families, yes. They are working families.

Mr. FORD. What income levels would you say?

Ms. PRICE. Oh, I would say that they are $25,000 to $30,000.

Mr. FORD. $25,000 to $30,000.

Ms. PRICE. In most cases, both parents are employed or at least one parent is employed full time and one is employed part time.

Mr. FORD. One of the things that I mentioned earlier when we heard from the Congressional Research Service representative, Ms. Robinson, was the adoption tax credit. I think she wanted to make it refundable. Making the adoption credit refundable would impact the very families that we are talking about now.

Ms. PRICE. I think it would—that depends on a family's income. I am really not that knowledgeable about that particular recommendation, but I have always been under the impression that it is most advantageous to the higher income family.

Mr. FORD. I think Ms. Robinson supports that particular concept. Do you agree that making the adoption credit refundable to families with the most modest incomes would be a way to improve the tax bill under the Contract With America?

Ms. PRICE. Certainly. If the tax credit is going to become in effect, it would be best if it did apply to anyone who wants to adopt.

Mr. FORD. Your Honor, let me just go back to you just 1 minute if you don't mind. Your solution is no Federal requirements, and you suggest we trust the States. That is basically what you are saying, Your Honor; is that right?

Judge MADDUX. I think so.

Mr. FORD. Twenty States are under court order for not protecting children. Now, how can you come here as a judge and testify today that we ought to trust the States when there are lawsuits today pending in 20 States saying that the States are not protecting the children? And you are also telling us that you have backlogs, which indicate that the abused and neglected children are not being protected by the State.

But today, under this Contract With America, the Republicans are saying, since they have so many Republican Governors in the States, that we ought to give the Governors the money and let the Governors operate the abused and neglected programs when we know that these same Governors are not protecting children in this country.

Can we seriously say to abused and neglected children that we ought to trust some of these States?

Judge MADDUX. Not wanting to get into a basic philosophical or political difference, I do want to say this——

Mr. FORD. Judge, I am bringing to your attention the 20 States that have not protected children in lawsuits.

Judge MADDUX. But the point is that these cases you are talking about occurred during the time of the Federal granting of money under entitlement programs, not—entitlement programs didn't come later to correct any problem. The abuses seen are by the agencies and the State administering the funds that the Federal Government gives them.

And the cases are brought against them for their inaction or their failure to act to protect the kids, and I am in favor of every one of those cases and almost everything they have done. Those cases are brought in the Federal court against the State agency for not doing what it should be doing. I don't think that speaks against what I am saying.

Mr. FORD. You don't?

Judge MADDUX. No. What I am saying is that I am not at liberty as a judge, under the law, with that policy being followed to quickly bring this case to termination where it should be brought to termination because they won't get their money unless they do what the Federal Government says.

Mr. FORD. Right. But you suggest no Federal requirements, we will just send the States the money and say, hey, hopefully you will protect the children. No requirements, just send them the money. Why don't the States collect their own money and fund the program then? They live in the States. Let the States take care of these problems.

Judge MADDUX. They do a lot of it. If you are going to ask me my own political preference, I say they should do that.

Mr. FORD. You say they do a lot of it today?

Judge MADDUX. They give a lot of State money to those programs. Matching funds.

Chairman SHAW. If the gentleman would yield, I think the point that the judge is making is that the lawsuits that you refer to are being brought about under the existing system, not the proposal. There are always going to be some problems of abuse and failure in the system, whether it is the Federal system or the State system, and there is no way we are going to legislate away incompetence because it is going to happen and it is going to happen whether we are handling it or whether the States are handling it.

I think the argument that what is happening under the existing situation proves that it is going to be worse under the proposed one is—you are—I know you are not advocating that we take it over and run it as a Federal system entirely and bypass the States, because that would be a complete disaster in my opinion, unless that is what you are referring to.

Mr. FORD. As we look at these lawsuits, the issue here is that these States have not protected the children. Regardless of whether the entitlement programs and laws have been set out, the States have not followed them.

The bottom line is that the children have not been protected, and I think protecting children is your intent, Your Honor, and I think that is the intent of this committee and everybody that is on this panel. We want to make sure that the abused and neglected children of America are given the protection that they need. And, if

necessary, we can move them into foster care or into the adoption process.

I think that is what you want, that is what I want. We just want to make sure that we do it the right way. I am not sure that we have evaluated the problems that we see, considering the serious problems the States face. I don't know. I haven't looked at all of the cases against the States, but we know that they are there. And, before we block grant a program with no requirements to the States, I just want to make sure that we are not sending a plain brown envelope with the money to the Governors and expect for them to protect the children that are really in need of this protection. I don't want to make your job even tougher in the juvenile court system.

As a matter of fact, when I was chairman of this committee, I paid a visit to your facilities there. I spent a day there at the juvenile court system in Cook County and was very impressed with judicial and administrative operations in general. I was very impressed. We held hearings with many of your court officials there at the court system.

Thank you, Mr. Chairman.

Judge MADDUX. There is one comment I would like to make.

Chairman SHAW. Certainly.

Judge MADDUX. When we talk about these cases where the children were being—not being taken care of and being abused, one of those cases was very significant, had to do with the State agency not following through with the development of a permanent plan as required by the Federal Government under the entitlement program, the mechanical aspect of not doing it.

So that is what that was about, and it was a huge, huge case involving an awful lot of time and expenditure of money. And to correct that, it has taken an awful lot of time, time of the people, expenditures of money to try to correct—develop that plan. It is not that the kids weren't being taken care of or looked after. It was the mechanical necessity to develop the plan as required by the law, you see.

Chairman SHAW. I would just like to say in closing that I have got confidence that my Democrat Governor, Lawton Chiles, that he will do everything he can to spend the money wisely, and I have also confidence in your Republican Governor, Don Sundquist, who was formerly a member of this committee, that he will do everything.

So I guess it is just a question of how much faith we have in our States and our State government. I really don't see any partisan lines when we are talking about the welfare of children and what we are really trying to do.

And I want to thank this panel for appearing before this committee. We have a lot of work ahead of us. Your testimony, both written and oral, will become a permanent record as part of the hearings of this committee. It will be very valuable to us in considering any legislation that we might be able to consider with regard to serving the youth of this country, and particularly those that are in need of families.

Mr. FORD. Would the Chairman yield?

Chairman SHAW. Yes, sir, be glad to.

Mr. FORD. Thank you, Mr. Chairman. I too want to agree that most Americans have great confidence in Governor Chiles and I would like to just say for the record he has sorely criticized your bill that you reported out on the welfare reform and said that it was not something that the States were ready for and sorely criticized it in every way.

But I join with you, and most Americans think a lot of your Governor and think he is on the right track, and he too thinks that the Republicans in the Congress are on the wrong track.

Chairman SHAW. Well, Mr. Ford, you started on a partisan note so I guess it is only correct that you end on one.

The hearing is over.

[Whereupon, at 2:40 p.m., the hearing was adjourned.]

[Submissions for the record follow:]

TESTIMONY OF STEPHEN POTTS
COALITION OF CONCERNED CITIZENS FOR A BETTER D.C.

My name is Stephen Potts. I am submitting testimony as a matter of personal interest and professional experience. I have counseled teens with drug problems and their families at Changing Point, an in-patient rehabilitation center. I received training for counseling individuals with drug problems at the Washington Area Counsel for Alcohol and Drug Abuse. I hold a B.A. from the School of Behavioral and Social Sciences at the University of Md., and am myself adopted. I have therefore, life experience and professional training regarding many of the issues that should be considered in these Hearings.

My primary thesis is that the decision of whether to implement short term rehabilitation for the family vs. permanent placement of a child in an adoption setting should be determined on a case by case basis, according to criteria developed based on the age, and health condition of the child.

There are two main questions I propose we answer. The first question is: ***Who are the intended primary beneficiaries of the laws we are creating***? Children, Adults or both.

I believe the answer should be the children. For example, there have been an increasing number of cases of taking adopted children out of a family setting into which they have bonded to be returned to the grieving biological parents. While I empathize with the pain that must be felt by the biological parents, **are we putting the needs of the children first?** I think not.

If we say the answer to the above question is both, then who receives priority consideration?

I propose that we state very clearly that the laws passed here shall be developed in such a way as to first and foremost take the needs of the children into consideration. The needs of the adults must also be accommodated, but worked in as they complement the needs of the children.

The second question we need to answer is: ***What role does the age and health condition of the child have to play in the decision***?

Surely, by now we realize that we cannot have an effective blanket policy that is intended to cover everyone.

Significance of Age.

Age is significant, especially at the earliest stages of infant to three years old. Last year the Carnegie report on child development told us that the first three years of a childs development set the course for the rest of their lives. This is

the time of peak biological development of the brain. The brain is taking in more information and building upon it than at any other period in the human lifespan. Therefore, the mental, social and psychological development of the individual has it's foundation during this period.

Abuse and neglect have their greatest impact on children of this age. It is my proposal therefore, that ***at the first sign of abuse and neglect of children ages infant to 3 years, that they be removed from the home immediately and put in an adoptive family setting.***

I further propose that a panel of experts on child development be convened to look at the remaining stages of child development and develop criteria for solutions appropriate to those stages.

Significance of Health

When we look at abusive, neglectful or otherwise dysfunctional family situations, we must investigate how these patterns have affected the health condition of the child. Even if physical abuse is not evident, the effects of the situation may have provided the foundation for disease, improper physical development, and almost assuredly improper functioning of the immune system.

I propose therefore, that ***thorough health examinations be institutionalized as a primary aspect of the treatment modality for abused or neglected children.***

Short-term Rehabilitation

Based on my experience and training counseling drug-addicted teens and their families, I have seen and validated a widely accepted theory that family dynamics are like a mobil. When one part of the mobil is moved, the entire mobil moves. Therefore, if changes are going to be permanently incorporated into the family, when one member begins to change, all will be affected, and all will need to co-adjust.

In order for a child to successfully co-adjust with the parent(s) they will need to be able to understand to some degree what their role in the changes must be. They will need support to incorporate these roles. And will need to communicate with the parent(s) and with professional monitors about how the changes are affecting them, and whether or not the changes are really being incorporated at all.

These requirements are far beyond the capabilities of an infant, and of some small children, thus supporting my earlier

proposal for children of this age to be moved to an adoptive family.

In order to assist children who are old enough and healthy enough to handle this change process, I propose that ***a program of Professional Monitoring be established for each child, again based on the age and health condition of that child***.

Similarly, for those children who are placed in an adoptive family, I propose that ***a program of Professional Monitoring be established for each child, based on the age and health condition of that child***.

Question: If these measures seem too costly, then what is the formula for determining how many children are expendable to dysfunctional families? And what is the formula for determining the cost to society in the long run to fix the effects of problems which started in childhood?

Thank you for providing the opportunity to submit testimony on this important topic.

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STATEMENT TO WAYS AND MEANS SUBCOMMITTEE
ON HUMAN RESOURCES

HEARINGS ON FEDERAL ADOPTION POLICY

Statement of Janet Acker, CSW
Executive Director
Court Appointed Special Advocates
May 24, 1995

New York City Court Appointed Special Advocates (CASA) is a non-profit organization, using volunteers, trained and supervised by a professional staff, to advocate for foster children's interests in court. Since 1979 Family Court Judges have assigned New York City CASA to problematic cases so children do not languish in foster care, or get lost in the city's vast bureaucratic system. CASA volunteers make certain the court's orders are fulfilled, that appropriate services (i.e. drug treatment, employment or housing referrals) have been identified and are provided to the family.

In 1994, CASA monitored the cases of over 1200 children in foster care. We see first-hand the joys of families reunited, and the new families formed by adoption. We also witness the frustration of pre-adoptive families waiting years for children to be freed for adoption.

This Sub-committee's goal of a sound Federal adoption policy will, in fact be undermined by the Personal Responsibility Act (H.R. 1214) passed by the House of Representatives on March 24, 1995. This bill in large part obliterates any chance of either returning children or finalizing adoptions in a timely manner. If passed by the Senate, will:

- •Eliminate the requirement that a Guardian ad Litem be appointed to safeguard the best interests of every abused or neglected child in the juvenile justice system.
- •Eliminate individual case reviews conducted by panels of appropriate persons at least one of whom is not working directly with the child or parents.
- •Eliminate adoption subsidies which allow a family to afford to care for children with special needs.
- •Eliminate the requirement for state child welfare agencies to develop training plans for child welfare staff, foster parents, and child care staff.

I would like to address the above points individually, as they each move the process of achieving permanence for children in foster care further from reality.

1. Guardians ad Litem, whether they are Law Guardians or Child Advocates like CASA's, are a critical component not only of moving the child's permanency plan forward, but of making certain the service needs are evaluated and met while the child is in foster care. They protect the child's interest and give a voice to the child's wishes. Critics argue that each person on a case is there to protect the child's interest. This is patently untrue. Biological parents, adoptive parents, and caseworkers may all be represented by attorneys. I need not remind this body that an attorney's first duty is the interest of his or her own client. The child's voice can go unheard in the greater chorus. Often in advocating for the child, it is the Guardian ad Litem who ensures that services are

offered to the family, thereby moving the permanency plan forward. Given an over-worked, under-staffed system, it often takes someone independent of the childcare agency to ascertain that matters proceed.

2. Elimination of individual case reviews will be disastrous to this Subcommittee's stated goals of permanently placing children. In any bureaucracy as large as a child welfare administration, especially in larger cities, the possibility of each child's case receiving the attention and care it deserves is almost nil. Reviews, especially where at least one party is not attached to the agency are one way to be certain that each family is indeed being offered the help needed to achieve permanence for the children involved.

3. Everyone agrees foster care is a far from ideal situation. Not only can it have severe emotional consequences for the child, it is expensive for the state. The system recruits foster parents, who have the overwhelming job of both fostering the child's relationship with the biological parent, and treating the child as a member of their own families. Not surprisingly, when a child is freed, foster parents are often eager to adopt.

Many foster parents are on fixed incomes; they need the foster care funds they receive in order to adequately meet the children's basic material needs. It makes no sense to expect they will be able to manage financially once they adopt, especially if they are adopting siblings or a child with special needs. Already the adoption subsidy is less than the foster care payment. Costs will be saved after finalization when there is no more need for costly and time consuming agency monitoring or court reviews.

If the foster family decides they cannot make it financially, and therefore decides not to adopt, the child loses. The state also loses. A child has now been deprived of both biological and foster family. He or she may be of an age or have special needs that will make re-placement much more difficult. Now the child will either remain in the present foster home as a foster child, or be moved to another home assuming one can be found that will not need a subsidy. If such a home cannot be found, the growing child may be placed in a group home or a congregate care facility, without family of any kind, requiring continued foster care funds, social work services and court review. These ominous predictions are not pessimistic imaginings. We see cases like this every day when pre-adoptive plans disrupt for one reason or another. For such situations to occur for want of adoption subsidies seems wholly unnecessary and cruel to the child, and fiscally unsound for the state.

4. Proper training of persons to whom we are entrusting children in crisis cannot be eliminated or curtailed. Without training how are over-worked caseworkers supposed to know how to construct and implement permanency plans which will meet this Subcommittee's concerns? The complex task entrusted to child welfare workers, especially around the dilemma of either returning children or placing them in adoptive home requires that workers make decisions about families' lives for the rest of their lives. Initial and on-going training and support must be provided.

What <u>will</u> advance this Sub-committee's goal of moving children out of care? The implementation of any Federal adoption policy must be preceded by diligent efforts to support and improve services to biological parents in order to restore children to them if at all possible. The goal of adoption cannot be reached; parental rights cannot be terminated without the parents having been offered necessary services. The decision to dissolve a family is a drastic step which should rightly be the court's last recourse. If that decision is made, it must be clearly demonstrated to society that parents were given every chance to provide a safe and loving home. If such opportunities are made available, biological parents' failure to improve their situation is then a substantive basis to place children adoptively.

Critics of the current system argue that the courts go too far to

preserve the rights of biological parents. This is a misperception. We see judges struggling daily to push cases through the system, but they cannot do so if "diligent efforts" have not been made. In New York State this requires "reasonable attempts by an authorized agency to assist, develop and encourage a meaningful relationship between parent and child." These attempts include providing services and other assistance to parents in order to resolve or ameliorate problems preventing the return of the child, making suitable arrangements for visitation between parent and child while the child is in foster care. The court may then consider the failure of the parent to utilize social and rehabilitative services.

One reason permanency plans cannot move forward is that services for families required to exercise diligent efforts are not available. Disregarding for now the fact that the system is perennially overworked, understaffed, and may need a major overhaul, service plans are useless if referral services are unavailable. Parents may need parenting skills programs, daycare for children so that they can work and relieve some of the families' financial worries, drug treatment, etc.

Community services need to be available, and they must also address parents' needs meaningfully. For example, if the mother of a teenager is referred to a parenting program it should tell her much more than how to diaper an infant.

It is fundamentally unfair to blame parents and possibly set them on a road which will end in termination of their parental rights when their needs have been only marginally serviced, or serviced only on paper.

NYC-CASA recommends that any Federal policy support the movement towards "family preservation" programs which generally are put into place before a family goes into crisis. Keeping children out of foster care in the first instance is the best answer to questions of both permanency planning and adoption. However, these programs must have follow-up and continuing services when needed. Good social work practice and good public policy cannot be replaced by a quick-serve/quick-fix approach.

The Personal Responsibility Act will ultimately cause more children to languish in costly care. Without representation, without trained caseworkers, without reviews of care, and without the financial support of adoption subsidies, children will remain on the government's bankroll and on society's collective conscience.

**STATEMENT PRESENTED TO THE
SUBCOMMITTEE ON HUMAN RESOURCES OF THE
U.S. HOUSE OF REPRESENTATIVES WAYS AND MEANS COMMITTEE**

By

**NANCY DALY
Children's Activist**

**Date of Hearing
May 10, 1995**

Mr. Chairman and members of the Subcommittee, thank you for the opportunity to submit my statement on family preservation.

My name is Nancy Daly. For the past twenty years I have worked as volunteer with and on behalf of abused and neglected children. My experiences during this time include direct service with children detained for their protection at Los Angeles County's emergency shelter and founder of the group created to provide these services, the United Friends of the Children; founder and member, Board of Directors of the Children's Action Network; member of the Board of Directors of the California Court Appointed Special Advocates Association; member, Board of Directors, Center for Communication Policy, University of California at Los Angeles; member of the Los Angeles County Commission for Children and Families; and in 1992, I was appointed to the National Commission on Children, a bipartisan body convened to serve as a forum on behalf of the children of the nation.

My statement on family preservation is not being made in an official capacity as a member of any of the groups with which I have been affiliated. Rather, it is being made as a citizen who has had a variety of experiences relating to abused and neglected children and their families over a twenty year period, and who is extremely concerned about the plight of these children and their families.

I have learned much over the past two decades. I have learned how intervention in cases of child abuse and neglect can result in both positive and negative outcomes, often depending on the services and resources available. I have learned that, for many children, foster care can become a fact of life when efforts to prevent placement and reunite them with their families are insufficient or inadequate. And I have learned that although needed to protect children, foster care may not always be the best alternative.

Preserving Families

In Los Angeles County during 1994, the Department of Children and Family Services, our public child welfare agency, received an average of 14,000 reports of child abuse and neglect each month; more than 168,000 during the year. Many of these involved reports of general neglect, abandonment and other types of maltreatment which did not require that the children be removed from the home. With intervention on the part of the agency and the community, these families were *preserved*, foster care placement prevented, and in many instances, improvements in family functioning achieved to the extent that continuing intervention was not needed.

In still other situations involving similar and sometimes more severe allegations, many children might have been removed from their family homes, except that, in our County, we have developed a program known as the Family Preservation Approach. This approach has enabled us to *preserve* these families at risk by offering comprehensive, community-based services which have kept the families in tact.

Before the inception of our approach, many of these children would have been placed in foster care because we lacked the coordination of and access to services and goods which the families needed to avoid further deterioration. Once the children were placed in foster care, the families would face even greater hardships; many would disintegrate completely. Families receiving AFDC and food stamps would be discontinued because their children were removed; rents could not be paid and housing lost; much time would be spent traveling and visiting the children in care and attending court hearings; jobs would be lost because of time away from work; the litany goes on and on.

The *Family Preservation Approach*

As a result of some very innovative legislation beginning in 1988, California has allowed counties to divert a portion of foster care funds to programs which instead prevent foster care placement. Some counties have utilized the *Homebuilders* of Tacoma, Washington approach, providing intensive, crisis-oriented, short term services. Others have developed less intensive models, contracted with private, non-profit providers, and have utilized other methods which best suited their communities.

In Los Angeles County, a highly diverse county of some nine million, 30 percent of whom are children, we sought an approach which would be uniquely suited to our area.

We began implementing our model in 1993, after many months of planning and community input. We have defined Family Preservation as:

> *"An integrated, comprehensive approach to strengthening and preserving families who are at risk or already experiencing problems in family functioning with the goal of assuring the physical, emotional, social, educational, cultural and spiritual development of children in a safe, secure and nurturing environment."*

The Family Preservation Approach in Los Angeles County involves Community Family Preservation Networks which bring together comprehensive systems of services through direct and purchased services. Lead agencies provide leadership and linkage to various hard and soft services in the local area, including counseling, teaching and demonstrating homemakers, parent training, family support groups, child care, substance abuse treatment, housing and others. The Approach also includes multi-disciplinary case planning with each family as well as Community Advisory Councils for accountability to our customers.

But this thumb-nail sketch only provides a portion of the picture. Our efforts are only partially completed; we are still in the process of a geographic phase-in of these Networks. In the short period our Networks have operated, however, we have already seen results. The rate of foster care in the communities with Networks has decreased, although we are still experiencing increases in other areas. Program evaluations by outside, impartial groups are showing positive outcomes. Community support for the agencies and the program is strong and Departmental staff are enthusiastic.

Lessons Learned from Family Preservation

We began our approach recognizing some basic tenets about family preservation. Family preservation services are not a panacea for all families; child safety must always be the foremost concern. Some families may not benefit from family preservation because they are unable to use the services. In still others, the safety of children cannot be assured even with intensive contacts and a full array of services, particularly where physical and sexual abuse remain as real threats. These beliefs have thus far proven to be valid.

Preserving families is a philosophy of service which embraces the notion that children should be kept out of foster care whenever possible *and safe.* Family Preservation, on the other hand, is a programmatic approach through which services are provided.

I believe that a strong distinction needs to be made between these two. Subcommittee Chairperson Shaw, in the April 26, 1995 Advisory from the Committee on Ways and Means, Subcommittee on Human Resources, said:

> *"Many social workers and others interested in child welfare emphasize the view that even families that have abused or neglected their children, or who are considered by authorities to be at risk for doing so, can recover enough to provide a safe environment for their children if parents are provided intense assistance by professionals. This movement, usually called 'family preservation,' has substantial appeal...."*

This is not the case with our Family Preservation Approach in Los Angeles County. We have recognized that, after assuring the safety of the children, families need an array of services that support children's healthy growth and development. We embrace principles which build strong families and strong communities. One size does not fit all; our approach enables families to access the services which they most need.

In conclusion, I hope that my statement will prove useful to the Subcommittee as it considers very important questions on adoption and family preservation. I urge you to make very careful, deliberate decisions as you consider both sides of the debate and to recognize that family programs are producing good results for children. Further, I urge you to support successful efforts such as ours and avoid policy decisions which will impair our ability to provide an adequate array of services, including foster care and family preservation, which can keep children safe and give them permanent homes. Finally, I urge you to avoid funding arrangements, such as block grants, which will result in reduced funding and competition amongst programs for these limited funds.

Written Testimony
Committee on Ways and Mean
Subcommittee on Human Resources
U.S. House of Representatives
Washington, DC 20515

By: John P. Steketee
Chief Judge of Probate
Kent County Juvenile Court
Grand Rapids, Michigan

On May 10, 1995 I was invited to give oral testimony before the Subcommittee, had prepared and welcomed the opportunity, but on that morning our community experienced dense fog prohibiting my air travel so that appearance at the hearing was impossible. This written testimony will be in place of my personal appearance. However, I would be very willing to appear before the Subcommittee or any of its members at another time if requested.

The very important subject is your inquiry into Federal adoption policy, how to balance the basic American value of family sanctity while at the same time ensuring that children are reared in safe environments. As Chairman Shaw succinctly puts it - "...whether family programs are producing good results for children or whether too many children are being suspended in foster care while waiting for their parents to be rehabilitated. All sides agree that permanent placements are best for children, but we hope to do everything possible to ensure that children are not being held in the limbo of foster care while waiting for permanent placements."

My invitation to testify requested me to call on my "experiences as a judge and discuss whether family preservation is compatible with the timely termination of parental rights that is so critical in adoption cases." Therefore, I will draw on my 28 years of experience in a juvenile and family court and my intense involvement on a national level with juvenile and family court judges and systems, having been active over a quarter of a century with the National Council of Juvenile and Family Court Judges in observation, research, education and training.

I first had the privilege of testifying before Congress during the hearings in the late 1970's which led to Public Act 96-272, the Adoption Assistance & Child Welfare Act of 1980. This significantly changed child welfare law in the United States. Nowhere else in the law must judges play such an important role as in juvenile dependency cases; the Act and state laws based upon it require juvenile court judges to monitor the activities of the social service agency before, during and after the state has removed a child from a parent's custody. We already are gatekeepers, but in this Act the stakes are high by both human and fiscal measures. The Act placed juvenile courts in the crucial position of monitoring social service compliance with its terms.

The Act was in response to widespread criticisms of the country's child welfare system and balanced the need to protect children with the policy of preserving families. After lengthy hearings Congress concluded that abused and neglected children too often were unnecessarily removed from their parents, that insufficient resources were devoted to preserving and reuniting families, and that children not able to return to their parents often drifted in foster care without a permanent home. Congress concluded that children need permanent homes, preferably with their own parents, but, if that is not possible within a reasonable time, with another permanent family. Permanent families provide children better care than the state and help ensure that they will grow into emotionally stable, productive adults.

Congress's response, Public Act 96-278, was based on three important principles: (1) preventing unnecessary foster care placements; (2) timely and safe reunification of children in foster care with their biological parents when possible; and (3) expeditious adoption of children unable to return home. The Act seeks to achieve these goals, in part, by providing state social service systems with incentives to encourage a more active and systematic monitoring of children in the foster care system. The major tenets of the Act and of the state implementing legislation are as follows:

1. The state must prepare a state plan
2. The social service agency must provide services to prevent removal of a child from parents and to reunite a removed child with parent.
3. Upon removal the court must make a finding that continued placement of a child with the parent would be contrary to the child's welfare.
4. The court must make "reasonable efforts" finding in each removal case, indicating whether the state, in fact, provided services to eliminate the need for removing the child from the parent.
5. The court must also determine whether the state has made "reasonable efforts" to enable the child to be reunited with his family.
6. The court must determine there is a case plan that placement is in best interests of child's needs.
7. The court must review a foster care status at least every six months. (Some states - including Michigan require three month reviews.)
8. The court must hold a hearing within 18 months (one year in Michigan) to determine a permanent plan, either return home or move to termination of parental rights; possible continued care but based on findings of fact (not by default).

You can see that Congress made a deliberate decision to give the courts substantial oversight responsibility. I observed that in those days this duty was not always welcomed by judges who felt that this type of obligation was not in keeping with the traditional role of a judge. However, gradually the judges across the country "bought in" to this concept and now most juvenile and family court judges firmly believe that a valid judicial function is to make certain that children do not come into the system without good cause, and that when they do the court's role is to keep "constructive tension" on the system, providing a forum for the hard questions to be asked and demanding that adequate answers be given.

The result of this oversight activity by juvenile courts resulted in finding "lost" kids in the system who were languishing in benign foster care but did not have permanent families, many times having to be moved periodically from foster home to foster home, not ever having a home of family of their own. These children, as a result of judicial inquiry and pressure, caused case plans to be made and permanency through adoption to be achieved.

We also learned that the face of adoption had gradually changed. Originally we had thought that adoption was for infants. But we now learned that adoption was also available for older children, sibling groups, kids with handicaps and disabilities, to the end that we now can say that there are few children for whom we cannot find a permanent home through adoption. Thus, long term foster care has proved to be a "last resort" result.

In the review process we began to use not only the judge reviews in court, but also drew on the assistance of citizens review panels, Court Appointed Special Advocate (CASA) volunteers, as well as the special training for social workers, lawyers, prosecuting attorneys, and even judges helping each of us gain more knowledge and sensitivity from the fields of psychology, and social work, e.g., child development, attachment, disruption and related principles. The review hearings became an opportunity to not only monitor the social services, but we also had the chance to inquire into the system and its gaps.

The issue of "reasonable efforts" caused us to look at the entire process. The Federal Act, and many states supplemented this and expanded on the concept, asked courts to inquire "...whether reasonable efforts have been made to prevent the child's removal from his or her home - or to rectify the conditions that caused the child's removal from his or her home..." This moved us to addressing the prevention piece of the process and we began asking about and reviewing what was happening before cases came to court.

We learned that to "shore up" families made sense; that earlier involvement and help and assistance for a family through community resources usually meant that families could be preserved and that children would be safe and secure. The Families First program emerged (Home Builders Model) with short-term, intensive intervention and then referral out to less rigorous community assistance. There were many versions of this and many programs used the same or similar names, with varying degrees of success.

Judges across the country had "signed on" to the principles of PA 96-272 over the years, but as we turned toward the front end of the system, and prevention services, the concern was whether children would be safe. Gradually judges began to observe that those prevention programs that did not opt to be a panacea, that did not keep children and families together at all costs where the risks were too high, that did keep safety of children on the same level as rehabilitation of a family, was a very good addition to the continuum of services. We observed that such programs could be very valuable to a family, could keep the family together, where appropriate and safety of the child was paramount, and the case need not come into court. The Families First program in Michigan, from my personal observation, and hearing from other judges, is a resounding success. Through it families can be salvaged, children can be safely retained in the family, and the whole foster care process can be avoided.

From a judicial standpoint, programs like Families First can intervene and many times be successful in helping the family salvage itself, and at the end of the limited period refer the family to further community resources to their benefit. Further, in my experience, when the Families First trained worker perceives that the family is not responding and/or the child is at risk, they can move forward with dispatch to file the case with the court. Then, again it is my experience that such a case gets on a "fast track" and the case will get very close court scrutiny and action leading to a very prompt termination of parental rights, when appropriate. So, the Families First involvement can save families, kids when the family responds to the expert help, but can also shift gears quickly filing the case with the court and based on the track record of Families First involvement the case can move forward with vigor and with a detailed factual basis.

Therefore, I can assure the Committee that across these United States, in small cities and large, in rural and urban areas, the mandate of PA 96-272 is being followed. Valuable and competent prevention work is being done with families, many times with success and with safety for children in the process. When the prevention work is not successful, then the courts become involved and many of them move promptly within the guidelines of PA 96-272 (and in some instances like Michigan - much faster), adjudicate, review (holding all accountable), bring to a permanency planning hearing and either return the children home with supervision or move to termination of parental rights and adoption. Permanency for children is realized. I know that juvenile and family court judges across the country are committed to these principles. I have met with them, heard them say it and seen many of them in action. The basic principles of PA 96-272 is adopted by the several thousand juvenile and family court judges with whom I am acquainted. Even though the sanctions of the Act have not been rigorously enforced by the Federal Government, many states and indeed the judges are following them in practice.

In closing, let me recite for you some statistics from my Court which I believe speak for themselves and, I submit, are evidence that in Kent County (and I'm sure in many other courts) "...children are not being held in the limbo of foster care while waiting for permanent placements."

1. Of all neglect cases filed - 50% + end in termination of parental rights.
2. Within 9 months (average), children are either:
   a. Returned to their families with after-care supervision and court review and monitoring, or
   b. Petitioned for termination of parental rights.
3, Termination of parental rights decision - 12.3 months (average) from coming into court.
4. Adoption within 18.4 months from the time of Petition for initial wardship.

Does the legal system present a number of barriers to adoption? Not from my vantage point. The tools are there. Most judges in the nation are very conscious of the need for permanency and follow the guidelines as set forth in the Federal Law. The Federal Government and most states have set up a system whereby permanency for children can be achieved fairly and promptly if appropriate.

Is family preservation compatible with the timely termination of parental rights that is so critical in adoption cases? Yes, in my experience. Through an adequate, intensive program of prevention many families can be salvaged. If the children are at risk of harm, in my experience, they are removed, or should be, if they can't be protected by the family preservation program. Many so-called family preservation programs should be carefully scrutinized to be sure they are providing the services and the safety that we all want for the children within a family. The Families First Program (Home Builders Model) as is in force in Michigan is an excellent addition to the continuum of services. And, when that program indicates that the case should come to court - the case can move rapidly to a fair conclusion to all parties.

Respectfully submitted:

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STATEMENT PRESENTED TO THE
SUBCOMMITTEE ON HUMAN RESOURCES OF THE
U.S. HOUSE OF REPRESENTATIVES WAYS AND MEANS COMMITTEE

By:

PETER DIGRE, DIRECTOR
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
LOS ANGELES COUNTY

May 10, 1995

On behalf of the Los Angeles County Department of Children and Family Services, thank you for the opportunity to submit this statement on federal adoption and family preservation policy.

The Los Angeles County Department of Children and Family Services is a public child protection agency which, during 1994, responded to more than 165,000 reports of child abuse and neglect. Our caseload includes almost 60,000 children for whom I am responsible under the law and as a professional; my Department is the largest child protection agency in the country.

In addition to providing child protection services, my agency is also licensed by the State of California as a full-service adoption agency. We provide adoption services to the children who are unable to return to their parents' homes because of abuse and neglect; to the families who adopt them; and to birth parents who either voluntarily or involuntarily give up their children for adoption.

In addition to this responsibility, I have also administered state and county public child protection programs in several of the most populous jurisdictions in the country. Because of this experience, I believe I know as well as anyone in this country the strengths and limitations of our existing programs under PL 96-272, the Child Welfare and Adoption Assistance Act of 1980.

In January 1995, I had the privilege of testifying before the House Committee on Ways and Means, Subcommittee on Oversight, on the issue of block grants, and in particular, block grants for child welfare. My concerns then and now remain the same: if both a welfare reform block grant and a child welfare block grant are implemented, the child welfare system could be confronted with an open-ended juvenile Court mandate which would result in foster care becoming the only protective intervention available.

I continue to maintain that a block grant for child welfare which includes foster care and adoption assistance funding will eliminate options for the children we must protect and the families we are charged with rehabilitating. Because block grants are not responsive to workload and caseload demands, they will cap our resources and leave the courts and our agencies with few alternatives besides the most costly and sometimes the most misused service, that of foster care.

Your subcommittee convened to hear about adoption policies from experts in the field, wondering, in the words of Congressman Shaw, whether too many children are being "held in the limbo of foster care while waiting for permanent placements" and "waiting for their parents to be rehabilitated." I believe that California law addresses these dilemmas by providing for both expedited adoptions as well as family preservation services; that we need to be able to do both to have a full array of services to address a wide variety of needs.

We would probably all agree that children have specific needs such as food, clothing and shelter in order to grow up to be healthy adults. But the fact that all children have these basic needs does not mean that their needs are all the same.

The *National Commission on Children*, in their 1993 report, *Just the Facts: A Summary of Recent Information on America's Children and Their Families*, recommended a comprehensive, community-level approach to strengthening families, including:

> *Protecting abused and neglected children through more comprehensive child protective services, with a strong emphasis on efforts to keep children with their families or to provide permanent placement for those removed from their homes. ....when babies are abandoned at birth and when repeated attempts to reunify older children and parents have failed, the adoption process should be streamlined to expedite placement of children in permanent, stable families."*

Family Preservation

The expression "family preservation" has recently become a term used in a variety of ways, including the effort to maintain a family and prevent foster care placement; a generic approach to such an effort; and a specific program. I believe that the varied application of this term has resulted in a great deal of confusion about what child welfare programs and policy in this country are intended to do.

The United States Supreme Court has held, in effect, that raising children is a private family matter in which government should intervene only under exceptional circumstances. Furthermore, we all know as well that the family is the cornerstone of society, the basic element around which civilization is organized. Based upon this understanding, federal policies, including PL 96-272, the Child Welfare and Adoption Assistance Act of 1980, for example, require us to make efforts to prevent placements and preserve families; to make "reasonable efforts" to prevent placement of children, and this is as it should be. Our charge in public child welfare, then, is to *preserve families* whenever possible and safe for children; to balance the privacy of the family with the safety of the child.

About ten years ago, child welfare agencies developed family preservation programs which were given various titles, among them, *Families First* and *Homebuilders*. The model for these programs came to be regarded as one which was crisis intervention-oriented, of short duration and extremely intensive in nature, involving daily or more contact with the client family. These programs have resulted in successful outcomes for many families and are worthy of the acclaim they have been accorded.

In California, however, through some very creative legislation beginning in 1988, counties were allowed to use a specified amount of State funds which would otherwise be used to pay for foster care, and fund instead pilot programs which would prevent placement and preserve families. Hence, they became known as family preservation programs, and many of these programs utilized the model described above.

In Los Angeles County, on the other hand, we have a program utilizing a *family preservation approach,* and, with the approval of California's Department of Social Services, we have been implementing this program on a phased-in basis. We have based our program on community-based systems of services, known as Community Family Preservation Networks, which collaborate with us to provide an integrated, comprehensive approach to strengthening and preserving families. This approach has thus far been successful in the communities in which it operates, resulting in 30 percent fewer foster care placements, in contrast to those areas of the county without the program where the rate of foster care placements has continued to grow. Additionally, child deaths related to maltreatment have decreased in the family preservation communities two years in a row, in contrast to the recent finding of the U.S. Advisory Board on Child Abuse and Neglect that

the homicide rate of pre-school age children has reached a 40-year high; and finally, the significant costs associated with foster care placements of the children accepted for family preservation services have been avoided.

In addition to some very positive accomplishments of our family preservation program in Los Angeles County, we were able to develop and implement a program unique to our local communities. But most importantly, the guidelines of the Federal Family Preservation and Support Act, PL 103-66, were sufficiently flexible to allow us to continue with our existing Community Family Preservation Network program and planning process, and implement the Act as it addresses family support.

We do not believe that our family preservation approach or any family preservation program is for every child and every family. We insist that assuring child safety be a guiding principle and the first goal of our program. This means that some families are not appropriate for our family preservation approach: families in which child sexual abuse has occurred and families which include a psychotic parent are two examples. Preserving families when safe for children is our goal.

Family preservation, then, has several contexts. It can be a most constructive, healthy approach to preventing foster care placements and family disruption. As a program or approach, it should not be presented as a panacea for the ills of all families and it should never be used when a child's safety cannot be assured. When regarded in its appropriate context it is but one of many approaches to protecting children; one approach among a full array of services we need to address the problems of child abuse and neglect.

Expediting Permanency

In 1987, California's Juvenile Court Law underwent comprehensive reform aimed at bringing greater coordination among child abuse reporting laws, child welfare services and juvenile court proceedings. The California State Senate Select Committee on Children and Youth, chaired by then Senator Robert Presley, convened a task force comprised of legal experts, child advocates, child welfare professionals and governmental agency representatives to examine existing statutes and practices and make recommendations for changes needed to ensure the maximum protection of children at risk of abuse, neglect and exploitation.

Among the outcomes of this task force was legislation which sought to balance protections afforded to the family with the needs of the child and the ability of the family to protect the child from harm. A major centerpiece was the recognition that once court intervention is determined to be necessary, children and parents should receive appropriate legal representation, time-limited and clearly focused protective and/or reunification services; and permanency planning at the earliest possible stage for those children who cannot live safely with their families.

California law for terminating parental rights in cases where the children were adjudicated dependents of the court because of abuse and neglect was substantially modified. Formerly a separate proceeding in a different court, this proceeding became part of the regular juvenile court review process, terminating parental rights within months instead of the years this process formerly required.

Significantly, the new law also prescribed seven situations where parental rights could be terminated *without* efforts to reunify. These included, for instance, cases where parents' whereabouts remained unknown after a six month, thorough search for them; parents suffering from a mental disability and incapable of utilizing reunification services; children severely physically or sexually abused; parents convicted of causing the death of another child through abuse or neglect; and children conceived as a result of rape or incest.

Special Needs Children and Adoption Services:

These provisions have enabled public child welfare agencies in California to pursue terminations of parental rights and adoption of children, diminishing the prospect of "foster care drift" for many children.

Using these provisions, my department has succeeded in increasing the number of adoptions over the past four years, placing at least one thousand children in permanent adoptive homes each of the past three years. We have increased our efforts to reach out to potential adoptive families, initiating a *One Church, One Child* program targeting our African American communities and working cooperatively with other adoption agencies such as the Institute for Black Parenting. We have become more effective in using the adoption subsidy program, in working with local media for adoptive family recruitment, using our Title IV-E training funds to improve social work staff skills and prepare potential adoptive families, and implementing our family preservation approach to help preserve post adoptive families at risk of disruption. We look forward to even greater efforts to place the hardest to place children.

Most importantly, considerations of these processes are that they provide tools which we may use to improve the lives of children. We continue to need the latitude existing law provides to fashion interventions tailored, to the extent possible, to the presenting situations. Human behavior remains as variable as the numbers of families we deal with and one size does not fit all.

For example, the children who have suffered from the cruelest of maltreatment by their parents, such as in those situations where California law allows us to expeditiously terminate parental rights, may not be ready or able to accept new parents through adoption simply because the law allows it. Despite a belief that still prevails today, love alone does not eliminate damage done to children who have been abused and neglected.

The vast majority of the children that we place adoptively are older children. They have special needs related to prenatal drug and alcohol exposure; they have been injured both physically and psychically and have long-term treatment needs; they have serious developmental delays; they are toddlers, pre-schoolers and latency age; and they are members of sibling groups who should remain together. Nationally, according to the Child Welfare League of America, 72 percent of children awaiting adoptive placement in 1990 had one or more special needs; in California, more than 90 percent of the children placed adoptively in 1992 were special needs children.

Both the children and the families who adopt them need careful preparation for adoption. The children may need help in understanding that their birth parents will no longer visit or reunite with them. The families will need to learn how to parent a child who has been abused and to understand a child who has been mistreated by his own family. Adoption is not a one-time event, but a lifetime process. It is more than terminating parental rights, it includes virtually every facet and every aspect of family life.

Although Title IV-E provides foster care funding for children awaiting adoption and Adoption Assistance for children with special needs, adoption services in general are currently not fully funded by the federal government. Recruitment, preparation and support of adoptive families require staff and financial resources to support them from state and local jurisdictions as well.

In addition to being concerned about expeditious adoptions, Congress must ensure the continuation of financial assistance through the individual entitlements available under Title IV-E Adoption Assistance for children with special emotional, physical and developmental needs. Without these subsidies, many families could not afford the medical and therapeutic needs of these children and an expeditious termination of parental rights would lead instead to legal orphans relegated to childhood in foster care.

In my earlier testimony before the Subcommittee on Oversight, I asked that the members consider the effects of block grants of AFDC on our child welfare system and foster care in particular, especially when we consider the intimate relationship between the economic well-being and economic opportunities of families and the reporting of child abuse and neglect. Needless to say, I still maintain that this relationship exists and that the combination of a welfare reform block grant and a child welfare block grant would result in countless numbers of children entering the foster care system, while only having a capped block grant to pay for their care.

Congress cannot afford to block grant the Adoption Assistance program and the Foster Care program. Like the relationship between AFDC block grants and child welfare block grants, block granting both or even only one of these programs will result in a "bottle-neck" in the other. Block granting both will result in a monolithic foster care system with a large entry and no exit.

Child welfare programs instead represent a continuum, a system of care and services which demands basic national standards such as those contained in existing law. These systems and services must accommodate a full range of programs to meet varied needs of children of all ages and families in trouble. They need the high level of flexibility already available under current law, as I have illustrated in describing our adoption program and our family preservation approach; and they need uniform national standards. Most significantly, they need the ability to respond to increased, urgent demands for services based upon a funding formula which is caseload driven so that resources increase with need.

Recommendations for Needed Reforms:

Family preservation and adoption are not oppositional within the child welfare services continuum. Instead, they complement each other by providing resources for children in differing situations. While we should begin by accepting the concept that families should be preserved, our first obligation remains that of child safety.

Within this context, I would suggest the following reforms for your consideration.

- First, eligibility for federal participation in foster care and adoption assistance payments should not be contingent on eligibility for cash payments under AFDC. Whether or not a parent meets the technical qualifications for AFDC is irrelevant to a child's need for protection from abuse, or his or her need for an adoption subsidy. This eligibility determination is, in fact, an example of a bureaucratic procedure that wastes administrative resources. In my capacity as an administrator of this program, I am required to intercede on behalf of any abused or neglected child. These eligibility determinations do not enhance my ability to protect children or place them for adoption, and merely require an expenditure of dollars that could be better used for direct services to children. State and local governments will realize substantial savings from their elimination. This change can be made cost-neutral to the federal government by changing the federal-state sharing ratio.

- Second, state and local governments should be permitted to spend a portion of the money allocated to them to pay for out-of-home care for early intervention programs. In California, counties are permitted to reallocate placement dollars to family preservation services. This ultimately results in cost savings for all levels of government as well as improved services to children and families.

- Although I know that this idea may be currently unfashionable, performance standards for child protection that relate to health and safety should be strengthened. States should be required to meet certain minimal safety and protection standards for children in their care.

- Finally, we would support federal standards for expeditious adoptions such as those contained in California law. This is an appropriate federal role and would assure consistency from state-to-state and for all children in this country in need of such intervention.

In conclusion, I want to thank you again for giving me the opportunity to offer my statement to you on this most critical issue. You have it in your power to strengthen our nation's ability to protect children. I am in awe of the magnitude of the decisions you must make since they will affect the lives, health and safety of millions of children. These decisions will profoundly affect my ability and that of my colleagues to carry out our responsibility to protect children from harm.

STATEMENT OF THE MARYLAND FOSTER CARE REVIEW BOARD

TO THE UNITED STATES HOUSE WAYS AND MEANS
SUBCOMMITTEE ON HUMAN RESOURCES

REGARDING FEDERAL ADOPTION POLICY

May 10, 1995

There are 63 local citizen review boards, appointed by the Governor, operating in Maryland to protect children from the dangers of lingering in foster care and to promote the expeditious placement of these children in permanent homes. Nearly 400 citizens volunteer to attend monthly meetings in which they review about 1,000 children's cases per month. In addition, board members advocate at both the local and State levels for reforms in law, administration, and court process which will facilitate permanence. A fuller description of the Maryland citizen review program is attached.

The deep involvement of 400 citizens in Maryland's foster care program provides a massive dose of common sense which cuts through rhetoric and bureaucratic smoke screens in order to assure that programs actually work as intended. Our board members include educators, foster and adoptive parents, mental health professionals, social workers, and former foster children. We develop both case and policy recommendations based on real-life background knowledge, program knowledge gained through conducting many reviews, and training provided by our staff. We are independent, and our only concern is the best interests of children.

Good Family Preservation Programs Do Work

We have been the earliest and principal advocates for both family preservation programs and for expediting adoption for children waiting in foster care.

We have seen evidence that "even families that have abused or neglected their children . . . can recover enough to provide a safe environment for their children if parents are provided intense assistance. . . ." We have worked with the legislative and executive branches in Maryland to fund family preservation adequately and to fashion reasonable policies for its implementation. After implementation of interagency family preservation program and of the *Families Now!* program in the Department of Human Resources, we have seen the number of children entering foster care fall (see attached charts).

Because of the urgent need of the child for a permanent family situation, family preservation should be of limited duration. The critics who argue that *some* "social workers and courts go too far to preserve the rights of biological parents" are 100 percent correct. However, it is not true that "the upshot [of family preservation policy] is . . . a number of barriers to adoption." All the barriers to adoption have been in place for decades.

[NOTE: All charts are from the Families Now Annual Report, FY1994, Maryland Department of Human Resources]

The struggle should not be between advocates of family preservation and advocates of adoption. The struggle is to achieve good practice in children's best interests rather than bureaucratic, legalistic delay.

Our philosophy is that permanency is the child's moral right. In our view, family preservation is the *child's right.* A parent who has abused or neglected a child should have right to due process, but the ultimate, permanent placement of the child should turn on the child's best interests. Likewise, adoption is the child's moral right. There can be no rigid rules such as: after 18 months in foster care, the child should be adopted. What about an older child who treasures her ties to her parent who is incarcerated for 30 months? If common sense reigns and not ideology, it is immediately apparent that decisions must be made on a case-by-case basis. The difficult part of social work and legal practice is weighing all the factors which bear on the question: *what really is in the child's best interests*?

Until we have better-trained social workers, better child welfare management (including modern computer systems), lower caseloads, and judges who have knowledge of and interest in family law, practice will be less than excellent.

Barriers to Adoption

We see many instances in which caseworkers hold on to the goal of family reunification too long. Part of the problem is the *lack of family preservation services (FPS).* As stated above, FPS should usually be intense and of limited duration. In the foster care system, it is rare that reunification efforts are intense. Because agencies know in many cases that they have not provided required reunification services to the parents, they are reluctant to move forward with adoption.

There are many other reasons why the plan of reunification continues too long:
- poor training of caseworkers
- rigid thinking
- lack of adequate supervision and management systems
- avoidance of responsibility for making a grave decision
- high caseloads or other barriers to preparing the necessary and voluminous paperwork involved with adoption.

The second major barrier to adoption is that child welfare agencies may lack access to the legal representation resources needed to pursue a case of termination of parental rights (TPR). While federal and state governments consider foster care maintenance payments an entitlement, essential legal representation resources for agencies, parents, and children are usually under-funded.

A very important barrier is judicial practice. Judges should be using the federally-mandated court reviews to impart a sense of urgency to permanency planning decision-making. Instead, in all too many cases, judges are content to continue foster care and let cases drag on with docketing delays and continuances. This practice avoids getting any adults angry: the parents are mollified, the agency is relieved not to have deadlines, the child's attorney is too overwhelmed with cases to notice, and the child is utterly powerless.

Reasons why courts fall into this pattern include:
- they are overwhelmed with cases
- they do not understand the urgency of the child's need for permanence
- court data systems are antiquated.

In Maryland a further confounding factor is that two different courts handle foster care and TPR cases.

An overarching judicial barrier to adoption lies in our legacy of common and Constitutional law. The Supreme Court has ruled very clearly that parents have a right to rear their children. State interference with this right is permitted in the child's best interest; however, termination of parental rights requires clear and convincing evidence and is considered a drastic step.

The child has no countervailing rights at the Constitutional level. The Court ruled in *Santosky vs. Kramer* that a TPR case is between the State and the parents and the child's rights are not at issue. The parents' rights must be respected in a TPR case without question. Judges tolerate no doubt about efforts to locate missing parents and bend over backwards to assure them due process. The child's right to a safe, stable home is only statutory.

Furthermore, Court workloads conspire against children stuck in foster care. Accused criminals have a Constitutional right to speedy trial. Through statue, this right is operationalized through a 180-day time limit. The child has no comparable right to a speedy or urgent resolution of custody dispute.

If Congress truly wants to alleviate barriers to adoption, it needs to consider a Constitutional amendment such as the following:

> In any legal proceeding involving custody or placement, the child's need for safety, stability, and continuity of relationships shall be given due consideration and the child's right to urgent resolution of the matter shall be respected. States and federal courts shall adapt judicial procedures accordingly.
>
> The Congress shall have power to enforce this article by appropriate legislation.

This proposed amendment does not seek to elevate the child's rights above the parents', but only to create an equality of rights. In the present situation, children's interests are subordinated not only to their parents but to accused criminals and other with a higher claim on scarce court time.

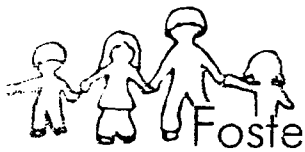
Citizen Review Expedites Adoption

In Maryland, we citizen reviewers have improved the adoption process through case advocacy, administrative reform, and legislation.

In 1986, departments of social services took an average of 30 months after a child entered foster care to make the decision to change the permanency plan to adoption. In

1994, this figure has fallen to 22 months. We believe the figure should be 12 months and are working hard to achieve further reductions.

In 1987, 265 children in foster care were adopted. They had been in foster care an average of 69 months. In 1994, 378 children were adopted after an average stay in foster care of 42 months. We are not satisfied, but we know we made a difference for almost 400 children in one year.



Foster Care Review Board

MARYLAND'S FCRB PROGRAM

Sixty-three (63) local review boards, each with seven members appointed by the Governor, form the citizen review network in Maryland. Ten of the 11 members of the statewide governing board are elected from among the local review board members on a regional basis. Funding and certain administrative supports come from the Department of Human Resources, the statewide umbrella agency for social services.

With all the burdens on the judicial and foster care systems, it is all too easy for the complex work of family reunification, adoption, and preparation for independent living to be overlooked. Citizen review assures that permanency receives its share of time and attention and offers the following advantages:

Increased achievement of permanency plans and reduced length of stay

- Computerized database enables the most sophisticated statistical analysis available on Maryland foster children. Examples are attached; more detailed information is available upon request.
- Four out of five Maryland children who leave foster care return to parents, are placed with relatives who assume legal responsibility, or are adopted. Fewer than one in five re-enter foster care within 18 months of leaving placement. Before the implementation of review boards, these statistics could not even be measured.
- Since inception of FCRB, average length of stay has been reduced from over four years to slightly over two years, even in very difficult circumstances created by increasing unemployment, poverty, family violence, and substance abuse.
- Following initiation of our structured monitoring procedure and legal reforms, the number of foster children adopted rose 50% and the average time from entry into foster care to adoption fell from 69 to 38 months.
- ***An increase in the average length of stay of <u>one month</u> increases total foster care costs by $5 million, five times the FCRB budget.***

An efficient process which promotes compliance with federal IV-B mandates for periodic case review.

- About 1,000 reviews are conducted each month at a cost of less than $80 each.

MARYLAND CITIZEN BOARD FOR REVIEW OF FOSTER CARE OF CHILDREN
311 West Saratoga Street, 1st. Floor • Baltimore, Maryland 21201-3521 • (410) 767-7794

- Staff productivity (measured as reviews per inflation-adjusted dollar) increased by 60% between fiscal years 1989 and 1995.

An objective, credible case review system with a clear focus on permanence

- Citizens undergo intensive two-day initial training plus on-going training.
- Citizens hold social services workers accountable for setting appropriate permanency goals for children and actively working to achieve those goals.
- Citizens hold courts, legal agencies, placement agencies, and other community service agencies accountable for meeting the needs of children and families.
- FCRB establishes a grassroots network of citizens who know and care about vulnerable children and who help to build community support for child welfare programs. Nearly 400 citizen reviewers contribute over 20,000 hours per year.

Effective child and family advocacy

- Citizen board members across the State have working relationships with cabinet secretaries and legislators in leadership and on key committees. Citizens are viewed as impartial and believable.
- FCRB provides leadership on key issues such as:
  - ◆ inter-departmental coordination and pooled funding,
  - ◆ legal representation for parties in foster care cases,
  - ◆ family preservation,
  - ◆ foster care,
  - ◆ termination of parental rights and adoption.

  FCRB initiated or supported many landmark bills and follows up to assure implementation.
- FCRB successfully supported numerous budget requests for social services and judicial personnel. In 1981, we initiated a doubling of the adoption program staff. We led the fight for 122 new casework staff to reduce caseloads in 1992 and 50 new staff in 1995.
- Citizen board members and FCRB staff founded the Maryland Friends of Foster Children Foundation.

For more information, contact Charlie Cooper, (410) 767-7781.

Children Entering Foster Care
FY 1988 - 1994

- *Since FY 1987, entries into foster care have increased dramatically across the country, most notably in large urban areas.*

- *Given national trends in the foster care population, one would have expected an accelerated rate of growth in the number of foster care entries in Maryland.*

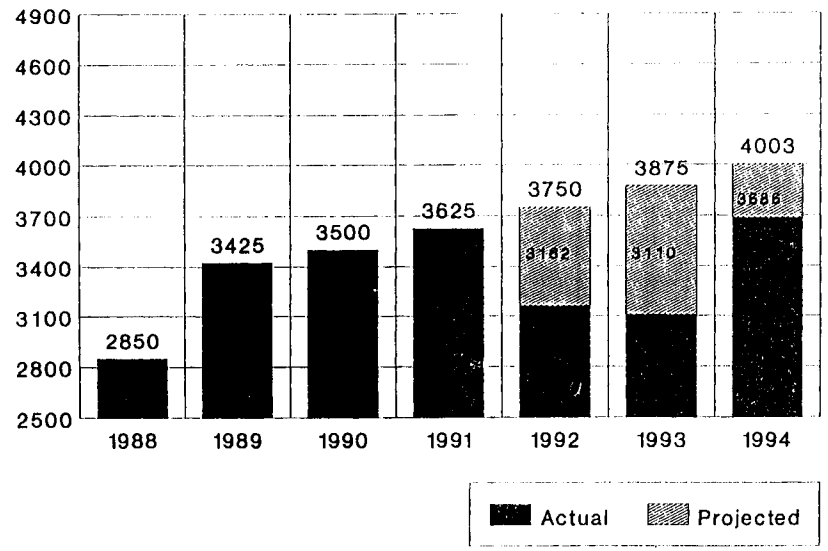
- *Entries into foster care did increase steadily from FY 1988 through FY 1991, especially in Baltimore City.*

- *In FY 1992 and FY 1993, the first two years of FN implementation, however, we saw significant decreases in entries into foster care.*

- *The number of entries into foster care in FY 1994 was 317 children below the earlier projection based on the previous rate of growth.*

- *The difference between actual and projected entries would have been even greater if relative caregivers were not applying to become approved foster parents in ever increasing numbers. Conversion of those children from Services to Extended Families with Children to Foster Care status has artificially inflated the growth in both foster care entries and the total paid Foster Care population. (See pages 15-16)*

Children Entering Foster Care
Fiscal 1988-1994



Source: '93 FN Status Report (FY88-93); 7/94 AMF/CIS (94)

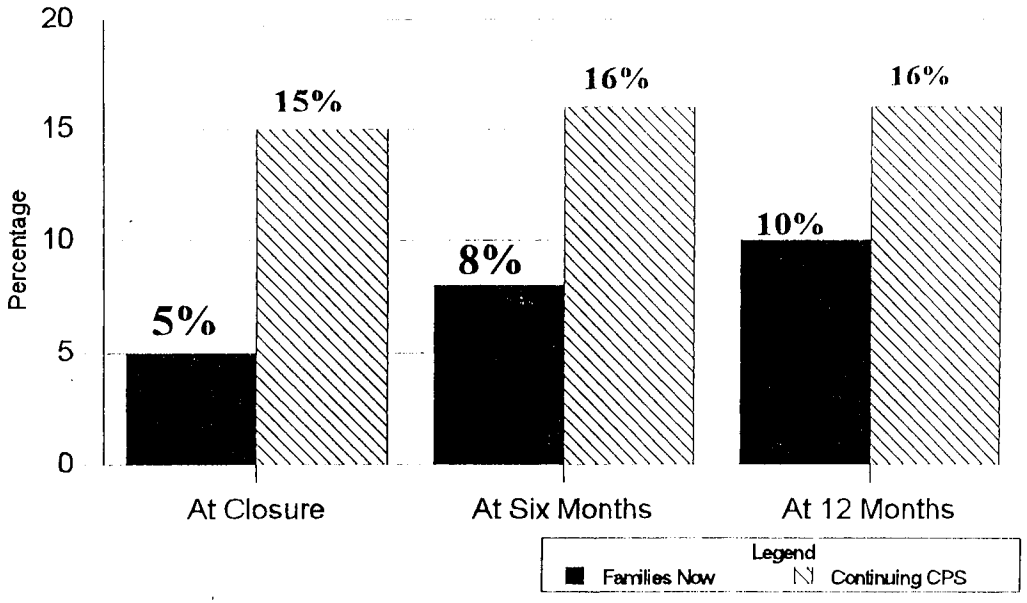
Foster Care Placements After CPS Versus Families Now Services

- *Families whose children are at greatest risk of out-of-home placement receive services through Families Now.*
- *Those served through Continuing Child Protective Services have a lesser degree of risk.*
- *One would expect a higher out-of-home placement rate among families served through Families Now.*
- *This figure compares foster care placement outcomes for children who received services and were closed during FY 1993 by Families Now and by Continuing Child Protective Services.*
- *The placement rate was significantly higher for children served in Continuing CPS for each of the three points in time which were examined.*

	Families Now Levels I - III	Continuing Child Protective Services
Total Children Served	1,311	8,563
Placed at Closure	72 (5%)	1,316 (15%)
Placed at 6th Month	101 (8%)	1,334 (16%)
Placed at 12th Month	134 (10%)	1,393 (16%)

Foster Care Placements

After CPS versus Families Now Service



SOURCE: PK Outcome Data, AMF/CIS 10/94

THE NATIONAL ASSOCIATION OF FOSTER CARE REVIEWERS

CITIZEN REVIEW = EXPEDITED ADOPTIONS

HONORABLE CONGRESSPEOPLE:

I AM CORINNE DRIVER, UNSALARIED EXECUTIVE DIRECTOR OF THE NATIONAL ASSOCIATION OF FOSTER CARE REVIEWERS. THIS TESTIMONY RECOMMENDS THAT FEDERAL LAW AND STATE'S ADOPTION PRACTICES SHOULD INCORPORATE PERIODIC CITIZEN REVIEW OF ALL CHILDREN WHO HAVE BEEN IN PLACEMENT FOR MORE THAN SIX MONTHS.

TO REQUIRE CITIZEN REVIEW IS TO ACKNOWLEDGE SHARED RESPONSIBILITY BETWEEN GOVERNMENT AND CITIZENS. IT RECOGNIZES VOLUNTEER POWER AS A PERSONNEL RESOURCE AND IT ACKNOWLEDGES CITIZEN REVIEW AS A COST EFFECTIVE MECHANISM WHICH HAS BEEN PROVEN IN MANY STATES TO SAVE FOSTER CARE DOLLARS.

THIS TESTIMONY RECOMMENDS THAT CITIZENS SHOULD BE ALLOWED TO WORK AND VOLUNTEER ON BEHALF OF THE CHILDREN THEIR TAX DOLLARS SUPPORT AND TO HELP EXPEDITE THOSE CHILDREN OUT OF THE TAX SUPPORTED SYSTEM EITHER BACK HOME OR INTO AN ADOPTIVE SETTING. STUDIES HAVE PROVEN THAT MORE CHILDREN IN PLACEMENT ARE ADOPTED AND MORE CHILDREN ARE ADOPTED SOONER WHEN THEY ARE REVIEWED PERIODICALLY BY CITIZEN REVIEW BOARDS.

CITIZEN REVIEW OF CHILDREN IN PLACEMENT
IS AN EXISTING
DEDICATED VOLUNTEER EFFORT
PROVEN TO BE A
COST EFFECTIVE ACCOUNTABILITY MECHANISM
THAT SAVES STATES FOSTER CARE DOLLARS.

STUDIES PROVE THAT CITIZEN REVIEW BOARDS EXPEDITE ADOPTIONS.

OFTEN, CHILDREN LANGUISH IN FOSTER CARE BECAUSE THEY HAVE TO WAIT FOR THEIR PARENTS TO BEHAVE IN SPECIFIC WAYS, SPELLED OUT IN THE CASE PLAN OR COURT ORDER. MANY TIMES REALITY AND THE BEST INTEREST OF THOSE CHILDREN REQUIRES A CHANGE OF GOAL FROM FAMILY REUNIFICATION TO ADOPTION. CITIZEN REVIEW BOARDS OFTEN FORCE THIS ISSUE, PARTICULARLY WHERE AGENCY POLICY ACTS AS A RESTRAINT, FOR EXAMPLE THAT CASEWORKERS SHOULD NOT CONSIDER ADOPTION WITHOUT GREAT EFFORT TOWARD REUNIFICATION, EVEN IF, FOR EXAMPLE, ALL SIBLINGS HAVE BEEN REMOVED FROM A HOME WITH A LONG HISTORY OF DYSFUNCTION.

JUDGES AS WELL AS CASEWORKERS ARE NUDGED OR FEEL MORE

COMFORTABLE IN GRANTING TERMINATION OF PARENTAL RIGHTS WHEN THEY KNOW THAT FIVE CITIZENS, AFTER MUCH DELIBERATION, RECOMMEND ADOPTION TO BE IN THE BEST INTEREST OF THE CHILD. THOSE RECOMMENDATIONS BECOME PART OF THE COURT RECORD AND ARE USED AS DOCUMENTATION IN MANY TERMINATION OF PARENTAL RIGHTS (TPR) ACTIONS.

CITIZEN REVIEWERS VOLUNTEER ON BEHALF OF THE BEST INTEREST OF THE CHILD AND IN THE BELIEF THAT EVERY CHILD SHOULD GROW UP IN A SAFE, PERMANENT HOME. REFRESHINGLY, BECAUSE THEY ARE INDEPENDENTLY APPOINTED, USUALLY BY THE COURT, REVIEWERS ARE FREE TO MAKE RECOMMENDATIONS ON BEHALF OF CHILDREN WITHOUT CONCERN OF ALIENATING A SUPERVISOR OR BEING OVERTURNED BY AN APPELLATE COURT. THE SOCIO-ECONOMIC, CULTURAL AND ETHNIC MAKE UP OF REVIEW BOARDS, AND THE INTENSE FOCUS ON THE BEST INTEREST OF THE CHILD HAVE WORKED REMARKABLY IN CITIZEN REVIEWS. THE MIX IS PARTICULARLY HELPFUL IN CASES WHERE LENGTH OF TIME IN CARE AND POOR CASE PROGRESS MAKE IT CLEAR THE BOARDS DELIBERATIONS SHOULD FOCUS ON CHANGING A CASE GOAL TO CUSTODIAL KINSHIP CARE OR ADOPTION. SUCH RECOMMENDATIONS DO NOT COME LIGHTLY BUT THEY HAVE RESULTED IN MANY CASEWORKERS ACKNOWLEDGING THAT IT IS TIME TO LOOK TOWARD ADOPTION. MANY CHILDREN ARE ADOPTED NOW BECAUSE OF THE URGING OF CITIZEN REVIEW BOARDS.

EVEN WHEN A REVIEW BOARD RECOMMENDATION IS IGNORED AT FIRST, THE FACT THAT A REVIEW BOARD AT SUBSEQUENT REVIEWS CONSISTENTLY RECOMMENDS ADOPTION FOR A CHILD, HAS PROVEN TO ADD REINFORCEMENT TO GET THE ADOPTION PROCESS MOVING BY BOTH CASEWORKERS AND JUDGES.

CITIZEN REVIEW IMPACTS THE ADOPTION SYSTEM AND EXPEDITES ADOPTIONS.

EXAMPLES

※※ THREE SEPARATE NEBRASKA STUDIES DOCUMENTED THAT CHILDREN MONITORED BY REVIEW BOARDS WERE NEARLY TWICE AS LIKELY TO ACHIEVE ADOPTION THAN CHILDREN WITHOUT CITIZEN REVIEW BOARDS!

CITIZEN REVIEWERS GENERATE PRESSURE TO ACHIEVE THE ADOPTION.

※※ A KANSAS STUDY INDICATED THAT COURT CONTINENCES OF CASES FOR CHILDREN WITH CITIZEN REVIEW BOARDS WERE REDUCED BY TWO THIRDS!

JUDGES HAVE PROVEN SENSITIVE TO THE FACT THAT REVIEW BOARDS IN EFFECT WATCH JUDGES' RULINGS. JUDGES KNOW THAT REVIEWERS

ARE KEENLY AWARE OF THE COURT DELAYS EXPERIENCED BY THE CHILDREN THEY REVIEW, OFTEN DELAYS CAUSED BY THE COURTS. CITIZEN REVIEW BOARD INTERACTION WITH THE ADOPTION SYSTEM IS DEMONSTRATED BY CITIZEN REVIEW ANNUAL REPORTS. (Reports are not appended with this testimony but I will be glad to forward any annual reports you request.)

I RESPECTFULLY URGE THE WAYS AND MEANS COMMITTEE TO **RECOGNIZE** THE VALUE OF **CITIZEN REVIEW AS IT RELATES TO ADOPTION BY REQUIRING EACH STATE TO CREATE INDEPENDENT CITIZEN REVIEW BOARDS TO REVIEW ALL CHILDREN WHO HAVE BEEN IN PLACEMENT FOR LONGER THAN SIX MONTHS.** REVIEW BOARDS SHOULD REVIEW PERIODICALLY, ALL CHILDREN FOR WHOM THE GOAL IS ADOPTION TO MONITOR THE PROGRESS TOWARD FINALIZATION. REVIEW BOARDS SHOULD REVIEW PERIODICALLY, ALL CHILDREN WHO HAVE BEEN IN PLACEMENT FOR MORE THAN SIX MONTHS TO DETERMINE IF THE GOAL SHOULD BE CHANGED TO ADOPTION.

THE SOCIAL SERVICE SYSTEM AND THE COURTS, BY HOARDING RESPONSIBILITY FOR CHILDREN REMOVED FROM THEIR HOMES, HAVE INADVERTENTLY REMOVED SOCIAL RESPONSIBILITY AND CONSCIENCE FROM THE TAXPAYING CITIZEN.

WHEN THE STATE ASSUMES THE ROLE OF PARENT, TAXPAYING CITIZENS BECOME PARENTS BY PROXY. THIS FACT MAKES CITIZEN REVIEW OF CHILDREN IN PLACEMENT A TAXPAYER'S PEROGATIVE AND SHOULD BE AS BASIC AS PAYING TAXES. CITIZENS SHOULD BE ALLOWED TO HELP OTHER CITIZENS. BY PAYING TAXES CITIZENS DO NOT ABDICATE TO TAX SUPPORTED PUBLIC SYSTEMS, PERSONAL RESPONSIBILITY FOR THEIR COMMUNITY AND THEIR NEIGHBORS.

GOVERNMENT IN ROLE OF PARENT SHOULD NOT CONFINE DECISIONS FOR A CHILD TO A CASEWORKER, A SUPERVISOR AND A JUDGE. STATES OWE WAITING CHILDREN THE INVOLVEMENT OF CARING CITIZENS WHO CAN BRIDGE PUBLIC SYSTEMS, AND, IF NECESSARY, BRING PRESSURE TO BEAR ON BUREAUCRATIC POLICIES AND TIMID DECISION MAKERS.

CAPITALIZE ON CITIZEN REVIEW BOARD DATA BY USING IT AS A BASE OF INFORMATION FOR CITIZEN REVIEW PANELS AS DEFINED IN HR.4.

I FURTHER URGE YOU TO LINK REVIEW BOARDS FOR CHILDREN IN PLACEMENT TO THE CITIZEN REVIEW PANELS IN HR4. WHAT BETTER WAY TO ASSURE THAT STATE CITIZEN REVIEW PANELS HAVE UNBIASED DATA THAN ASSURING THAT THE DATA COLLECTED BY INDEPENDENT CITIZEN REVIEW BOARDS IS UTILIZED AS A BASE OF INFORMATION FOR THE STATE CITIZEN REVIEW PANELS WHO ARE CHARGED TO

THE NATIONAL ASSOCIATION OF FOSTER CARE REVIEWERS

EXAMINE AND REPORT ON STATE'S CHILD PROTECTION ACHIEVEMENTS.

CITIZEN REVIEW EXISTS IN SOME FORM IN OVER HALF THE STATES.

WHEREVER IT EXISTS **CITIZEN REVIEW IS COST EFFECTIVE, POWERED 90% BY VOLUNTEER EFFORT** AND SUPPORTED BY SMALL DEDICATED STAFFS.

INDEPENDENCE FROM VESTED INTEREST IS AXIOMATIC TO EFFECTIVE CITIZEN REVIEW.

THE FACT THAT CITIZEN REVIEWERS HAVE BEEN APPOINTED BY A COURT OR SOMEONE OUTSIDE THE REVIEWED AGENCY AND ARE NOT BEHOLDEN TO ANYONE IN THE SYSTEM, AND THE FACT THAT THEY DO NOT RECEIVE A PAY CHECK GIVES REVIEW BOARDS TREMENDOUS CLOUT AS A PRESSURE ON THE SYSTEM.

SOME BASIC ELEMENTS ARE NECESSARY TO CAPITALIZE ON VOLUNTEER POWER WHETHER IT IS FUND RAISING FOR THE ALMA MATER OR SELLING GIRL SCOUT COOKIES. CITIZEN REVIEW BOARDS ARE NO EXCEPTION. THE BASICS ARE:

GOOD RECRUITMENT
GOOD TRAINING
GOOD LEADERSHIP
HIGH STANDARDS
QUALITY CONTROL
ADEQUATE, APPROPRIATE STAFF

IF THEY ARE TO BE EFFECTIVE, CITIZEN REVIEW BOARDS MUST BE SUPPORTED BY STAFF WHO ARE FREE FROM CONTROLS FROM WITHIN THE SYSTEM, ARE RESPONSIBLE TO THE REVIEW BOARDS AND HAVE ENOUGH RESOURCES CARRY OUT THEIR MISSION.

HOW IS IT POSSIBLE TO REVIEW 450,000 CHILDREN?
WHAT WILL IT COST?

IN 1992, 3,500 VOLUNTEERS REVIEWED 50,000 CHILDREN.

THERE HAS NOT BEEN A RECENT SURVEY BUT MORE STATES HAVE ENACTED CITIZEN REVIEW BOARD LEGISLATION SINCE THAT TIME.

NO STATE THAT REVIEWS EVERY FOSTER CHILD, HAS AN ANNUAL BUDGET OVER $1,250,000.

FINANCIAL IMPLICATIONS

IT IS ANTICIPATED THAT MOST STATES WILL EFFECTIVELY

THE NATIONAL ASSOCIATION OF FOSTER CARE REVIEWERS

IMPLEMENT AND MAINTAIN A CITIZEN REVIEW BOARD SYSTEM, INCLUDING STATE PANELS CALLED FOR IN HR4, FOR UNDER $1,500,000. THE COST TO THE LARGEST STATES WITH CHILD WELFARE POPULATIONS UPWARDS OF FORTY THOUSAND COULD BE AS MUCH AS $5,000,000. THE VALUE OF VOLUNTEER HOURS DONATED WILL FAR EXCEED THESE FIGURES. AS DOCUMENTED IN SOME STATES WITH CITIZEN REVIEW SYSTEMS, STATES WILL SAVE MILLIONS OF DOLLARS IN REDUCED COURT TIME, REDUCED SIZE OF THE FOSTER CARE CASELOAD, AND INCREASED EFFECTIVENESS IN CASE PLANNING AND SERVICE DELIVERY.

A FEDERAL ALLOCATION OF NO MORE THAN $5,000,000 TO AN INDEPENDENT NATIONAL ORGANIZATION WILL ASSURE LEADERSHIP, QUALITY CONTROL AND DATA COLLECTION. DATA COLLECTED BY REVIEW BOARDS WILL BE THE BASIS FOR CITIZEN REVIEW PANEL PUBLIC REPORTS AND WILL PROVIDE IMPORTANT, UNBIASED DOCUMENTATION REGARDING THE MOVEMENT OF CHILDREN THROUGH THE ADOPTION SYSTEM.

I URGE YOU TO ENACT LEGISLATION THAT WILL HELP CHILDREN GET ADOPTED MORE EXPEDITIOUSLY BY REQUIRING STATES TO ESTABLISH CITIZEN REVIEW BOARDS THAT WILL REVIEW PERIODICALLY ALL CHILDREN WHO HAVE BEEN IN PLACEMENT FOR SIX MONTHS.

LET CITIZENS HELP EXPEDITE ADOPTIONS.

Statement Submitted By The

NATIONAL ASSOCIATION OF SOCIAL WORKERS

Social Work Practice and Child Welfare Services:
Family Preservation, Foster Care, Adoption Services

On behalf of the National Association of Social Workers (NASW) and its 155,000 members, I would like to thank Chairman E. Clay Shaw, Jr., and the members of the Subcommittee on Human Resources of the Committee on Ways and Means for the opportunity to submit a written statement for consideration by the Subcommittee and for inclusion in the printed record of the hearing. NASW, the world's largest professional social work organization, is most pleased with the Chairman's interest in family programs that produce good results for our nation's children.

Introduction

Child welfare services are among the nation's most important social service programs for children and families. These services include family support programs that provide prevention and treatment services for abused and neglected children, foster care, family preservation, and adoption services. Child welfare services and each of its component service programs need to be delivered by staff members with the necessary educational qualifications, experience and in-service training. Service provision can only be effective when service providers possess the necessary academic training, knowledge, skills, and experience, and thus, are competent to handle complex situations and determine appropriate interventions that maximize positive outcomes for children and their families.

NASW Position

The National Association of Social Workers contends that a baccalaureate or graduate degree from a social work program accredited by the Council on Social Work Education is a prerequisite to the provision of effective child welfare services. A number of research studies (Lieberman, Hornby, and Russell, 1988; Booz-Allen and Hamilton, Inc., 1987; Teare, 1987) provide evidence that supports the value of social work training for child welfare practice. Despite such evidence, two studies (Lieberman, et al., 1988; Shyne and Schroeder, 1978), conducted ten years apart, found that only 28 percent of the child welfare staff had a bachelor of social work degree (15 percent) or a master of social work degree (13 percent). Both studies indicate that little progress has been made in the past 2 decades in professionalizing child welfare services. Thus, *service provision that is characterized as "social work practice" is often provided by someone other than a professionally trained social worker*.

The lack of trained social workers has implications for service quality. This is particularly the case when specialized expertise is indicated. The more highly educated, more skilled, and experienced social worker should conduct the assessment and handle difficult and complex situations (e.g., *the decision to preserve or terminate parental rights*). The less highly trained professional (i.e., a social worker with a bachelor of social work [BSW] degree) should perform more routine tasks under supervision. In either case, without the appropriate social work credentials and experience, the competency of the provider and his/her concomitant decisions and actions are subject to question.

An additional barrier to the recruitment and retention of professionally trained staff has resulted from the recent passage of H.R. 4, the Child Protection Block Grant. H.R.4 eliminates the existing Child Welfare Training Programs under Titles IV-E and IV-B of the Social Security Act. Schools of social work are key providers of Child Welfare Training under Titles IV-E and Title IV-B. Title IV-E funds have assisted schools in delivering training and research services to public agencies. Training is given to staff in foster care, adoption assistance, and independent living programs. Agencies have used Title IV-E funds to provide their workers with stipends to attend schools of social work for further education and training. There is an inherent contradiction between the desired service outcomes and the elimination of training programs that build the skills and qualifications of child welfare service providers.

Legislative Mandates and Family Preservation Services

The Adoption Assistance and Child Welfare Reform Act of 1980 (P.L. 96-272) mandates that a number of program reforms be implemented in child welfare, including "earnest and persistent efforts" to provide children with preventive services before they are placed. Societal intervention into the parent-child relationship is an extremely serious action, which should be pursued only when the child's right to a safe, secure, and nurturing home is seriously threatened. Services should be provided with sensitivity, professional skill, regard for the legal rights of the parties involved, and a sense of the limitations and potential outcomes of such an intervention. The termination of parental rights, whether voluntary or involuntary, should never be undertaken lightly. Providing the family preservation services necessary under this act requires supervisors with a master of social work degree and a high proportion of professionally trained workers.

Enactment of a new Subpart 2 to Title IV-B of the Social Security Act (Omnibus Budget Reconciliation Act of 1993) places additional emphasis on (1) preventing the unnecessary separation of children from their families; (2) improving the quality of care and services to children and their families; and (3) ensuring permanency for children through reunification with parents, through adoption, or through another permanent living arrangement. States are provided with new federal dollars for preventive services (family support services) and services to families at risk or in crisis (family preservation services). In complying with the law, family preservation services are designed and implemented to help families alleviate crises

that might lead to out-of-home placement of children, maintain the safety of children in their own homes, support families preparing to reunify or adopt, and assist families in obtaining services and other supports necessary to address their multiple needs in a culturally sensitive manner. Nonetheless, if a child cannot be protected from harm without placement, or the family does not have adequate strengths on which to build, family preservation services are not appropriate. Once again, the knowledge, skills, and experience of the service provider is crucial in making this determination.

The evaluative research on family preservation programs consistently reports success on a limited number of measures, such as preventing the placement of children and short-term improvement in family functioning (Bath and Haapala, 1993). Despite the equivocal evidence of long-term effectiveness, family preservation services are currently believed to be a cost-effective alternative to many children's institutionalization or foster care placement. The projected state savings of successful family-based services are estimated to be $27,000 in foster care placement and administrative costs alone (Daro, 1988). And again, the legislation requires that child welfare and social service agencies provide permanent homes or use the least restrictive settings for children and encourages the use of family preservation programs.

Demographics of the Foster Care Population and the Adoption of Children

Finally, in considering the demographics of the foster care population and the adoption of children in out-of home placements, the case can be made that the preponderance of children in "limbo" in the foster care system are older, multi-problem children, and thus, are more challenging to place as they are deemed "undesirable". It is the characteristics of these children that result in protracted placements in the foster care system rather than the implementation of family preservation services and the failure of social workers and courts to terminate parental rights.

Detailed information on children in out-of home placements is currently limited. Estimates of the number of children in foster care are primarily based on data collected through the American Public Welfare Association's Voluntary Cooperative Information System (VCIS), which was established in 1982. Most states have cooperated with this voluntary data collection system. Despite certain limitations in the data, the VCIS provides a rough estimate of national trends.

The American Public Welfare Association (1993) estimated that in 1992 there were 442,000 children in out-of home care, up from 280,000 children in 1986. In 1990, approximately 119,000 children were adopted in the United States (Flango & Flango, 1993), and *each year there are approximately 20,000 children in foster care who are free for adoption but are awaiting adoptive placement* (Tatara, 1993). From 1982 to 1988 about one-fifth (20 percent) of the children in foster care had one or more disabling conditions (Tatara and Pettiford, 1990). In 1990, approximately 30 percent of the foster care population was between the ages of 13 and 18 years (Tatara, 1993).

Summary

> "The child welfare service system is an amalgam of programs. The outcomes of efforts to prevent out-of-home placements, to reunify families, and to provide long-term care all depend on the quality of programs that have previously worked with children. Each program must work if the other programs are to do what they are intended for. If older children in the child welfare system are not adopted or able to stay adopted, then the rationale for moving quickly to terminate the rights of birth parents (after a determination that children cannot go home) is weakened. Indeed, even the pressure to leave children in or return them to unsafe birth families is intensified when permanent adoptive homes are unavailable..." (Barth in NASW Social Work Encyclopedia, 19th Edition, p.57).

Before a rational assessment of the federal adoption policy can be undertaken and subsequent changes are made to this policy, assurance must be given to the provision of quality services. The only way an objective analysis of these services can be conducted is with the full employment of competent professional social workers as providers of child welfare services. Only then can we provide the continuum of coordinated and integrated, culturally relevant, child-centered, family-focused services that the nation's children and families deserve.

Again, the National Association of Social Workers would like to thank the Subcommittee on Human Resources for its attention to this critical issue.

Sheldon R. Goldstein, ACSW, LISW
Executive Director
National Association of Social Workers

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To: Hon. E. Clay Shaw 5/7/95
From: Barbara Bryan, child/family advocate
Re: FOR USE AT 5/10/95 federal adoption policy hearing

ADOPTION IS A FRIGHTENING OPTION WHEN "BEST INTERESTS" MASK AGENCY FINANCIAL INTEREST UNDER COLOR OF LAW

PROBLEM: While some think "foster care limbo" is the worst fate of an "abused/neglected" child; worse is mis-labeling **(mistaken or malicious CPS reports)** which set in motion "removals," "terminations" and a too-fast race to "permanency" for hopeful adoptive couples rather than often innocent but eventually indigent families.

IF YOUR PANEL DOES NOT INCLUDE A FULL TABLE OF FAMILIES WHO SUFFERED FALSE ABUSE/NEGLECT REPORTS RESULTING IN FAMILY MEMBERS BECOMING "LEGAL STRANGERS" TO EACH OTHER, YOU WILL HAVE CHEATED YOURSELVES AND FAILED TO ILLUSTRATE THE WHOLE TRUTH OF PERVERTED "permanency planning."

Four simple legal precautions could equalize "opportunity":

1. Enact severe **penalties for creating duplicate names and social security** numbers prior to "terminations."

   (Unknown--surely on purpose--to HHS/OIG auditors is the number of times children are taken from fairly remarkable families (with other relatives available), instantly put into pre-adoptive homes, and, despite impressive "documentation" to the contrary, NEVER, EVER ON A REUNIFICATION TRACK.

   Double billing for these children under both numbers is not a unique practice. Texas AG, as you know, turned up CPS and mental health double billings not so long ago.)

   State and federal laws and policies giving lip service to family preservation are ignored because no citizen has resources equal to state money, muscle or immunity. No one can afford to (1) liberate a child some worker decides will have a better deal elsewhere; and (2) **paperwork** (not people) is all auditors, Congressmen, State DSS Board members want to see; and it will nearly always justify and validate an agency claim.

FACT: Tennessee's Georgia Tann may have snatched and sold babies decades ago and people may be horrified by East German "forced adoptions;" but, the practice is neither long ago or far away. It only takes one worker, judge, lawyer and the right words on the right papers. HURRIED, EASIER ADOPTIONS MAY PRIMARILY BENEFIT ANXIOUS ADULTS!!

ONE "REUNION" SHOW STRONGLY QUESTIONS EASY FAMILY BREAKS.

In nearly every case, there is a responsible family member who can take the child, especially with some (often not as much money as an outsider wants) financial/health backup.

2. **Require completion of a simple sheet prior to a termination hearing.** Draw a line down the middle. At the top left write "**Reunification**" and on the right "**Termination.**"

Every single expense--from court time to "therapy" or whatever may back a false claim of sexual abuse which has no evidence other than the word of an "validator" whose business nearly all comes from CPS/foster care/adoption work--must go onto one side or the other--HONESTLY.

When I began researching the family justice field of false allegations of child abuse/neglect two major policy/practice mandates potentially ensured a child's returning home:

(a) Foster parents were definitely not allowed to adopt and children were quickly removed if an attachment was obvious

(While that may not have been so terrific for either child or temporary, paid parents, it meant natural family integrity had a prayer under law.)

(b) There had to be at least 18 months of allegedly genuine reunification efforts before termination could occur.

TODAY CHILDREN WHO, IF THE TRUTH WERE KNOWN AND LEGAL CHILD-CHANGING WERE NOT PERMITTED, SHOULD RETURN TO LOVING FAMILIES, **MAY BE PLACED INSTANTLY INTO A KNOWN "PRE-ADOPTIVE" HOME,** GREATLY REDUCING THE INCENTIVE OF AGENCY WORKERS TO DISAPPOINT PEOPLE NOW AN **OFFICIAL PART OF THE DECISION-MAKING PROCESS IN TERMINATIONS.**

How horrifying it remains, years later, for grieving families who understand the process! How equally horrific is it for newly accused innocents who are effectively helpless against states!

3. A **FAMILY FOLDER** should accompany each child throughout the entire often needless foster (hometown hostage) care process. It should contain the name, Social Security number, title, permanent address of every person (original reporter, if abuse claim), the caseworker, judge, guardian ad litem, counselor/"therapist," etc. so that the child, on reaching majority, may receive the full information and hold accountable each and every person whose decisions affected that young person's "placement."

4. Finally, inasmuch as accused criminals rightly have **due process and jury trials** before they are separated from society in general for a time, **BOTH MUST BE AFFORDED PARENTS AND CHILDREN BEFORE THEY ARE SEPARATED FROM EACH OTHER AND RELATIVES PERHAPS FOREVER.**

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To: CBS Contacts **PLEASE SHARE** WITH CBS THIS MORNING, 60 MINUTES, EVENING NEWS AND NEWS SHOWS 5/22/95
From: Barbara Bryan, child/family researcher/advocate
Re: Baby Richard "legal kidnapping"

TODAY ON CBS THIS MORNING, PAULA ZAHN ACCEPTED WITHOUT QUESTION COMMENTS FROM RADIO SHOW HOST DENNIS PRAGER THAT WHAT HAPPENED TO "BABY RICHARD" WAS "LEGAL KIDNAPPING."

ACROSS THE NATION, FOR DECADES--ESPECIALLY AFTER ANONYMOUS "ABUSE" HOTLINES LET MISTAKEN AND MALICIOUS REPORTERS REACH OUT AND NAIL SOMEONE--**TAX-SUBSIDIZED KIDNAPPPING AND BABY BROKERING CONTINUES TO FLOURISH.**

THE PROBLEM IS NOT LONG AGO (50 years ago in Tenn. with notorious Georgia Tann, her judge buddy and helpful attorney friend selling WASPs to Joan Crawford and June Allyson, etc.--it still takes only three people) OR FAR AWAY (check Lesley Stahl's commentary on "forced adoptions" of non-Communist children to East Germans 20 years ago and what happened with records discovered).

TALK ABOUT EMBARRASSINGLY UNDER-EDUCATED AND BIASED **UNCHALLENGED HATE SPEECH ACCEPTED BY CBS** AND PAUL ZAHN: PRAGER ASSUMED THE CHILD'S FATHER DID NOT CARE. Nothing about the man's being in Europe because his grandmother was dying. Maybe that was inconsequential family rites!!

Following (with a few extra details) is a fax to Mr. Prager himself; but, CBS and its many shows could do more to share the whole truth and finally stop child shifting and turning loving family members into "legal strangers."

As an investigative reporter whose research into justice issues began 35 years ago--a dozen years on family and false abuse/neglect allegations--I marvel at silence surrounding the depth and breadth of genuine legal kidnapping (within which I do not consider an intact couple's efforts to regain their own child a fair part).

ON JUNE 2, in Minnesota, a determined couple will be getting back a son and daughter wrongly and needlessly gone for nearly two years. Had a third premature child not been born and thrived (after the hospital tipped them off to leave early in the night and move into another county), the third one would be gone and the baby she is carrying now would be "at risk" for official "help."

HOW ABOUT A BIG SERIES ON ORDINARY AMERICANS AND HOW HARD THEY HAVE TO FIGHT TO KEEP THEIR OWN CHILDREN?????

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To: Alexis for DENNIS PRAGER 5/22/95
From: Barbara Bryan
Re: "Legal Kidnapping" and adoption

Following are (1) recap of remarks to per my seeing Mr. Prager on CBS THIS MORNING today; and (2) the call for written comment on federal adoption policy.

My major concern is Mr. Prager's enthusiasm missed
(a) the whole truth and story behind the story; and
(b) would, taken to its logical (and currently realistic) extreme, mean any child born to not already married parents (acceptable to child "advocates") was, and actually is, fair game for "Let's Find a Home We Like Better." (It began in Chicago in 1899 with a juvenile court envisioned by Chicago's School of Social Work!

"LEGAL KIDNAPPING" is so much a part of the scene today, I was surprised to hear it described from the perspective of married parents who began return efforts when the baby was seven weeks old, even shorter time for Baby "Jessica."

If "sperm rights" are all there is, child support enforcement is barking up the wrong tree trying to connect children with their fathers and holding dads responsible.

Where has the media been while children have been "removed" daily from decent and many excellent homes??? How about raising awareness (then funding) for families who are falsely accused of abuse or neglect (or it is predicted because of maternal youth) in a mistaken or malicious anonymous/immune hotline call?

Who among us, presumed guilty (but not permitted due process to dislodge an erroneous claim) will succeed against the money, muscle and immunity of "the state?"

We, too, have wondered why "the law" (the robes) won't obey the law or punish those who break state and federal law and policy about family preservation or placement with relatives, nearly always a viable option over adoption. Grandparents weep when they become "legal strangers."

This was NOT last done in Nazi Germany; but, it is a holocaust of the home. It is not long ago (as in Tenn. and Georgia Tann 50 yrs. ago selling babies to Hollywood movie stars) or far away (as East German "forced adoptions" 20+ years ago to Communist families) on 60 Minutes (Lesley Stahl a couple of years ago).

All it takes is one caseworker, a judge and a lawyer after a false allegation lays the burden ON THE ACCUSED. Against superior forces of "the state," a parent tries vainly to liberate a child. **THAT IS "LEGAL" KIDNAPPING!!!!**

32A Old Arroyo Chamisa
Santa Fe, NM 87505

15 May 1995

Mr. Phillip D. Moseley, Chief of Staff
Committee on Ways and Means
US House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Dear Sir,

This written statement concerns the Committee hearings on Federal adoption policy.

I am writing as one of the founders, in New Mexico, of the foster care citizen review system which now operates in 24 states. This is a procedure whereby citizen volunteers monitor the services to children in state custody because of abuse and neglect. I am also a retired doctoral social worker who spent most of his career in the field of child protection, foster care, and adoption.

The two facets of the above are related. As a professional, I became convinced that no bureaucracy, public or private, can satisfactorily assure, without public oversight, timely permanency for abused children. I conducted research on foster care drift which resulted in a successful Federal court case against the state. But even the courts couldn't fix the problem.

From personal experience, I am convinced that the most effective vehicle to combat foster care drift is the activity of knowledgeable, dedicated citizen volunteers. They review the services provided to abusive families and send an objective, independent report to the court concerning the adequacy of agency and court services. **No other social service program has such direct oversight of service delivery.**

I suggest there is no contradiction between adequate family perservation services and removing obstacles to adoption. Abusive families deserve a chance to show they can change. At the same time, because some parents cannot be rehabilitated in any reasonable time, there are many cases where a time-limited rehabilitative effort should shift to simpler and easier adoption process,

Because I have experienced that 1) citizen review is the single

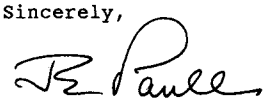
most effective vehicle in protecting children and expediting either return home or adoption; and 2) that no state has ever demonstrated a capacity or willingness to operate a fully effective child protection program, I recommend the folowing:

1) That the committee seriously explore the viability of making citizen review mandatory in all states; and

2) That child protection, foster care, and adoption, not be turned over the state control and be exempted from block granting.

Experts agree that most of our social problems--crime, substance abuse, fatherless families, teen pregnancy, school drop-out, and welfare dependency--have a major source in inadequate parenting. Our most serious social problem deserves special attention and special measures.

Sincerely,



Joseph E. Paull

Lorraine Sheaffer
3525 West Benjamin Holt Drive No.292
Stockton, California 95219
(209) 952-1430 fax no. same

May 19, 1995

Phillip D. Mosely,
Chief of Staff, Committee on Ways and
Means, U.S. House
of Representatives
1102 Longworth House
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Washington, D.C. 20515

To: THE SUBCOMMITTEE ON EARLY CHILDHOOD, YOUTH AND FAMLIES:

I understand that the Subcommittee on Human Resources of the Committee on Ways and Means will hold a hearing on federal adoption policy. It was held-last---Wednesday, May 10, 1995. I wish to submit this written statement ,by the close of business May 24, 1995.

I was motivated into action when my grandson's, then of the age of 8 years old and now turning 12 this August, were "stolen from the only family they ever knew". I was able to get their younger sister, but even though I have a large family and there was a very good family for them to stay with, they lied to me and continued this practice in court,for theft.

At the time I had a "public image" of the Child Protection Services of people that most peopleare given by the media. I was shocked at how they hate the family and it is more a business,than a service that cares for the safey and well being of children,that seem to be a commodity.

I am making the above statement that are the direct words of thre Grand Juries, in San Diego, Los Angeles, and Merced. I myself testified,last May before a Senate Committee Hearing. I told them my story and I had documentation to back it up. I was there for the SB 41 Qualified imunnity Bill (like the police, etc.) have. The author of the bill was Senator Maurice Johannesen and this year the bill is is AB 1355, Assemblyman David Knowles.

I was asked to testify by Coalition of California Welfare Rights, Mr. Kevin Aslian and Mr. Steve Konoff (Assemblyman David Knowles) office and Senator Maurice Johannessen's staff.

When this horrible and tragic thing was done to our family, the,sad thing of brother's and sister "torn apart" I tried to go the legal route, but since I knew nothing about this,destructive system, I was sucked in and did not have the thousands and thousands of dollars to get out of it.I then turned to the media, they to are part of the problem and then lined up with grandparent and famlies across the nation, that are working to change the laws that enable the Child Protection Services to abuse, the very children they are suppossed to protect.

Here are some of some of the changes that I and all the above people and groups want to see changed, as follows.

1. The federal immunity clause be dropped. All you need to do to give you, more to study, as to why,is to order the Grand Jury report's from San Diego, Los Angeles and Merced, to then--understand why this must be done. California Child Protection Services is facing a very uncertain future, in our state due to"their abuse of power" Grand Jury quote. We are going for "reform" in our state because of their out of control history. All of the groups, grandparent's and family through out the nation are, however making the same statement.

2. States in which due process protection has not been en-

sured to endividuals by our Consitution federal funding should be with held. Each state should provide evidence that their investigatory and prosecutory procedures provide due-process protection in order to get this federal funding.

3.Because of "the Modern Day Witch Hunt" the clause mandating the reporting of child abuse should be dropped, it has resulted in absurd accusations, which the media fuels False Memory, vengeful ex spouses angry neighbor's, relatives educator's, etc. if they don't report these things they face crimanal charges. It has become big business,also for"mental---health professonals", councellors, foster parents, professional guardians, and others who depend on cases of absurd and negelected children in order to earn their livings. The San Diego Grand Jury,started by the Jim Wade case, is an example of that.

4. States that do not videotape all investgatory should be deprived of federal funding.States that do not have videotaped interviews should not be admitted into court of law or the testimony based on nonvideotaped investigations or evaluations.

5.The Child Protection Services are suppossed to try and make a reasonable effort(Public Law) PL 96-272 to try and keep the family together, which they do not do. They check off a box on the forms, to terminate the family, to the judge and they do not do it. They should be made to show documentation, proving that they did it. They, also should not be able to have meetings with the judge, before the hearing, to make sure it goes the way they want it tq go. If this is done, they cannot lie to the judge and the family as they did to me and thousands of other famlies.

6. Any family, that is unfortunate enough, to have dealings with the Child Protection Agency, should have a right to tape the phone calls and the office visits, due to the lieing that they do.

7. People do not know about how the C.P.S. plays a game and leads people astray and tricks them etc., due to a lack of knowledge these people are sucked in, I would like to see a list of groups like National Child Abuse Defense & Resource Center(that testified before you 5 years ago) made available to them, and countless other groups in the nation that are working for change.

I will not go into much more as I know by the people that I am working along with, that you have heard all this in the past. I would like to conclude by saying "permanency planning" (you speak of and yet more study) rather than family preservation does not sound good.The children that are torn from their famlies populate our jails and many wind up as "street people". I think and all the others I work along with that the people that make their living off the suffering of children and famlies, should find another way of making a living.

We in California, that are working for reform and the others in our nation feel that complete immunity breeds corruption and we are asking that you look into the investigations that have called the Child Protection Agencies "Baby Broker's."

If the States have the Qualified immunity and will not get federal funding, then the truly abused children will get the help they need and deserve, not this farce that is going on. Complete immunity breeds coruption and it has. Please, please truly help the children..and stop the "greedy out of control system."

I would, also, like to state that the last thing that needs to be done is "adoption" made easier for the States that make millions off these children that are "system victims". Please really hear what I am saying...help the children.

Bad things happen when good people do nothing and we are working very hard and will not stop until the system is REFORMED and we are certain that the help children need will be available, should they need it and the "baby brokering" stops. Please contact me if you need to.

Sincerely,

Lorraine Sheaffer
Once the grandmother of two twin grandsons,
stolen by the greedy system.

○

FEDERAL UNEMPLOYMENT COMPENSATION SYSTEM AND CONSOLIDATION OF JOB TRAINING PROGRAMS

HEARING

BEFORE THE

SUBCOMMITTEE ON HUMAN RESOURCES

OF THE

COMMITTEE ON WAYS AND MEANS

HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTH CONGRESS

FIRST SESSION

MAY 16, 1995

Serial 104–8

Printed for the use of the Committee on Ways and Means

U.S. GOVERNMENT PRINTING OFFICE

92–825 CC WASHINGTON : 1995

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0–16–047528–7

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FEDERAL UNEMPLOYMENT COMPENSATION SYSTEM AND CONSOLIDATION OF JOB TRAINING PROGRAMS

TUESDAY, MAY 16, 1995

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

The subcommittee met, pursuant to notice, at 1:06 p.m., in room B–318, Rayburn 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
May 4, 1995
No. HR-6

CONTACT: (202) 225-1025

SHAW ANNOUNCES HEARING ON FEDERAL UNEMPLOYMENT COMPENSATION SYSTEM AND CONSOLIDATION OF JOB TRAINING PROGRAMS

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 the federal unemployment compensation system and consolidation of job training programs. **The hearing will take place on Tuesday, May 16, 1995, in room B-318 of the Rayburn House Office Building, beginning at 1:00 p.m.**

Oral testimony at this hearing will be heard from invited witnesses only. Witnesses will include business leaders, economists, and scholars familiar with the operation of the current unemployment compensation system and related issues. However, 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:

One of the dominant themes of the 104th Congress has been the ongoing effort to simplify federal programs, save taxpayer money, and return program authority and flexibility to the state and local level. The logic is simple--individual Americans or their local elected officials can best decide how to provide for their families and others in their communities. This focus will continue as the Subcommittee considers the current unemployment compensation system, including taxes collected to support it, and related programs designed to get unemployed Americans back to work.

Several particular issues -- repeal of the so-called "temporary" 0.2 percent Federal Unemployment Tax Act (FUTA) surtax, extending the expired exemption of certain temporary agricultural workers from paying unemployment taxes, and a proposed employment and training block grant -- will be reviewed. In announcing the hearing, Chairman Shaw stated: "Almost every worker pays unemployment taxes. It is our job to assure that the system works and that taxes supporting unemployment benefits aren't unnecessarily punishing business and job creation. Also, we will consider ways to improve employment and training programs, so Americans can get back to work sooner and qualify for good jobs."

First, the subcommittee will review taxes that support the current unemployment compensation system, especially the 0.2 percent FUTA surtax. The Social Security Act of 1935 created the Federal-State unemployment compensation system, which along with the Federal Unemployment Tax Act of 1939 (FUTA) form the framework of the system. In general, FUTA imposes a 0.8 percent tax rate on the first $7,000 annually paid by covered employers to each employee. In 1976, Congress passed a "temporary" surtax of 0.2 percent of taxable wages to be added to the permanent FUTA tax rate, so that the current 0.8 percent rate is actually composed of a permanent rate of 0.6 percent and a temporary rate of 0.2 percent. This temporary surtax has been repeatedly extended, and is now authorized through December 31, 1998.

(MORE)

The Subcommittee will examine whether repealing the "temporary" 0.2 percent FUTA surtax will spur job growth while also protecting the integrity of trust funds that support unemployment benefits. The subcommittee will also hear testimony on extending the exemption of employers' paying FUTA taxes on certain temporary agricultural workers, known as H2A workers. This exemption expired on December 31, 1994.

Second, the Subcommittee is interested in the various proposals for an employment and training block grant that are now circulating in the House. For example, legislation has been introduced (H.R. 1120) creating an employment and training block grant. The House Committee on Economic and Educational Opportunities has already held several hearings and in the near future may markup legislation creating one or more employment and training block grants.

According to the Congressional Research Service and the U.S. General Accounting Office, there are over 150 federal employment and training programs operating in 14 agencies, at a cost to taxpayers of $25 billion in FY 1995. Eliminating numerous federal regulations and program requirements would permit states to better design and operate programs to assist Americans in improving their job skills and finding work, and also save taxpayers money. There are several programs under the jurisdiction of the Committee on Ways and Means that may be considered for possible inclusion in an employment and training block grant: the Trade Adjustment Assistance (TAA) program, the NAFTA Trade Adjustment Assistance Program (NAFTA-TAAP), and the U.S. Employment Service.

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, May 30, 1995, 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 office, 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'.

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Chairman SHAW. The other members will be on the way in. I am going to go ahead and call the hearing to order and read my opening statement.

Today, the Subcommittee on Human Resources will examine our Nation's unemployment insurance system. Part of the purpose of this hearing is to consider the employment policy proposals in the House budget resolution that are within the subcommittee's jurisdiction.

The Budget Committee recently suggested ending extended unemployment benefits, withdrawing unemployment compensation for individuals who voluntarily leave the Armed Forces, eliminating trade adjustment assistance, and block granting dozens of employment and training programs. Each proposal is designed to get Americans back to work sooner, save taxpayers' funds, and improve the program's efficiency.

While the policy proposals in the budget resolution are illustrative only, let me state one thing clearly at the outset. This subcommittee will study all the areas of Federal spending under our jurisdiction for possible savings. If a program does not make sense, is no longer needed, or is simply wasteful, we will move to save the taxpayers' money by cutting that program back or ending it altogether.

For too long, Congress' bias has been on the side of spending too much of the taxpayers' money and calling it compassionate. Those days are over.

Our witnesses also will help us assess employment issues under the subcommittee's jurisdiction not listed in the budget, such as the 0.2 percent FUTA surtax. This surtax is sometimes referred to as "temporary," but I cannot help but noting that if it were alive, it would now be old enough to vote.

We also will hear about the now expired exemption from collecting the FUTA tax on behalf of foreign agricultural workers which Congressman Mike Crapo from Idaho will discuss.

I am especially pleased to have with us today Buck McKeon, chairman of the Economic and Educational Opportunities Subcommittee that is drafting legislation merging dozens of current programs into several employment and training block grants. Members of this subcommittee worked closely with the members of the Economic and Educational Opportunities Committee in developing several of the block grants in H.R. 4, the House-passed welfare reform bill. It is gratifying to see that cooperation, and it will continue.

Our final panel will examine specific employment and training programs under our subcommittee's jurisdiction. The Trade Adjustment Assistance Program, the NAFTA Trade Adjustment Assistance Program, and the U.S. Employment Service.

If anybody on the minority side has an opening statement, I would recognize you at this time.

Mr. LEVIN. Mr. Chairman.

Chairman SHAW. Yes, sir.

Mr. LEVIN. Mr. Ford may have a statement for the record when he comes. I just want to say that while our jurisdiction in this area is somewhat circumscribed, I do feel that our subcommittee and the full committee have a major obligation to try to be sure that the

reforms that are undertaken in the training and retraining unemployment compensation area are on the target.

We in this country have shown we know how to train when we put our mind to it. I do think consolidation is in order. I do think reforms are necessary. I do think the programs can become still more productive. I think the Department of Labor and the Secretary and the administration should be lauded for their initiatives. And I for one want to be sure that as we make changes, they will build on the experience we have had in this country in retraining and training workers.

I look forward to the testimony of our colleagues and then the Department of Labor, as well as the other two panels.

Chairman SHAW. Mr. Rangel.

Mr. RANGEL. Mr. Chairman, I will be brief.

I want to thank you for having these hearings, especially bringing in people who have jurisdiction as relates to job opportunities and employment opportunities for young people in economically disadvantaged areas.

The Contract With America went a long way in reform, and I know I sound like a broken record when I say that we have to do something for our schools and for our communities so that young people will have hope that they, too, can be part of the American dream.

I spoke with the Speaker at length in our hearings, and he agreed with me that at least it should be tested and asked me to work with the committee of jurisdiction to see whether or not—that is the Subcommittee on Postsecondary Education, Training we could come up with some pilot type of project.

I understand that to a large extent it has been adopted and we will be hearing more about it, except that it is not targeted. And I do hope as the hearings go on that the members of this committee, if they agree that we want to hit the areas—if it is going to be pilot, we ought to hit the areas that are crippled the most and where there is the least amount of reason to have hope rather than take the few dollars and spread nationally and have the Governors make the decision.

So I just welcome the hearing, and then we will have to see where it goes. Thank you so much.

Chairman SHAW. Do any other members have any opening statement they wish to make?

[No response.]

Chairman SHAW. Without objection, I will allow any opening statement any members might want to make to be placed in the record at the appropriate part.

Michael, if you would take a seat at the table, we look forward to your testimony.

STATEMENT OF HON. MICHAEL D. CRAPO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IDAHO

Mr. CRAPO. Thank you, Mr. Chairman and members of the committee.

I appreciate the opportunity to testify before you today concerning the need to renew the Federal unemployment tax exemption for H–2A agricultural workers.

The H–2A Program, administered by the Immigration and Naturalization Service, brings in foreign temporary workers under section 101(a)(15)(H)(ii)(a) of the Immigration and Nationality Act to perform specific jobs. Without this exemption, these workers would be forced to return home to their own country since they are here under contract to do one specific job. These workers can never collect unemployment benefits. As of December 31, 1994, this exemption once again has been terminated and needs to be renewed retroactively to January 1, 1995. Employers are concerned that paying these Federal and State unemployment taxes for H–2A workers would be an undue burden. I have previously submitted a letter this year to the subcommittee on this matter and again appreciate Chairman Shaw's gracious response and the cooperation of his staff on my requests. Last week, I submitted testimony for the record on this exemption during the Ways and Means Oversight Subcommittee hearing on this same issue.

It is my hope that the House Ways and Means Committee will agree with my position and the position of many of the sheepherders in Idaho that we need to permanently extend the FUTA exemption for H–2A for agricultural workers. That way we would not have to address this issue on a yearly basis. I am pleased that Bryan Little, director of governmental relations at the American Farm Bureau Federation, is also here today on this same issue, and I thank you for your consideration of this meritorious extension of the proposal. I look forward to working with you and the other members of the committee in solving this problem.

Chairman SHAW. Thank you.

Do any of the members wish to inquire? Mr. English.

Mr. ENGLISH. Thank you, Mr. Chairman.

Congressman, within your district, what type of work do these particular temporary farmworkers perform?

Mr. CRAPO. Thank you, Mr. Chairman and Mr. English. The primary issue in my district, at least that has come to my attention from those concerned about the issue, is in the sheep industry. Temporary workers are brought over to work in the sheep industry, and I do not know specifically—I assume they are sheepherders. And when they then are required to have—if they are required to pay unemployment tax, if their employers are required to pay unemployment tax on their services, when these sheepherders then go back to their own country, they are never going to be qualified to receive the unemployment benefits. Therefore, it is an unreasonable expense to expect the employer to bear.

Mr. ENGLISH. What kind of impact would not extending this tax credit have on the competitiveness of that section of the agricultural community?

Mr. CRAPO. Thank you, Mr. Chairman and Mr. English. As you know, we are already reducing some of the Federal programs dealing with wool and mohair, and the sheep industry is facing serious burdens in terms of our trade policy, adequately creating and maintaining a balanced playingfield. So I just say that as background.

They are facing a tough economic environment right now, in significant part because of Federal policies or failure to have a strong Federal trade policy that protects them.

What this would do is simply add one more burden in several ways. Not only is it a financial burden for the taxes that would have to be paid for no good reason, but there is all the recordkeeping and the increased regulatory burden that would then be placed upon them. And, in addition, there will be matching State tax and recordkeeping requirements that are also put into place.

So it is an economic impact as well as what I would call the hidden regulatory tax impact as well.

Mr. ENGLISH. And a final question: In the labor market for this sector of the agricultural economy, how vital are these temporary farmworkers?

Mr. CRAPO. They are very vital. We would certainly be glad to hire people in our own communities who are residents of the country or the State if they were available and ready and willing to do that work. But as I am sure you are aware, in agricultural communities often the situation is that these kinds of workers, with the training and with the willingness to perform this kind of work, are not available. And if they are not available in the market, then it would make a difficult problem for their employers.

Mr. ENGLISH. Thank you.

Mr. Chairman, I think the same arguments could be made for many other areas of our agricultural economy, and I find the gentleman to be very persuasive. And I appreciate the opportunity to question him here today.

Mr. CRAPO. Thank you.

Chairman SHAW. Mr. Levin.

Mr. LEVIN. I have no questions.

Chairman SHAW. Ms. Dunn.

Ms. DUNN. Thank you very much, Mr. Chairman.

I wanted to ask you the total cost that we are looking at if we grant the extension.

Mr. CRAPO. Yes, my understanding is that the impact on the Federal budget if the exemption were granted—and I again point out that this exemption has been in place until it just expired last December 31. My understanding is that the total impact on the Federal budget would be $840,000. So it is not a big Federal dollar issue, but it is a really big issue to those industries and those agricultural communities where it has its impact.

That is the Federal side of it. I am sure that in terms of the impact on the employers there is also the State side of it as well.

Ms. DUNN. Why, Mr. Crapo, has the exemption not been made permanent before with your information that they are never receiving the benefits of this fund they are paying into?

Mr. CRAPO. You know, I am not going to be able to give you a complete answer to that, and I believe that Bryan Little, who is going to testify from the American Farm Bureau, might have more information. But it is my understanding that it has been extended on a year-to-year basis and that, for some reason that I am not aware of, there just has been a reluctance to make it a permanent exemption.

Ms. DUNN. Thank you. It sounds like it makes a lot of sense to me. Thank you very much, Mr. Crapo.

Chairman SHAW. According to the CBO estimate, the 5-year estimate is $17 million.

Mr. CRAPO. Oh, OK. Then my numbers were obviously very different than that.

Chairman SHAW. But we will be sure both numbers are in the record because I do want to be sure they are correct ones.

Mr. Rangel.

Mr. RANGEL. Thank you.

How many workers are we talking about? How many alien workers are we talking about?

Mr. CRAPO. Mr. Rangel, I do not have that information.

Mr. RANGEL. Where do they come from?

Mr. CRAPO. I can tell you that in Idaho it is the sheepherders. I can tell you the States where they are involved, but I cannot tell you the nation.

Mr. RANGEL. I am very concerned about the Governor of California's position on this, so I have got to know where they come from because I know his feeling about aliens, whether they are legal or illegal. This is not inconsistent with Governor Wilson's idea.

Mr. CRAPO. Mr. Rangel, I do not have personal knowledge of Governor Wilson's position, but I do not believe that this is inconsistent with his position. The reason is these workers who are coming in, they are legal workers; they are not illegal immigrants. They are legal workers.

Mr. RANGEL. You know this committee's feelings about legal aliens in terms of receiving Federal benefits.

Mr. CRAPO. Yes, sir.

Mr. RANGEL. Which is very negative. So I want to be consistent with my committee to make certain these people are not entitled to any benefits at all. Are they?

Mr. CRAPO. Mr. Rangel, the point here is that what I am talking about is a benefit for the U.S. employers. Under the H–2A Program, the workers who come in from foreign countries are still not entitled to the unemployment benefits because they must go back to their country unless they can continue their H–2A employment. They are temporary workers brought in legally under a Federal program, and we are not seeking to change that.

What we are saying is that the tax burden imposed on American employers, if this exemption is not extended, will be unreasonable because they will be taxed for a program that does not now and will not ever benefit the employed worker.

Mr. RANGEL. Congressman, I am trying to say that as far as the majority of this committee is concerned, whether they pay taxes or not, there are certain benefits that we do not want them to have. Is that consistent, that they do not receive any health benefits or education benefits while they are here?

Mr. CRAPO. Mr. Chairman and Mr. Rangel, I understand the issue you are concerned about, but this issue is not related to the benefits that are provided to those who may be legal immigrants into the country.

Mr. RANGEL. Let me ask this. Aren't we saying that we are going to relieve the employers of a tax liability in order to allow him and to encourage him to hire alien workers? Is that what we are here for?

Mr. CRAPO. We are going to relieve the employer, if this exemption is granted, from a tax liability to provide a benefit that—to provide taxes for a benefit that does not exist.

Mr. RANGEL. And so this is to encourage him to continue to use non-American workers.

Mr. CRAPO. It allows them to do so where it is appropriate.

Mr. RANGEL. OK. And I am just wondering, what is the average salary of these people? Since we cannot get Americans to do this work, how much are they paid?

Mr. CRAPO. Mr. Chairman and Mr. Rangel, I do not have that information.

Mr. RANGEL. So if I was to say that, you know, it looks like they may be depriving Americans out of work by bringing in foreigners, you could not argue that since we do not know what the salary is.

Mr. CRAPO. I bet that I could, but I do not have the information in front of me right now, Mr. Rangel.

Mr. RANGEL. What about the Department of Labor? Have they looked at this? Is it supported by the Department of Labor? That is the U.S. Department of Labor.

Mr. CRAPO. I have not checked with the Department of Labor.

Mr. RANGEL. None of these people come from Cuba, do they?

Mr. CRAPO. I could not tell you that, Mr. Rangel.

Mr. RANGEL. Well, I do not want any controversy in front of this committee. If we are dealing with foreigners, I want to know who they are. I want to make certain that they are not competitive with Americans, and I want to make certain that they do not receive any benefits if they are not American, to make it consistent with this committee.

Thank you for presenting what you have, and I hope that Mr. Little will be able to—who is the sponsor of this bill?

Mr. CRAPO. Mr. Chairman and Mr. Rangel, it is my understanding that this is not an independent bill. It is an effort to be at this committee to provide for this exemption. If there is an independent sponsor, I am not aware of who it is.

Mr. RANGEL. Someone has to introduce this darn thing. The farmers cannot introduce the bill.

Mr. Chairman, whose bill is this?

Chairman SHAW. We are not on a bill.

Mr. RANGEL. We do not have a bill?

Chairman SHAW. This is just a——

Mr. RANGEL. Oh, this is just dialog.

Chairman SHAW. Just a hearing.

Mr. RANGEL. Oh, I have enjoyed it. Thank you. [Laughter.]

Mr. CRAPO. It has been my pleasure, Mr. Rangel.

Chairman SHAW. There are some 20,000 workers that are involved in this program. We have the listing of the States. I think there are 2,800 in New York. I will have it copied and put on each member's desk.

[This table was given out to the members at the hearing:]

TABLE V. JOBS CERTIFIED BY CROP OR ACTIVITY AND COUNTRY OF ORIGIN OF FOREIGN WORKERS, 1992

State	No. Jobs	Crop or Activity	Origin of Foreign Workers
Alabama	1	Sheepherding	Mexico 4/
Alaska	1	Game Farm (Laborer)	Scandinavia
Arizona	171	Citrus (Hand Harvest)	Mexico 4/
	1	Goatherding	Mexico
	88	Sheepherding	Chile, Mexico 4/, Peru 2/
California	1	Mushroom (Harvest)	China
	485	Sheepherding	Chile, Mexico 4/, Peru 2/
	12	Sheepshearing	Australia, New Zealand
Colorado	22	Custom Combining (Grain)	Canada 1/
	7	Livestock	Mexico 4/
	134	Sheepherding	Chile, Mexico 4/, Peru 2/
	39	Sheepshearing	Australia, New Zealand
Connecticut	143	Apple (Harvest)	BWI 3/, Mexico 4/
	6	Christmas Tree (General)	BWI 3/
	93	Diversified Crops (Gen)	BWI 3/
	133	Nursery (General)	BWI 3/
	5	Poultry	BWI 3/
	496	Tobacco (Harvest)	BWI 3/
	9	Vegetable (Harvest)	BWI 3/
Florida	4,271	Sugarcane (Harvest)	BWI 3/, Australia
Georgia	152	Vegetable (Harvest)	Mexico 4/
Idaho	452	Irrigating	Mexico 4/
	283	Sheepherding	Chile, Mexico 4/, Peru 2/
	29	Sheepshearing	Australia, New Zealand
Illinois	6	Vegetable (Harvest)	Mexico 4/
Kansas	9	Custom Combining (Grain)	Canada 1/
	2	Farmworking (General)	Scotland
Kentucky	19	Tobacco (Harvest)	Mexico 4/
Maine	638	Apple (Harvest)	BWI 3/, Mexico 4/
	43	Blueberry (Harvest)	BWI 3/
	14	Diversified Crops (Gen)	BWI 3/
	2	Nursery (General)	BWI 3/
	10	Vegetable (Harvest)	BWI 3/, Mexico 4/

TABLE V. JOBS CERTIFIED BY CROP OR ACTIVITY AND COUNTRY OF ORIGIN OF FOREIGN WORKERS, 1992 (Continued)

State	No. Jobs	Crop or Activity	Origin of Foreign Workers
Massachusetts	586	Apple (Harvest)	BWI 3/, Mexico 4/
	6	Cranberry (Harvest)	Scotland
	22	Diversified Crops (Gen)	BWI 3/
	9	Nursery (General)	BWI 3/
	13	Strawberry (Harvest)	BWI 3/
	78	Tobacco (Harvest)	BWI 3/, Mexico 4/
	187	Vegetable (Harvest)	BWI 3/, Scotland
Montana	22	Custom Combining (Grain)	Canada 1/
	30	Horticulture	Mexico 4/
	72	Irrigating	Mexico 4/
	39	Sheepherding	Chile, Mexico 4/, Peru 2/
	1	Sheepshearing	New Zealand
Nevada	153	Sheepherding	Chile, Mexico 4/, Peru 2/
	99	Vegetable (Harvest)	Mexico 4/
New Hampshire	268	Apple (Harvest)	BWI 3/, Mexico 4/
	71	Diversified Crops (Gen)	BWI 3/, Mexico 4/
New York	2,807	Apple (Harvest)	BWI 3/, Mexico 4/
	55	Nursery	Poland
North Carolina	1,932	Tobacco/Vegetable (Har)	Mexico 4/
Oklahoma	208	Custom Combining (Grain)	Canada 1/, England, Mexico 4/
Oregon	57	Sheepherding	Chile, Mexico 4/, Peru 2/
	10	Sheepshearing	Australia, New Zealand
Pennsylvania	4	Grapevine (Pruning)	Czechoslovakia
Rhode Island	15	Apple (Harvest)	BWI 3/
South Dakota	11	Custom Combining (Grain)	Canada 1/
	10	Sheepshearing	Australia, New Zealand
Tennessee	22	Tobacco (Harvest)	Mexico 4/

TABLE V. JOBS CERTIFIED BY CROP OR ACTIVITY AND COUNTRY OF ORIGIN OF FOREIGN WORKERS, 1992 (Continued)

State	No. Jobs	Crop or Activity	Origin of Foreign Workers
Texas	3	Custom Combining(Cotton)	Mexico 4/
	68	Custom Combining (Grain)	Canada 1/, England, Mexico 4/
	2	Fruit (Harvest)	Mexico 4/
	19	Livestock (Cattle)	Mexico 4/
	12	Sheep & Goat Ranch Hand	Mexico 4/
	4	Sheepshearing	Australia
	1	Vegetable (Harvest)	Mexico 4/
Utah	122	Sheepherding	Chile, Mexico 4/, Peru 2/
	23	Sheepshearing	Australia, New Zealand
Vermont	436	Apple (Harvest)	BWI 3/, Mexico 4/
	30	Diversified Crops (Gen)	BWI 3/
Virginia	752	Apple (Harvest)	BWI 3/, Mexico 4/
	44	Cabbage (Harvest)	Mexico 4/
	75	Tobacco (Harvest)	Mexico 4/
	2,412	Tobacco/Vegetable/Hay(Har)	Mexico 4/
	10	Tobacco/Vegetable/Sod(Har)	Mexico 4/
	8	Vegetable/Berry (Harvest)	Mexico 4/
Washington	27	Sheepherding	Chile, Mexico 4/, Peru 2/
Wyoming	34	Livestock	Mexico 4/
	24	Sheep (Lambing)	Mexico 4/
	218	Sheepherding	Chile, Mexico 4/, Peru 2/
	45	Sheepshearing	Australia, New Zealand

TOTAL JOBS: ALL STATES = 18,939

TABLE V. JOBS CERTIFIED BY CROP OR ACTIVITY AND
COUNTRY OF ORIGIN OF FOREIGN WORKERS, 1992 (Continued)

FOOTNOTES:

1/ Work pattern for majority of custom combine crew members is to start work in Oklahoma, Texas, or Arizona and move north into other Central States.

2/ Majority of sheepherders work in ten (10) Western States, and are primarily from Mexico and Peru. Some workers are from Chile and Spain, with a few from China, Mongolia and Portugal.

3/ BWI = British West Indies. In New England States only Jamaican workers are employed, although in 1991 some workers from the Dominican Republic were reported. Elsewhere, the majority of BWI workers are from Jamaica. Also included in the BWI category are workers from most of the other countries in the British West Indies island chain.

4/ Mexico = Primarily workers from Mexico, but may also include workers from Guatemala, El Salvador and other Central American countries.

Mr. RANGEL. Do we have the salary or how they are paid?

Chairman SHAW. This would be a good question for the Department of Labor, but the law provides, as I understand it, that they have to pay the prevailing wage for that type of work in the area in which they are put, so that they cannot undercut the local market. That is what I have been told, but that would be a good question for the administration's witness when he comes to the table.

Mr. RANGEL. Thank you.

Mr. CRAPO. Thank you.

Chairman SHAW. Any other members wish to inquire?

[No response.]

Chairman SHAW. If not, thank you very much.

Mr. CRAPO. Thank you, Mr. Chairman.

Chairman SHAW. Thank you for being with us this morning.

Our next witness is Mr. McKeon from California. We have your written testimony, and you may proceed as you see fit.

If you wish, we will put your entire testimony into the record together with the—I guess you want the attachment, too.

Mr. MCKEON. We put a lot of work into that drawing. We appreciate that.

STATEMENT OF HON. HOWARD P. "BUCK" McKEON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA, AND CHAIRMAN, SUBCOMMITTEE ON POSTSECONDARY EDUCATION, TRAINING AND LIFE-LONG LEARNING, COMMITTEE ON ECONOMIC AND EDUCATIONAL OPPORTUNITIES

Mr. MCKEON. Thank you, Mr. Chairman. I appreciate the invitation and opportunity to provide members of this committee an overview of the job training consolidation legislation currently moving through the Committee on Economic and Educational Opportunities.

As a member from a district in California that has been hard hit by defense and aerospace cutbacks, I understand that the skills of this Nation's work force are more important today than ever before to U.S. competitiveness. However, our current patchwork of Federal programs is not the answer. The CAREERS Act addresses our long-term work force preparation strategy by creating a seamless system for youth and adults to meet the competitive needs of our work force. This legislation transforms this Nation's vast array of career-related education, employment, and job training programs into a true system of work force preparation and development.

CAREERS would consolidate and eliminate over 150 existing education, training, and employment assistance programs into four consolidation grants to the States. These grants would include: A youth work force preparation grant; an adult employment and training grant; a vocational rehabilitation grant; and an adult education and literacy grant.

These four programs working together will form each State's work force preparation system. Our bill provides maximum authority to States and localities in the design and operation of their work force preparation systems. We significantly reduce administrative requirements, paperwork, planning, reporting, and data collection requirements—eliminating bureaucracy within the system.

However, our legislation does provide some broad parameters for the design of a work force development system based on testimony from our hearings and in talking to people around the country.

Specifically, title I of CAREERS builds an infrastructure in States and local communities for development and implementation of a comprehensive work force development system. At the State level, Governors will pull together key State agency heads and leaders from business and education to develop a single State plan and performance measurement system for the entire work force development system.

In local communities, employer-led work force development boards will provide policy guidance and oversee local systems and will be responsible for establishment of local one-stop career centers—accessible single points of entry into the local work force preparation system.

The Youth Work Force Development Program pulls school systems and postsecondary institutions together with local business leaders to develop a school-to-work system for both in-school and out-of-school youth in the community. This system is designed to result in challenging academic and occupational competency gains for all youth in the community, as well as completion of high school, or its equivalent, and other positive outcomes such as placement and retention in employment, or continuation into postsecondary education or training.

Under the adult and vocational rehabilitation programs, up front or core services, such as assessment of skills, counseling, job search assistance, information on education, training, and vocational rehabilitation programs in the local community, and referral to appropriate programs would be available through a network of one-stop career centers. For individuals with severe disabilities and determined to be in need of more intensive services, such services would be available through vouchers and other means to be used with approved providers of vocational rehabilitation services.

For adults who are unable to obtain employment through the core services, more intensive services in education and training services would be provided through the use of vouchers or other means that offer maximum customer choice in the selection of training providers.

I now want to highlight some of the specific issues which are likely to be of most interest to members of this subcommittee.

There are two major programs which the Opportunities Committee shares jurisdiction with Ways and Means: The Wagner-Peyser Act of 1933, and the Trade Adjustment Assistance Program. Currently, neither of these programs would be consolidated under CAREERS.

Wagner-Peyser was not consolidated due to the fact that it is financed by employers through the Federal Unemployment Tax Act. There is an obligation to ensure that these funds are used for their intended purpose, which is to maintain a national system of employment services.

CAREERS does amend the Wagner-Peyser Act. It ensures that it is fully integrated into the one-stop delivery system, retains the emphasis on job placement functions of the Employment Service, continues to ensure that unemployment claimants are actively

seeking work and are helped to reenter the work force as early as possible, thus reducing the burden on employer taxes, and establishes a new title to Wagner-Peyser, consolidating the current Federal effort of collecting and disseminating labor market information in order to make it locally based, current, and widely accessible.

The second program where we share jurisdiction is the Trade Adjustment Assistant Act. This provides a wide range of training and employment services for workers whose jobs are impacted by trade. Although currently not consolidated as part of CAREERS, we are willing to work with members of the Ways and Means Committee to pursue such action on the floor of the House.

The philosophy behind CAREERS is that services should be provided to individuals who have lost their job, are out of work, or who simply lack the skills to hold a job. Programs such as TAA spend too much time, money, and effort in trying to determine why or how somebody lost a job instead of focusing the limited funds available on ensuring that they are provided adequate services to get back into the labor force as soon as possible.

Again, I want to thank you, Mr. Chairman, for inviting me here to speak on this important topic. I would welcome any ideas or suggestions members of this committee may have which would further strengthen any aspect of the CAREERS legislation.

[The prepared statement and attachment follow:]

TESTIMONY OF HON. BUCK McKEON, CHAIRMAN
SUBCOMMITTEE ON POSTSECONDARY EDUCATION,
TRAINING AND LIFE-LONG LEARNING,
COMMITTEE ON ECONOMIC AND EDUCATIONAL OPPORTUNITIES

Introduction

Mr. Chairman, I appreciate the invitation and opportunity to provide members of this Committee an overview of the job training consolidation legislation currently before the Committee on Economic and Educational Opportunities.

As Chairman of the Postsecondary Education, Training and Life-long Learning Subcommittee, and as a Congressman from a district in California that has been hit hard by defense and aerospace cutbacks, I understand that the skills of this Nation's workforce are more important today than ever before to U.S. competitiveness. However our current patchwork of Federal programs is not the answer. The Consolidated and Reformed Education, Employment, and Rehabilitation Act, or "CAREERS" Act, addresses our long term workforce preparation strategy by creating a seamless system for youth and adults to meet the competitive needs of our workforce.

In brief ,the CAREERS Act includes five major components:

First, it provides maximum authority to States and localities in the design and operation of their workforce preparation system;

Second, it drives money to States -- and down to local communities to the actual points of service delivery;

Third, it requires the involvement of local employers in the design and implementation of local systems -- through employer-led local Workforce Development Boards; and

Fourth, it requires that service delivery be provided through a one-stop delivery structure which is market driven, accountable, reinforces individual responsibility, and provides customer choice and easy access to services;

Finally, it establishes a national labor market information system that provides employers, job seekers, students, teachers, training providers, and others with accurate and timely information on the local economy, occupations in demand, skill requirements for such occupations, and information on the performance of service providers in the local community.

In establishing this workforce development infrastructure, the CAREERS Act consolidates and eliminates over 150 existing education, training, and employment assistance programs into four consolidation grants to the States, including: A Youth Workforce Preparation Grant; an Adult Employment and Training Grant; a Vocational Rehabilitation Grant; and an Adult Education and Literacy Grant.

The CAREERS Act provides maximum authority to States and localities in the design and operation of their workforce preparation systems. We significantly reduce administrative requirements, paperwork, duplicative planning, reporting, and data collection requirements across the various programs -- eliminating vast bureaucracy within the system. However, our legislation does provide some broad parameters for the design of a workforce development system based on testimony heard in our numerous hearings and in talking to people around the country, which we feel are necessary to move the system in the right direction.

Specifically, Title I of CAREERS, is designed to build an infrastructure in States and local communities for development and implementation of a comprehensive workforce development system. At the State level, Governors are asked to pull together key State agency heads and leaders from business and education to develop a single State Plan and performance measurement system for the entire workforce development system. Governors are also asked to designate Workforce Development Areas throughout the State, for the distribution of funds and service delivery under much of the system.

To ensure the involvement of the private sector in the design and implementation of local systems, CAREERS requires the establishment of local, employer-led, workforce development boards. These boards would provide policy guidance and oversight over local systems, and would be responsible for the establishment of local one-stop delivery systems -- easily accessible single points of entry into the local workforce preparation system.

The youth workforce development program pulls school systems and postsecondary institutions together with local business leaders to develop a "school-to-work system" for both in-school and out-of-school youth in the community. This system is designed to result in challenging academic and occupational competency gains for all youth in the community, as well as completion of high school, or its equivalent, and other positive outcomes such as placement and retention in employment, or continuation into postsecondary education or training. States would also be required to show how special population students meet the performance standards.

Under the adult and the vocational rehabilitation programs, "upfront" or "core" services -- such as information on jobs, assessment of skills, counseling, job search assistance, information on education, training, and vocational rehabilitation programs in the local community, assessment of eligibility for such programs (including eligibility for student financial aid), and referral to appropriate programs would be available to all individuals through a network of one-stop career centers and affiliated satellite centers throughout each community. For individuals with severe disabilities and determined to be in need of more intensive services, such services would be available through vouchers and other means to be used with approved providers of vocational rehabilitation services.

Under the adult training system, for individuals who are unable to obtain employment through the core services, more intensive services such as specialized assessment and counseling, and development of employability plans, would be available -- also through the one-stops. For those unable to obtain employment through these services and determined to be in need of education or training, such services would be provided -- through the use of vouchers or other means that offer maximum customer choice in the selection of training providers. States would be required to establish a certification system for the identification of legitimate providers of education and training for receipt of vouchers taking into account the recommendations of local workforce boards.

Finally, beyond the specific area of job training, the CAREERS Act includes privatization proposals for 2 existing government sponsored enterprises -- again focusing on the streamlining of federal programs. Sallie Mae and Connie Lee were created by the Higher Education Act and are examples of for-profit, stockholder owned GSEs which have successfully fulfilled their intended purposes. Privatization cuts the ties to the federal government and establishes a willingness on the part of the government to take a successful public-private partnership and turn it into a completely private venture when government support is no longer necessary.

Now that I have provided a general overview of the CAREERS Act, I want to highlight some of the issues which are likely to be of most interest to members of this Committee.

There are two major employment and job training programs which our Committee shares jurisdiction with the Ways and Means Committee. They are the Wagner-Peyser Act, authorizing the U.S. Employment Service, and the Trade Adjustment Assistance Program including the related NAFTA-TAA program. Currently, these programs would not be consolidated under the CAREERS Act.

It was decided by our Committee members that given the fact the Wagner-Peyser Act is financed almost exclusively by employers through the Federal Unemployment Tax Act (FUTA), there is an obligation to ensure that these funds are used for their intended purpose which is to maintain a national system of employment services. Our Committee's jurisdiction is limited to the programmatic aspects of Wagner-Peyser, not the funding mechanism.

Nevertheless, the CAREERS Act does amend the current Wagner-Peyser Act to ensure that it is fully integrated into the one-stop delivery concept envisioned under this legislation.

Our amendments retain the emphasis on the job placement functions of the Employment Service, which are a central, cost-effective component of the federal job training and employment system. It also continues to assure that unemployment claimants are actively seeking work and are helped to reenter the workforce as early as possible, thus reducing burden on employer taxes.

Another key amendment to Wagner-Peyser is a new labor market information title which consolidates the current federal effort in this area. Under this new title, the Department of Labor will be in charge of establishing a system of labor market information which is locally based, current, and widely accessible.

The second major program over which our Committee shares jurisdiction is the Trade Adjustment Assistance Act, authorized by Title II of the Trade Act of 1974. As you are aware, the TAA program provides a wide range of training and employment services for workers whose jobs are impacted due to U.S. trade policy. Although CAREERS does not currently consolidate this program or the related NAFTA-TAA program, members of our Committee have not ruled out the possibility of pursing such action on the floor of the House. The whole philosophy behind the CAREERS Act is that services should be provided to individuals who have lost their job or who are out of work, or simply lack the skills needed to be competitive in today's labor force. Programs such as TAA spend too much time, money and effort in trying to determine "why" or "how" somebody lost a job instead of focusing the limited funds available on ensuring that they are provided adequate services to get back into the labor force as soon as possible.

I would be happy to discuss with members of this Committee ways to bring these programs under the overall umbrella of the CAREERS Act as this bill moves forward.

Again, I want to thank the Chairman for inviting me here today to speak on this important topic, and I want to emphasize that our legislation is still in the process of moving through our Committee -- I would welcome any changes or ideas which you may have to offer which you feel would further strengthen any aspect of the CAREERS legislation.

School-to-Work Opportunities Act Vocational Education Basic State Grants: Basic State Grants,Territorial Set-aside Community-based Organizations Consumer and Homemaking Education Tech-prep Education Bilingual Vocational Training Blue-Ribbon Schools Program Displaced Homemakers Sex Equity Sex Equity State Coordinator Business Ed. Labor Partnership Facilities and Equipment Partnership Lighthouse Schools Model Programs Regional Training for Skilled Workers Criminal Offenders Career Guidance and Counseling Materials Development of Business and Educational Standards Educational Integration of Vocational and Academic Learning Demonstrations Grants (Year Round Youth) Summer Youth Programs Youth Councils Adult Training Grants Dislocated Workers Assistance Building, Info Dissemination, and Replication Labor Market National Commission on Employment Policy National Occupational Employment Programs American Samoans Homeless Job Training Administration (Programs Ops) Defense Conversion Adjustment Assistance Employment Service (One-stop Career Center) Migrant Ed Migrant Program) Tribal Controlled Postsecondary Vocational asides Vocational Rehabilitation State Grants Supported Employment Supported Employment State Grants Voc. Rehabilitation Services for Rehabilitation Programs General Grant and Contract Requirements Demonstration Programs Community Service Employment Pilot ties Transition Demonstration Projects Barriers to Successful and Demo Projects to Study Management and Service Delivery Regarding Severe Disabilities Distance Learning Through Telecom- Regarding Impartial Hearing Officers Recruitment and Retention of Consolidation Basic Adult Education State Grants Evaluation and Literacy Resource Centers Workplace Literacy Partnerships Literacy Library Literacy Programs Public Library Services State Grants tion State Grants College Library Technology Library Education and Media Resources Library Learning Center Programs Adult Literacy for Commercial Drivers Gateway Grant Family Literacy Public tion Adult Migrant Farmworker and Immigrant Education ships Model Program Community Partnership & Library Facilities Development of Foreign Languages & Science & Engineering Outreach Demonstration Programs Careers Grants for Sexual Offenses Education Advanced Programs State & Local Programs for Teacher Excellence Materials Access & Equity to Education for all Americans Class Size Demonstration Grant Middle School Teaching Childhood Staff Training & Professional Enhancement Technical Services for Disadvantaged College Students Loan Forgiveness for Training in Financial Aid Services Demonstration Grants for Critical Summer Language Institutes Foreign Language Periodicals Women & in Areas of National Need Science & Engineering Access Programs Am. Indian Teacher Teacher Recruitment School-Based Decisionmakers Native Culture and Arts Development Eisenhower Leadership Program School Clinical Urban Community Service National Early Intervention Scholarships Douglas Teacher Scholarships Olympic Scholarships Teacher Corps Harris Fellowships Javits Fellowships Legal Training for the Disadvantaged Academic Libraries and Information Services State Student Incentive Grants State Postsecondary Review Entities Faculty Development Fellowship Program

151 Programs

Development in Telecommunications Professional Development Programs for Federal Correctional Institutions Dropout Prevention School Dropout Demonstrations Assistance Youth Training Innovations Youth Fair Chances Smith-Hughes Act State Migrant & Seasonal Farm Workers National Activities Capacity Information Research and Evaluation Pilots and Demonstrations Information Coordination Committee Rural Concentrated Stuart B. McKinney)Training Employment and Training Program Defense Diversification Program Clean Air Transition (High School Equivalency) Migrant Ed (College Assistance Institutions Native Americans Indian & Hawaiian Natives Set- Projects Special Recreational Programs Projects with Industry Individuals with Disabilities Loan Guarantees for Community Projects to Achieve High Quality Placements Early Intervention Programs Business Opportunities for Individuals with Disabili- Rehabilitation Outcomes for Minorities Studies, Special Projects National Commission on Rehabilitation Services Model Systems nunications Parent Information and Training Programs Training Urban Personnel Adult Education and Family Literacy Technical Assistance, National Institute for Literacy State Training for Homeless Adults Literacy Programs for Prisoners Public Library Construction State Grants Interlibrary Coopera- Training Research and Demonstrations ESEA School Library Volunteer Training English Literacy Grant Education Program Broadcaster's Program Foreign Languages Materials Acquisi- Articulation Agreements Presidential Access Scholar- Counseling Grants Improvement of Academic & Culture Instructions Materials Women & Minorities Student Literacy & Mentoring Corps New Teaching Placement Fee Payment Program National Mini Corps National Clearinghouse for Postsecondary Education through Telecommunications National Teacher Academies Demonstration Programs Small State Teaching Initiative Early Assistance for Teachers & Counselors Special Child Care teachers, individuals performing community service and nurses- Language & Area Studies Faculty Development Grants Intensive Minority Participation in Graduate Education FIPSE Special Projects American Indian Postsecondary Economic Development Scholarship Student Financial Aid Database and Info Line Native Hawaiian & Alaska Innovative Projects for Community Service Cooperative Education Law

CAREERS ACT

Consolidated and Reformed Education, Employment and Rehabilitation Systems Act

- Adult Consolidation Grant
- Youth Consolidation Grant
- Vocational Rehabilitation Consolidation Grant
- Adult Education Consolidation Grant

Chairman SHAW. Mr. English.

Mr. ENGLISH. Thank you, Mr. Chairman.

I wonder if the gentleman would discuss how his block grant proposal treats three programs this subcommittee is especially interested in, and you had mentioned Trade Adjustment Assistance, but also the NAFTA Trade Adjustment Assistance Program and the U.S. Employment Service.

Mr. MCKEON. We do not deal with those beyond what I discussed in my testimony.

Mr. ENGLISH. OK.

Mr. MCKEON. Those fall mainly under your jurisdiction, and so we have tried to just work on the areas that come specifically under our jurisdiction.

Mr. ENGLISH. What provision do you make in the proposed employment and training block grants for economic downturns or other emergencies?

Mr. MCKEON. Each of the block grants carries a separate line of funding, separate stream, and then they come to the Governor. The Governor then pushes them down. We push them down through the bill down to the local agencies. But the Governor is left with some discretion. He has 15 percent of money for the adult training that he could use in various ways that would cover and help in those kinds of circumstances.

Mr. ENGLISH. That is excellent. I have not made a comprehensive survey yet, but I have gotten some positive feedback on your bill from some people who are involved in job training back in my district, and I am very encouraged by that.

Can you share with us how the reception has been on the part of the States to the idea of block granting the programs that you suggest?

Mr. MCKEON. You know, we have been working on this now for—actually, Chairman Goodling and Mr. Gunderson introduced similar legislation last Congress. But it came under the jurisdiction of our subcommittee, so we have been working on it, held numerous hearings since the first of the year, and we have really tried to work out and reach out into the communities to make it a bipartisan effort.

We have worked with both sides of the aisle in the committee. We have worked with the Governors. We have worked with all areas that we can to try to bring this together. The States like the block grant.

We have some discrepancy with the Governors. They would like us to just give them the money.

Mr. ENGLISH. Right.

Mr. MCKEON. And we do not plan on doing that. While they will have a much greater role than they currently have, they will not have total discretion of what they do with the money.

I think when I served on local school boards and local city councils, I had as much problem with State government as I did with Washington, and so my goal is to push as much of the resources down to the local communities that are actually serving the people that need the training and the help as possible. So while they like the philosophy, what we are struggling over now is how much power the Governors get.

Mr. ENGLISH. Well, my own observation is that you are shifting those resources back to the local level and providing an enormous degree of flexibility. That is really the strength of the approach you are taking, and I salute you for it.

Mr. Chairman, thank you for the opportunity, and I have no further questions.

Mr. MCKEON. Thank you.

Chairman SHAW. Mrs. Kennelly.

Mrs. KENNELLY. Thank you, Mr. Chairman.

Mr. McKeon, block grants, we have been dealing with them in welfare reform and some other areas, and what we see is the programs sent back to the State in the form of block grants and then the overall funding reduced. Then the argument is, well, you are getting increases, but the increase is a reduction from current law.

Have you done any work on how much your bill, CAREERS, would differ in how much is being spent on the multinumber of training programs that we have right now?

Mr. MCKEON. Right now these programs, the 151 that we are looking at, are costing about $9.6 billion a year. We have not addressed the issue yet. We are going to subcommittee markup tomorrow and full committee the next week, and so we are still working on that. And I think that we will address the issue in full committee, but we have not resolved that issue yet.

Mrs. KENNELLY. Do you foresee there probably will be a reduction in the funding for these programs?

Mr. MCKEON. It seems to me that if you eliminate the bureaucracy, the top management of 150 programs down to 4 that we should be able to eliminate and save at the Federal level. And then if we structure this correctly so that the States do not build up an offsetting bureaucracy, then we will and should achieve some savings along with increasing the real delivery of service.

Mrs. KENNELLY. One of the programs I have seen that has really addressed—in fact, the only program—the dislocation of jobs through the trade situation is the TAA. I notice you do not have that here, and you say——

Mr. MCKEON. That is yours.

Mrs. KENNELLY. But with tomorrow, what are the chances that TAA will be included in this?

Mr. MCKEON. None, unless you come and tell us you want us to take that over.

Mrs. KENNELLY. That is what I was going to tell you. I think that is one that does work, and I hope you leave that one be. If it is not broken, why fix it?

Thank you, Mr. McKeon.

Mr. MCKEON. Our purpose is to make things better, not worse.

Mrs. KENNELLY. Thank you.

Chairman SHAW. Ms. Dunn.

Ms. DUNN. Thank you very much, Mr. Chairman. And thank you for coming to testify, Mr. McKeon. This is a very interesting proposal.

Have you given any thought to the relationship that this type of block grant will have to what we did in our welfare proposal, where, for example, we allowed 20 percent of the funds for school lunches to be transferred to the WIC Program and so forth? Will

funds be transferable, or will it be considered as one single block grant as States are able to access the money?

Mr. MCKEON. It will be four block grants, and they will not be able to transfer from one to the other because they are targeted specifically to the youth or to the elderly—I mean the elderly like myself, to the adults or to youth or to vocational rehabilitation or to adult literacy. So we figure that that money should stay within those block grants.

Now, within the individual block grant, there is flexibility, and that would be determined by the Governor, and he has to work in association with people that are working in this area throughout the State.

For instance, in the youth training, a percentage of it goes to the schools and a percentage goes to those working with dropouts, those who have fallen out of school, and then a percentage is left for the Governor, much like was done in those programs. There is flexibility, but we want to get the maximum amount of resources down to the local community.

Ms. DUNN. So you are going to have some Federal strings attached, I assume, because you have to account for the way that money is spent, that you are having the same tug of war that we had with the Governors as we went through our welfare block grant?

Mr. MCKEON. Yes, I think we are not going as far as they would like, but I think that as long as we have the responsibility of collecting the taxes, we should have some accountability and responsibility for how they are spent.

Ms. DUNN. I agree. In your discussions with the Governors and with other people who have been involved in putting this proposal together, did they ever discuss the possibility of returning the funding sources to the States?

Mr. MCKEON. I think that that probably is down the road, but I think, you know, you have to look at what is possible and what is not right now. We have to learn to crawl before we can run, and I think taking 150 programs down to 4 will be a good step.

My goal, what I would like to see eventually, is not run the money back through the siphon back here. I would like to leave it, but I do not think we are ready for that at this point.

Ms. DUNN. I think you have made a monumental step. I certainly support your proposal, and I, too, look forward to the time when we can avoid entirely the bureaucracy and the buffer that is so expensive at the Federal level by leaving those funding sources at the State level for them to decide whether they want to use those or not for their own programs where they will have the very best answers to local problems.

Thank you, Mr. Chairman.

Mr. MCKEON. Thank you.

Chairman SHAW. Mr. Levin.

Mr. LEVIN. Thank you. Welcome. I congratulate you on your work, and I would like to talk a bit about it so that we all as fully as possible understand it.

Your proposal and the administration's proposal, how similar are they in terms of block grants?

Mr. MCKEON. We have been working very closely with the administration on this, and, in fact, we met last week with Mr. Ross, Assistant Secretary at the Department of Labor, and we had two basic disagreements. I think we probably are just about to resolve those, so I think we will be—while it is not probably what they would have proposed, I think they are in agreement with the finished product, or what it will be when it is finished.

Mr. LEVIN. Well, for example, the four block grants are in their proposal, right? Rather, the basic structure is very similar.

Mr. MCKEON. Very similar. As I said earlier, we have really tried to reach out and make this a bipartisan effort, and I think something coming from our committee, which has been very partisan, we have come a long way.

Mr. LEVIN. And I congratulate you on that. I think, therefore, we should not take a term like "block grant," try to simply apply it blindly across the board, but try to go beyond the label.

For example, as I understand it, you mentioned 154 programs. But I think 75, 80 percent of the money is in a dozen or so. Isn't that true?

Mr. MCKEON. It could be. I have not figured those numbers. For sure, it is a smaller proportion of them. Many of the programs have never been funded.

Mr. LEVIN. Many of them were never funded, because, for example, the youth and education block grant, it looks to me like 80 percent or more is in just a few programs, and adult training, the same is true in vocational rehabilitation. Almost all the money is in one program. And adult education, there are only 2, 4, 6, 7, 8 programs that are even funded, more or less—2, 4, 6, 8. And 85, 90 percent of the money is in two programs, the education State grants and the public library service State grants that are already in a sense block granted. They are grants to the States.

I raise this because I think the training/retraining area is so critical, and I do not think we want to use the necessary consolidation as an automatic response to what is the appropriate funding authorization. Because where the vast bulk of the money is in a dozen or so programs, it may well be that consolidating those dozen into 4 is not going to itself save that much money. And I think this is evidenced in the administration proposal, which is to increase funding under their GI bill by over $1 billion.

So let me ask you this: Has anybody made a study of what would be saved by the consolidation of these programs and these particular block grants?

Mr. MCKEON. We will do that in the process. I am not prepared to give you those numbers today.

Mr. LEVIN. But do you know has anybody made a careful study of the savings from these particular block grant consolidations?

Mr. MCKEON. Like I say, we may have that, but I am not prepared to offer that today. We will as we go through the process, I am sure.

Mr. LEVIN. All right. I just hope that that can also be done together, because this is too important an area for the determination to simply be made by a label.

You also mentioned in your testimony—and Mrs. Kennelly referred to it—about TAA. You do not touch that. You indicate that it could be the subject of an amendment on the floor.

Mr. MCKEON. We do not plan on doing that. I do not know who would—I guess it is a subject if somebody wanted to do it. We have no plans of doing that. It seems to me it comes under the jurisdiction of the Ways and Means Committee, and if you want to do something with it, fine. But we do not have any plans for that.

Mr. LEVIN. Well, I think the spirit within which you have been working is important. Hopefully it might spread to some other areas, but let's for sure keep it in this area. And I hope the two committees can work together within the same spirit that you have with the administration.

Thank you.

Mr. MCKEON. Thank you.

Chairman SHAW. Mr. Ensign.

Mr. ENSIGN. No questions, other than just to add my compliments to working in a bipartisan fashion. As a freshman, partisanship is not exactly something that you like to see, and I just compliment your efforts on a bipartisan fashion, and hopefully the rest of the committees will start exercising more of it.

Thank you.

Mr. MCKEON. Well, thank you. I am not far removed from being a freshman, being my second term here. And I know I can be as partisan as anyone. But as we started on this process, in my dealings with the administration, with the other side of the aisle, I said, you know, there is no reason for us to have disagreements just because you are a Democrat and I am a Republican. If we disagree on philosophy, that is something else. And we can work those out. But we will not have a disagreement just because we have a different party label, and I think we have really held to that. I think we have done a pretty good job.

Chairman SHAW. Mr. Rangel.

Mr. RANGEL. Following that bipartisan theme, I want to thank you for keeping the bill open, at least for suggestions, which is about as far as we get in this committee. [Laughter.]

But during the course of our marking up of the welfare bill, I was trying to impress my colleagues with the fact that it has been my experience in talking with the experts that one of the ways to reduce this out-of-wedlock pregnancy was to concentrate on education. It has been my experience that the kids who are educated and have job opportunities and, indeed, are working, are not making babies, are not doing drugs, are not doing crime and violence and do not hinder us with the tremendous costs of going to jail. And Chairman Shaw didn't disagree, but pointed out that it was not the jurisdiction of this committee to deal with the prevention before the problem actually exists that we were working on.

So I went to the Speaker and shared this view with him, and he, together with the Secretary of Labor, agreed that maybe we should concentrate on seeing what education and job opportunities can do in those communities of the very highest unemployment and have these conditions which are really producing losers rather than those with vision and hope. And then told the Secretary, try to get six areas or at least allow someone to select six areas where you

find economic depression and the high school dropouts and all of these things, and then pick another six areas that are similar that will not be given this type of special treatment, and let's see whether these theories work.

And so we immediately went to draw up a bill which was introduced, which is H.R. 1414, which I think came before your committee after you started marking up. And what this does is to attempt to reduce crime and poverty in poor neighborhoods by providing employment opportunities to disadvantaged young adults.

I do not know whether your—he was suggesting that we track the empowerment zones by allowing this to go into areas which have already been designated for some type of treatment, just to see whether it works, to see whether it is a model. At this point, is your bill flexible enough to consider this type of idea?

Mr. MCKEON. I think it is, and if it is not, we can change it to make sure it does.

I met, as I said, with a lot of people, and I am new at this process. But it seems to me that what we come out with through markup this week and next week will not be perfect. And even if finished at the floor, it will not be perfect. And after we get together with the Senate, it will not be perfect. And when it is signed by the President, it will not be perfect. But it will be something that we need to continue to work with and go back and check it and fine tune it as we find programs that are working and not working.

During the hearing process, we heard some tremendous things that are being done around the country, and hopefully what we have tried to do is make it flexible so those will continue and expand. I think some real good things will come out of it, but I think we need to keep working together.

This will not be something that we pass that is final and finished and will solve all the problems of the world and, you know, then we can go on to something else. I think it will be an ongoing process that we continue to work with.

Mr. RANGEL. I look forward to working with you. The only impediment I see is that if we are picking six zones with the special program and six others, there may be a problem with the block grant and who picks the areas if it is not in one State. But I really appreciate the fact that you are open for suggestions, and I look forward to working with you.

Mr. MCKEON. I would like to talk to you about that.

Mr. RANGEL. Thank you, Mr. Chairman.

Mr. MCKEON. Thank you.

Chairman SHAW. Thank you, Charlie.

Buck, thank you for very fine testimony and the good work that you are doing over at Economic and Educational Opportunities.

Mr. MCKEON. Thank you very much.

Chairman SHAW. There is a vote that has been called, so before I call on the administration witness, I will give the Members an opportunity to vote. We will reconvene at 5 minutes after the hour.

[Recess.]

Chairman SHAW. If everybody will take their seat, we will continue.

Mr. Uhalde, welcome to the hearing, and you may proceed as you see fit.

STATEMENT OF RAYMOND J. UHALDE, DEPUTY ASSISTANT SECRETARY, EMPLOYMENT AND TRAINING ADMINISTRATION, U.S. DEPARTMENT OF LABOR; ACCOMPANIED BY MARY ANN WYRSCH, DIRECTOR, UNEMPLOYMENT INSURANCE SERVICE, EMPLOYMENT AND TRAINING ADMINISTRATION, U.S. DEPARTMENT OF LABOR

Mr. UHALDE. Chairman Shaw and members of the committee, thank you very much for this opportunity to testify. I am accompanied today by Mary Ann Wyrsch, who is the Director of the U.S. Unemployment Insurance Service in the Department of Labor. I would like to take a moment to highlight some portions of our testimony, particularly to talk about the President's approach to consolidating and streamlining our employment and job training system and to address some of the specific issues that you raised in your invitation.

Because of the dramatic changes in the economy that we are undergoing, we know that the links between learning and earning are increasing over time. We have recognized that the return to education on annual earnings can be from 6 to 12 percent per year.

We have recently recognized and been able to document in a just-released study that business also benefits directly, as many of us had assumed. In a recent study, it was found that with a 10-percent increase in the educational attainment of the work force of a company, on average that can lead to an 8.5-percent increase in productivity for the company. So increasing knowledge and skills benefit both workers and the companies in terms of their productivity.

We need to invest not only in our adults in the workplace but, obviously, in our youth, and particularly for young people who have less skills. We have seen since the late seventies that their earning power has been reduced by 25 percent, at least in real terms, for high school dropouts.

Our employment and training systems need to be designed to help people navigate this kind of turbulent economy, and the government, and particularly the Federal Government, can play a strategic role in helping do that, in providing the resources and investment capital for individuals to help move in that economy and the information they need to make wise choices.

The President, as part of his proposal called the GI Bill for America's Workers, developed and proposed a strategy to help working people to adapt to this changing labor market. Many of the elements of the President's proposal are evident in other proposals that have been discussed here today. And we are, indeed, as Chairman McKeon mentioned, working with Congressman McKeon, his staff and the staff of the full committee, and Chairman Goodling to help in the fashioning of this new legislation.

The President's approach that has been presented is to consolidate programs and consolidate programs around population or target groups, much as in the proposal of Congressman McKeon—to consolidate around adult job training, adult and family literacy, and to consolidate around youth, around a school-to-work framework for in-school youth and for at-risk youth who have dropped out of school, and to be able to invest our resources in that school-to-work framework.

The President's proposal is also designed not only to consolidate but also to make our job training system more market driven. And in this, the President's proposal would attempt to empower individual workers to put purchasing power into their hands to have them make informed and wise decisions as to where they should get their employment and training services.

While the President's proposal seeks to streamline our employment and training programs, the President has also chosen in his budget to invest additional resources and proposed an overall funding increase of $1 billion. In contrast, the recently proposed House and Senate budget resolutions contain dramatic cuts in the funding for these same systems. As my boss, Secretary Reich, noted last week, we ought to be investing more in people and not less.

The key component, as I mentioned, of the President's proposal has been to increase purchasing power of individuals by providing adults with what we call skill grants or vouchers to enable individuals with good information to choose among training and education providers in their communities in the occupations for which they want to train.

Another key part of the President's proposed adult system is to build a comprehensive system of one-stop career centers. States working in cooperation with mayors and local communities, with the private sector and business, the local schools and community colleges, will be able to integrate the services of job training as well as the Employment Service and other local programs into a coherent system that people can actually access and receive services from on a seamless basis.

We have started this. States and local communities have been doing it in spite of the Federal Government's restrictions and obstacles, up until now, and now we are in a position to be able to help States move along and build these one-stop systems.

Last, the President's proposal calls for helping build a new electronically based labor market information system, a system that provides ready access to job vacancies around the country, ready access to resume banks, and talent banks, where employers can actually access electronically resumes of individuals. They also can obtain consumer information on the quality of education and training institutions through consumer reports so that when individuals empowered with vouchers or skill grants choose where they are going to get the training, they can have information on the performance of those institutions so they can make wise choices.

The funding for the present system of job training, employment, and employment services is a mixture of general revenues and FUTA taxes, the latter paid by employers. These two funding sources should be maintained, and it is our position that the FUTA funds from business should be earmarked for the public labor exchange services. These services have been a specialty of the existing Employment Service. They have been run by States, and they should be integrated as part of the services of a one-stop system.

With regard to the Trade Adjustment Assistance Program and the NAFTA trade programs that were mentioned—and the Chairman asked our position—Trade Adjustment Assistance and the NAFTA Program really exist as a social contract with workers. Workers have been asked, really back in the early sixties and again

with the passage of NAFTA and GATT, to embrace a volatile economy and world trade and to accept the elimination of protectionist trade barriers, but not to bear the total social costs of that upheaval. And the social contract is that we would have in place employment and training systems that help workers adjust to the changes that would come about with the volatile world trade. People who lose their jobs because of this competition should not bear the social costs alone, and we have a deal to keep with these American workers who are asked to bear these uncertainties of the freer trade.

In the unemployment compensation system, Unemployment Insurance Program, there are two issues to deal with in this hearing. The first, as has been mentioned, is potential repeal of the 0.2 percent FUTA surtax, and the other is the reinstatement of the exemption of wages for H–2A workers from FUTA taxes.

With regard to the FUTA provisions, the administration believes that countercyclical financing is really the hallmark of this UI system. The taxes need to be built up in the trust fund when unemployment is low to pay for benefits that will be demanded during periods of high unemployment. Because of that, it is important that we allow for sound financial management of the system, accumulation of reserves, and, therefore, to continue the surtax through 1998 to cushion the blow in case any economic downturns are on the distant horizon.

With regard to the FUTA funding for H–2A workers, last December this exclusion from FUTA of the wages paid to temporary foreign agricultural workers who work here under H–2A visas did expire. This exclusion was originally enacted in 1976, and as a temporary one, as we find often, has been extended for many years.

Under the H–2A Visa Program, the temporary farmworkers are admitted to the United States to perform agricultural services on a temporary or seasonal basis. This may be in applepicking in Virginia, sheepherding in Idaho and Nevada, sugarcane cutting in the Florida area, or tobacco harvesting in other parts of the eastern part and the southern part of the United States.

The visa, however, is only granted if the Department of Labor certifies that U.S. workers are not available to perform the services, that their wages will not be adversely affected, and that the working conditions of U.S. workers would not be adversely affected if such workers were admitted. The visa requires that the H–2A workers return to their country of origin upon completion of the work.

The rationale for the exclusion is that the employer should not pay the Federal unemployment tax since workers must leave the United States if they are unemployed and, therefore, they cannot draw and collect unemployment compensation. On the other hand, we need to bear in mind that the exclusion also does reduce the costs to employers of the use of temporary foreign workers.

I would note that the administrative costs for the certification of H–2A workers are funded through the FUTA receipts. Employers of H–2A workers pay an application fee for that certification. That is, in the aggregate, about $470,000 a year.

Now, this application fee is far below the estimated $10 million cost of the Federal and State administrative costs that are paid out for this certification process.

The administration would not oppose the extension of the exclusion that has existed since 1976 if that can be accomplished in an appropriate revenue neutral manner, and also we believe that the best approach may be to increase the application fees on employers for the H–2A certification so that we could cover the full certification costs and eliminate the subsidy. Currently what happens is that other employers are paying and subsidizing these employers for the certification costs for bringing these workers in.

Mr. Chairman, this concludes my remarks, and we will be happy to answer questions.

[The prepared statement follows:]

STATEMENT OF RAYMOND J. UHALDE
DEPUTY ASSISTANT SECRETARY OF LABOR
EMPLOYMENT AND TRAINING ADMINISTRATION
BEFORE THE HUMAN RESOURCES SUBCOMMITTEE
WAYS AND MEANS COMMITTEE
U.S. HOUSE OF REPRESENTATIVES

May 16, 1995

Chairman Shaw and members of the Subcommittee, thank you for this opportunity to discuss the workforce preparation and re-employment system this country requires if American workers are to be globally competitive and prosper in a rapidly changing economy. I am accompanied today by Mary Ann Wyrsch, the director of the Unemployment Insurance Service in the Department of Labor.

As our Nation hurtles headlong into the Information Age, it is not surprising that a national employment and training system devised for the Industrial Age is no longer well-fitted to our new needs. The knowledge economy in which we find ourselves increasingly requires higher skills, formal learning, and the ability and willingness to constantly learn new things. This dramatic new demand for skills also has strengthened the links between learning and earning: the ticket to "knowledge jobs" and a middle-class wage is formal education and skill training. Indeed, each year of education or training beyond high school raises a person's annual earnings by 6 percent to 12 percent.

Businesses also benefit when they have better educated and trained workers. A just released study by the National Center on the Educational Quality of the Workforce (which was commissioned by the Bush Administration) found that a 10 percent increase in educational attainment of a company's workforce results in an 8.6 increase in productivity. This compared favorably to a productivity increase of only 3.4 percent that results from a 10 percent increase in the value of capital stock, such as tools, buildings, and machinery.

This same imperative for learning and skills applies equally to our youth. The labor market situation for young people with low levels of education has changed dramatically -- in the wrong direction. In the late 1970s, half of recent high school dropouts held jobs; by 1992, only a little over a third did. Real earnings of young high school dropouts have declined by almost 25 percent over the same period. Therefore, any strategy for reversing adverse earnings trends must include boosting the learning achievements of our youth as well, especially the sons and daughters of the poor.

The new economy not only places a premium on new skills, it also forces both companies and employees to confront dynamic change in the marketplace. Turbulence is becoming the norm in the labor market and many more people will face the prospect of having to move to new jobs or new careers -- both in their early work life and at later stages.

Our systems for helping Americans navigate their way through the labor market must respond to the needs of many who once thought their economic position secure, as well as to those who are still trying to gain a foothold in the mainstream. Government can play a strategic role in providing working people with the resources they need to manage successfully the transitions that will be inevitable in their work lives. These resources include: **high quality information** on labor market trends, job openings, new careers, and training or education opportunities; **individual investment capital** to finance skill acquisition; and the **temporary income support** needed to sustain workers and their families when they are forced into unemployment.

The G.I. Bill for America's Workers, point four of President Clinton's Middle Class Bill of Rights, offers a strategy for

helping working people adapt to the new labor market and boost their earnings. This strategy would build new systems for redeploying Federal resources and drastically re-engineering the current Industrial Age system. Many of the basic elements of the President's proposal to redesign job training, education and employment programs are also evident in other proposals being considered by the Congress. We are working with Congressman McKeon and others to fashion legislation that incorporates these basic elements.

I would like to describe key components of the President's proposal for redesigning the system and then discuss several specific issues, including the use of FUTA funds for public labor exchange services, the retention of the TAA and NAFTA-TAA programs, the FUTA surtax, and the FUTA exemption for certified foreign agricultural workers under the H-2A program.

The G.I. Bill for America's Workers: Consolidating Programs

This year, in the G.I. Bill for America's Workers, President Clinton proposed a new approach for organizing services to help citizens find jobs and get the training and education needed to prosper in the new economy. The President's proposal consolidated 70 programs and created a market-driven system, with accountability based primarily on individual empowerment, informed customer choice, and provider competition. The proposal has three parts: an adult workforce development system, an adult education and family literacy system, and a comprehensive youth system consisting of an accelerated school-to-work reform component focussing on in-school youth, and a second-chance school-to-work component focussing on youth dropouts.

While proposing to streamline these programs, the President also seeks to increase overall funding by $1 billion, reflecting his belief that -- now more than ever -- education and training are the ladder into the middle class and the best insurance that workers have against economic change. In contrast, the recently proposed House and Senate budget resolutions contain dramatic cuts in the funding for these systems. As Secretary Reich noted last week, "We ought to be investing more in people, not investing less..."

The G.I. Bill for America's Workers would create a workforce development system designed to empower adult Americans to take control of lifelong learning resources away from bureaucracies and into their own hands--much like the original G.I. Bill. One of its key components is to give purchasing power to individuals through Skill Grants. These grants would be available to Americans who lose their jobs and need new skills, as well as to low-income workers seeking to learn their way into the middle class. An estimated 2.1 million dislocated and low-income men and women would use these vouchers each year to prepare themselves to prosper in the new economy.

Another key part of the President's proposed adult system is creation of a comprehensive One-Stop Career Center system, based on four broad objectives: universal access, customer choice, integrated system, and performance driven by outcomes. The President's one-stop strategy expands on the approach designed jointly with the governors, local elected officials, and the private sector last year. Under the President's proposal, States -- working in cooperation with communities, the private sector, local schools and colleges -- will integrate ES, JTPA and other local programs into a coherent system for job training and job search assistance.

Many States and local communities have started to transform the current system of multiple, separate categorical programs into a customer-friendly, accessible, and coherent One-Stop system. Last year, six States -- Connecticut, Maryland,

Massachusetts, Iowa, Wisconsin and Texas -- received Department of Labor implementation grants and began integrating an array of education, employment and training programs into the One-Stop Career Centers. Nineteen States which were committed to One-Stop but needed more time were provided with one-year planning and development grants. Our plans for this year call for more "leading edge" States to receive grants and implement One-Stop systems. Indiana, Ohio, and Minnesota have already been announced as award winners based on the quality of their first-year proposals.

The President also called for financing an electronic-based Labor Market Information system that would be housed in these One-Stop Career Centers. This LMI system would have many components, including a system for accessing information on job vacancies across the United States. America's Job Bank -- a listing of work opportunities in the U.S. and other locations worldwide -- is now available to job seekers on the Internet. Field tests of electronic talent banks enabling employers to search through a pool of resumes will begin in Michigan and Missouri in early summer. The President's proposal would also assure that consumer information on how well education and training providers perform and how successful they are at placing people in jobs would also be available so that One-Stop users could make informed choices of schools and occupational programs.

Continued Funding for Public Labor Exchange Services

The President's approach in the G.I. Bill for America's Workers calls for States -- working in cooperation with communities, the private sector, local schools and colleges -- to integrate ES, JTPA and other local programs into a coherent system for job training and job search assistance. The collaborative planning process which was developed for making grants to States for establishing One-Stop systems has already proven successful. It is an approach which has bi-partisan support.

Funding for the present system is derived from a combination of general revenues and FUTA taxes paid by employers. These two sources should be maintained, with FUTA funds from business used for effective public labor exchange services that will help the unemployed return to work as quickly as possible and assist employers in finding the workers they need. FUTA funds should continue to be used for labor exchange services that benefit both jobseekers and employers: counseling, job search assistance, jobseeker skill testing, and information on job vacancies, labor market trends, and on jobseekers. These services have been the specialty of the existing employment services which have been run by the States and which should be integrated into the One-Stop system through the collaborative planning process I discussed earlier. The interest in establishing such systems is high -- nearly all the States have applied for planning or implementation grants to set up One-Stop systems.

The Social Contract with Trade-Impacted Workers

The President's proposal did not include the Trade Adjustment Assistance program (TAA) and the NAFTA-TAA programs, which provide extended income support and additional training services for trade-impacted workers. TAA exists because of a social contract: workers were asked to embrace the volatility of the economy as we open world markets and reduce or eliminate protectionist trade barriers. Individuals who have lost their jobs because of international competition should not be abandoned to bear the social costs of these trade agreements. Rather, they should receive assistance from the government whose policies have contributed to the economic distress in their work lives. The goal of TAA and the NAFTA worker adjustment program is to provide opportunities for workers to make the adjustment to new

employment in different occupations and industries, opportunities which are badly needed when whole industries have been wiped out or have survived only to retool over many years.

We have a deal to keep with American workers who were asked to bear the uncertainties of freer trade with Mexico and the rest of the world. As the President said in December 1993 when NAFTA was passed, "We have an obligation to protect those workers who...bear the brunt of competition by giving them a chance to be retrained and to go on to a new and different and, ultimately, more secure and more rewarding way of work." To repeal TAA and the NAFTA-TAA would be to betray a pledge made by the President and the Congress to live up to this obligation. A repeal will increase many workers' fears about economic change.

Unemployment Compensation and the FUTA Surtax

Let me now turn to two unemployment insurance program (UI) issues that you asked to be addressed in this hearing -- repeal of the 0.2 percent Federal Unemployment Tax Act (FUTA) surtax and reinstatement of the exemption of wages for H-2A workers from FUTA taxes.

Under FUTA, a Federal tax is levied on covered employers at an effective rate of 0.8 percent on wages up to $7,000 a year per employee. The 0.8 percent includes: a basic tax of 0.6 percent and a surtax of 0.2 percent. The total federal tax works out to be a maximum of $56 per employee. Revenues from FUTA go into the Unemployment Trust Fund.

The FUTA tax is used to fund a number of different expenditures, including:

- All State and Federal administrative costs associated with the unemployment insurance program,
- BLS-administered grants to States for cooperative labor market statistical programs,
- Employment and training services for veterans and disabled veterans,
- Labor exchange services under the Wagner-Peyser Act,
- Alien labor certification,
- The loan fund from which an individual State may borrow whenever it lacks funds to pay benefits,
- The Federal share of benefits paid under the Federal-State extended benefit program, and
- Benefits under some of the Federal supplemental and emergency programs.

The President's Budget recommends the continuation of the surtax through its currently authorized expiration date of December 31, 1998. This view is based on the need for adequate balances in the Unemployment Trust Fund, taking into account current economic conditions as well as the history of unemployment during recessions. One of the key ways in which the Federal government helps individuals adjust to sudden economic change is through temporary income support provided through our unemployment insurance system. Countercyclical financing is the hallmark of this system; taxes build up the trust fund when unemployment is low to pay for benefits that will be demanded during periods of high unemployment.

The 0.2 percent surtax was added to the then 0.5 percent basic FUTA tax in 1977. The revenue generated by the surtax was

needed to repay general revenue loans to the Extended Unemployment Compensation Account (EUCA) following heavy outlays primarily for extended benefit (EB) payments. The surtax was scheduled to terminate at the end of 1987 when the EUCA debt was repaid. However, the surtax was extended four times, with the latest extension authorized through calendar 1998.

Continuing the surtax through 1998 will allow for sound financial management and accumulation of additional reserves to cushion an economic downturn. Under the assumptions in the President's Budget, the legislatively set limits on the accounts in the Unemployment Trust Fund would be reached shortly thereafter.

The need to build up balances during good economic times is illustrated by the experience in the recent recession. Reserves in EUCA were used to pay about 45 percent of the outlays associated with the Emergency Unemployment Compensation program. EUCA reserves did not pay more, because that account approached insolvency and general revenues were needed. Unlike the situation when the surtax was first imposed, EUCA does not have to repay these general revenues. Nonetheless, assuring a EUCA balance near its ceiling when the economy is in good shape is simply prudent preparation for any future downturn.

Exclusion from FUTA of H-2A Workers

Last December 31, the exclusion from FUTA of wages paid to temporary foreign alien agricultural workers with H-2A visas expired. This exclusion was originally enacted in 1976, when FUTA coverage was first extended to most agricultural workers, and was subsequently extended on a temporary basis on six occasions.

Under an H-2A visa, temporary foreign farmworkers are admitted to the U.S. to perform agricultural services of a temporary or seasonal nature. The visa may only be granted if the Department of Labor certifies that U.S. workers are not available to perform such services and that the employment of H-2A workers will not adversely affect similar U.S. workers. The visa requires H-2A workers to return to their country of origin upon completion of their work.

The rationale for the exclusion is that employers should not be required to pay the federal unemployment tax for H-2A workers since, under the terms of the visa, such workers must leave the U.S. if they are unemployed and therefore cannot collect unemployment compensation. On the other hand, the exclusion reduces employers' costs of employing temporary foreign workers.

It should be noted, however, that the administrative costs of the certification of H-2A workers are funded from FUTA receipts. While employers of H-2A workers pay application fees for such certification, the funds generated ($470,000) are far below the estimated costs of $8.6 million in FUTA funds provided to States to carry out certification responsibilities. (In addition, over $1 million in federal administrative costs are paid out of FUTA funds.) Thus, in effect, employers who pay FUTA have been subsidizing the costs of of a certification process that has benefited employers who have not paid FUTA for H-2A workers.

The Administration would not oppose an extension of the exclusion that is accomplished in an appropriate, revenue-neutral manner. We believe that the best approach may be to increase the H-2A application fees on employers to cover the certification costs and eliminate the subsidy. We would be happy to discuss other approaches to an extension of the exclusion with members of the Subcommittee.

Closing

The President has called for re-engineering the American workforce development system to empower individuals with purchasing power and information -- a system that creates opportunities not bureaucracies and is market-driven, customer-responsive, and accountable. Fashioning a bipartisan approach along the lines set forth in the G.I. Bill for America's Workers would be a big step toward achieving this goal.

But as we develop this new system, we need to assure that we do not undermine those parts of the system that sustain workers who have paid the price for more open trade policies and assure that we will have sufficient revenues in the case of economic downturns. The Trade Adjustment Act and the NAFTA-TAA programs need to remain. Continuing the surtax until 1998 is necessary for sound financial management. We further need to assure that the taxes employers pay to help workers make transitions in our economy will be dedicated toward funding the public labor exchange services that helps both jobseekers and employers alike.

This concludes my remarks. I will be glad to answer any questions you may have. Thank you.

Chairman SHAW. On the certification fee, if I could just ask one question because that is where your testimony left off. Is that a set fee or is it a fee that is based upon the number of employees requested? Or how is that certification fee now set?

Mr. UHALDE. As I understand it, Mr. Chairman, the employers are charged a $100 application fee and $10 per worker, and the maximum any one employer would pay is $1,000. So they would bring in maybe several workers on one certification.

Chairman SHAW. $100 per application fee and $10 per worker.

Mr. UHALDE. And $10 per worker.

Chairman SHAW. Up to?

Mr. UHALDE. A cap of $1,000.

Chairman SHAW. Mr. McCrery.

Mr. MCCRERY. Frankly, it sounds as if the administration and the work done by the Opportunities Committee have a lot in common. You both want to consolidate a number of programs, block grants and programs, and that is encouraging.

Let's talk about trade adjustment assistance. You defended that program, and I think rightly so, in that we all think that workers who are put out of work because of the volatile marketplace due to changing trade rules and conditions should receive some help.

However, hasn't the administration in the past talked about doing away with trade adjustment assistance as it currently exists and perhaps combining it with other assistance programs? And why couldn't we do that? Why couldn't we, for example, roll trade adjustment assistance into one of the block grants and just have that as one of the criterion that would qualify someone for assistance through those block grants?

Mr. UHALDE. Yes, the administration in the last Congress did propose to consolidate the Trade Adjustment Assistance Program into a block grant—rather a consolidated program for dislocated workers. That was generally applicable to workers, regardless of the reason that they were laid off.

But the reason the administration felt that it could propose to do that is it had constructed a more general dislocated worker program that was virtually equivalent to the benefits and services that are built into the Trade Adjustment Assistance Program now, that being that all trade workers, when they are laid off, can receive benefits for some period of time, and that training is guaranteed. If they want training, they can get extended training and the income support to go along with that training up to a time limit.

We designed last year and proposed under the Reemployment Act a general program that sort of was the equivalent of that for all workers. And then it makes sense that we ought not distinguish for the reason for dislocation but get about the business of serving the workers.

Under block grant designs that are now being considered there is no way that that equivalent level of services and benefits are going to be able to be provided to all trade impacted, and NAFTA impacted workers. So we set that program aside and have a more general program for all unemployed workers, either disadvantaged or dislocated.

Mr. MCCRERY. So you are willing to at least look at some other mechanism for providing that assistance?

Mr. UHALDE. If we can make sure that the workers that we have made this social contract with—trade impacted workers—and we have asked them to sign on to free trade either in GATT or NAFTA or elsewhere, if we can guarantee those levels of benefits and services, which is what we tried to do last year, then we could go forward. But if we cannot, we can keep that program separate.

Mr. MCCRERY. OK. Thank you, Mr. Chairman.

Chairman SHAW. Mr. Ford.

Mr. FORD. Thank you, Mr. Chairman.

Mr. Secretary, you know, the Republicans have proposed once again another block grant for training and employment. I would like to know, knowing that I guess there are some good arguments for consolidating some of the programs that we have in the different agencies of the Federal Government today, the proposal by the administration in your one-stop career center, how does that differ from just the block grant proposal on employment and training in the bill that the Republicans have fashioned before the Congress?

Mr. UHALDE. Well, as the bill in the Economic and Educational Opportunities Committee currently stands, they too would implement one-stop career centers and try to build essentially a unified training and employment services delivery system, and they would consolidate programs into four block grants.

Our proposal was quite similar in that, except that we would have retained a strategy to do it on what we would call a leading edge basis—that is, we would retain some one-stop seed money to encourage States to build these systems as they brought together the various programs and delivery systems that currently exist. But at the end, I believe that the delivery systems would be very similar in that regard. That is, we would be integrating employment services at the local level and job training services and other programs into a seamless, coherent delivery system.

Mr. FORD. Do they consolidate more the employment and training programs than the administration is proposing in your one-stop career center?

Mr. UHALDE. The administration proposed about 70 programs. I think the Chairman was talking about 150. But a lot of those programs are programs that are zero funded. In terms of the main programs that we are talking about, the 12 or so, these proposals are very similar in content. They have a separate block grant for vocational rehabilitation. The administration didn't propose a block grant on vocational rehabilitation.

Mr. FORD. What about the administration's bill? Does your bill undermine in any way our national commitment in helping the unemployed workers through their transitional period? And as you answer that, would you make that same comparison with the Republican bill that is before us?

Mr. UHALDE. Well, I think in terms of program design, they are quite similar. Under the administration's proposal, the President chose to increase investment by $1 billion in that employment and training system to protect the interests of unemployed Americans. We currently are not able to provide assistance to even a majority of those who need assistance.

The design of the proposal in the Economic and Educational Opportunities Committee is very similar. We do not know where the funding is going to be. If you look at the House and Senate budget resolutions that are proposed, we are going to take at least a 20-percent cut in real terms. Over 7 years, that could grow to over a 40-percent cut. So in terms of the level of investment, it is quite different.

Mr. FORD. The Budget Committee has suggested repealing the Extended Benefits Program. What is the administration's position on this, Mr. Secretary?

Mr. UHALDE. Well, the administration would oppose the repeal of the Extended Benefits Program. We think that the Extended Benefits Program, as it operated in the last recession, was not very sensitive to changes in the unemployment rate. It did not trigger on as it should, and we did institute the optional total unemployment rate trigger, which should help the next time around. But we would not repeal the Extended Benefits Program. It is important to have an effective program.

Mr. FORD. Would you support a 2-week waiting period for unemployment benefits, as some Republicans are suggesting?

Mr. UHALDE. No, we would not.

Mr. FORD. You would not.

Mr. UHALDE. No.

Mr. FORD. Thank you. I yield back the balance of my time, Mr. Chairman.

Chairman SHAW. Mr. Collins.

Mr. COLLINS. Thank you, Mr. Chairman.

You mentioned a lot about assistance. Let me give you an example. I am 32 years old, I work at the textile mill that is an apparel, a cut-and-sew plant. My company has just decided to close down and move to Mexico. Just what type of assistance are you going to offer me as a displaced worker, unemployed, a family to feed?

Mr. UHALDE. Well, the first thing is that 80 percent of the money is already out there to the States. We put it out by formula, and the State has a dislocated worker unit. On the day of the announcement of a plant closing we could be onsite with your workers setting up tables and assistance to provide workers information on their eligibility under unemployment compensation, and the services that could be available from the Employment Service, to help them start to think about resumes, about doing inventories of their skills and their life skills and experiences. We can start from the day of announcement through our system to be able to provide assistance.

The State can provide assistance for job placement services, retraining for workers, counseling and support and financial management counseling services for families. If the State does not have adequate resources—sometimes the dislocations are large and concentrated in communities—then they can apply to the Federal Government, and within a period of 30 to 45 days we can provide a special grant to the State and to the local community.

We can provide for dislocated workers the ability to search for work out of the community. If it is a small town and really the jobs are elsewhere, there is out-of-area job search assistance. So there

are a variety of job training and employment services that we can provide.

Mr. COLLINS. Are these duplicate programs of what already exists under the Department of Labor in Georgia? If I lost my job in Georgia, could I not go to the Department of Labor and get this same service without having to go to a table sitting there?

Mr. UHALDE. You could go get it from the Department of Labor in Georgia, and they would be using the resources that we have provided to the Department of Labor in Georgia—Federal resources.

Mr. COLLINS. And you agree that through the block grant program those funds would get to the Department of Labor in Georgia that would be able to assist me because I am out of work because my plant is closing and moving elsewhere, offshore?

Mr. UHALDE. You know, the programs we run under the Job Training Partnership Act were originally designed very much as a block grant; that is, their formula allocated to the State and the State formula allocates down to the local communities. So in many respects, they are very similar in that regard.

Mr. COLLINS. But other than the Georgia Department of Labor, are you going to set up a table at my—you can set up or you may set up a table at my place of employment, where I am losing my employment, to assist me with an application or resume or possible other job locations?

Mr. UHALDE. We work through the Georgia Department of Labor. They are the agent, the recipient of funds, and they are the ones that would help do that with your workers. It is not like a Federal Government employee flies down to Georgia to do it. Our agents are the State and local employees.

Mr. COLLINS. But after I fill out all of this paperwork at that table, then it is up to me to get out and look for a job also.

Mr. UHALDE. Yes. Yes, as you are drawing unemployment compensation, obviously there is a work requirement. You are required to do a search, but also we help and assist. Many workers who have worked at the same job for 25 and 30 years have never had to look for a job, and the art of finding jobs in local economies or statewide is something that can be taught. And these resources can help in that regard as well.

Mr. COLLINS. You say "we" but you really mean the State of Georgia?

Mr. UHALDE. When I say "we," we have Federal, State, and local partnership, and "we" is the State and some locals that are providing the services on the ground. Yes, sir.

Mr. COLLINS. OK. Thank you, Mr. Chairman.

Chairman SHAW. Mrs. Kennelly.

Mrs. KENNELLY. Thank you, Mr. Chairman.

Mr. Uhalde, I am concerned about this possible canceling of the temporary FUTA and Extended Benefits Program, I think for two reasons. One is, as I look at the trust funds, I see any elimination of funds going in before the expected date or the statute date of 1998, I see that the funds get very close to insolvency. And then I think mainly the reason is because I am from Connecticut, a State that has not come out of the recession, a State that has

downsized in defense, insurance, and now with new changes in the budget will be downsizing in health care.

Could you tell me two things? One, how many States in the last year used extended unemployment benefits? And, also, could you just tell me what information you have about the solvency of the benefit trust funds?

Ms. WYRSCH. Currently, there are three States on the Extended Benefits Program: Rhode Island, Alaska, and Puerto Rico. Within the last year, those same States triggered on, so we only have three States on at present.

And your question was about the solvency of State funds or solvency of——

Mrs. KENNELLY. The Extended Unemployment Trust Fund.

Ms. WYRSCH. The extended unemployment account from which the extended benefits are paid is below its ceiling now. It is the administration's position that the 0.2 percent surtax, as it is called, should be continued in order to have that account reach its adequacy level. There is a ceiling on that account in this year of $12.4 billion. And the current balance in the account at the end of this year is estimated to be $2.2 billion.

Mrs. KENNELLY. Well, is the administration concerned about the future solvency of the fund if the 0.2 percent FUTA tax is repealed?

Ms. WYRSCH. The account builds up over the next several years to a level in 1998 of $11 billion, and it would be close to its ceiling of $14.5 billion in 1998. And it is the administration's testimony—Mr. Uhalde just gave it—that we should continue the tax as it is now legislated until its expiration in 1998 for those solvency reasons.

Mrs. KENNELLY. Because we would have a good, healthy trust fund for people for unemployment collections to be made, even from the extended account.

Ms. WYRSCH. It is our position that we do need to build up those accounts to have the available resources when we need them and that we are not now close to the adequacy levels in the extended account and that we should continue for solvency reasons to have the 0.2 percent surtax in place until 1999.

Mrs. KENNELLY. Well, I am glad to hear that because I do begin to hear that possibly there will be a slowdown in the economy. If you put this on top of some of the structural changes that have taken place, I think to have a trust fund that is solvent is very important. And I thank you for that.

Thank you, Mr. Chairman.

Chairman SHAW. Ms. Dunn.

Ms. DUNN. Thank you very much, Mr. Chairman.

I wanted to ask you about TAA. It seems to me that last year the administration proposed ending this program. Am I correct? And have they changed their position on this?

Mr. UHALDE. Yes, as I mentioned earlier, the administration did propose folding in the Trade Adjustment Assistance Program into a more comprehensive proposal. But the reason we felt we were able to do that is the more comprehensive proposal would have had benefits and training comparable to what TAA currently has. Under current block grant proposals, we could not guarantee that

adequacy of the program; therefore, we would propose to keep TAA separate.

Ms. DUNN. OK. Thank you, Mr. Chairman.

Chairman SHAW. Mr. Rangel.

Mr. RANGEL. Thank you.

Mr. Secretary, I cannot tell you how pleased I am to see the cooperative spirit in which the committee is working with you, and I can think of no American that better understands the problems that America has and what solutions than the Secretary, Secretary Reich. I hardly can think of a problem that we face as a nation that job training, job opportunity and giving people a chance to be productive, that it would not make all the difference in the world.

I do not even understand why the educational system is not linked to what you do so that the schools prepare not just for regents and State standards and diplomas, but in addition to that, to make America as productive as they can be.

I just left Israel. With all the debt and investment in armament as they try to secure their national defense, they have doubled their education budget so that their people would be able to be competitive. And we continue to pay more attention to prisons than we do the education and job training system.

I do not know whether you were in the room, but I was talking with Speaker Gingrich, with Secretary Reich, about seeing whether or not we could really show whether some of these education and job training programs could make a difference in those districts that are not only economically disadvantaged, but where we have all of the plights of drug abuse and crime and children born out of wedlock. We drafted that bill and I will be working with Chairman McKeon of the subcommittee of jurisdiction, but are you familiar with the bill that I drafted?

Mr. UHALDE. I am somewhat familiar with it, yes, Mr. Rangel.

Mr. RANGEL. I hope that you might put this on your agenda in dealing with the subcommittee, because I am convinced if we can show the difference that hope and jobs make, that perhaps we could come back and call it a deficit reduction bill or anticrime bill or something that really captures the imagination of some of my colleagues, because education and job training certainly cannot get off the ground.

But if we can prove that it works by comparing it with similar communities that we are not paying attention to, maybe we can turn around the thinking and not be punitive but think in terms of investing in people as we think in terms of investing in plant and equipment. So tell the Secretary to keep hope alive, because he is the last one left.

Mr. UHALDE. Thank you, Mr. Rangel. Yes, we do have a long tradition in employment and training of a bipartisan spirit in working on a lot of these issues, and it is good that, at this point, we are able to keep that.

I am familiar with your proposal. I would like to share with you, at some point, a draft report we have of a small pilot project we undertook called the YOU demonstration, that tried to saturate small neighborhoods not with jobs but with training services. It, too, was for young people, and did seem to have some neighborhood

impacts. So while we did not have a job saturation component to it, I think there is some merit to looking at that.

Mr. RANGEL. Thank you.

Thank you, Mr. Chairman.

Chairman SHAW. Mr. Levin, do you have any questions?

Mr. LEVIN. I have just a brief comment, Mr. Chairman.

Mr. Rangel has said that maybe this is not a very glitzy subject, but, I think in this respect, the public may be ahead of us. If you ask, and surveys have, public opinion about training and retraining, it rates rather high on their list of desirable programs. That does not mean all the programs come from here or anywhere else. But with the changing economy, the public is aware of the need for training and retraining, and when it comes to welfare reform, I think, also, the public is aware of the need for training. Indeed, the survey of just yesterday on welfare reform, I think, underlines that.

I think, Mr. Chairman, this has been an important hearing. It may not have all the instant glamour, but it has beneath the surface, I think, some sustaining power. It is vital that the committees keep working together on a bipartisan basis, if at all possible, and with the administration to make sure that the consolidation gets done, the resources are adequate, and they are effectively implemented. So, Mr. Chairman, thank you very much.

Chairman SHAW. I would just like to briefly say, and welfare reform has been mentioned several times, there is no question but that some intensive study is going to have to be done by this committee to try to stay ahead of the problem, because the welfare reform bill itself is not enough. We have to look at the need for additional training. We have to look at the need for legislation to encourage business to go into some of the areas where there are not any jobs now.

I have already started a dialog with Mr. Rangel about that and this is going to be something that we are going to have to work on in a very cooperative spirit without partisan consideration. We look forward to working with you and the Secretary as we go about that business.

Thank you, Mr. Secretary, for being with us today. We appreciate it.

Mr. UHALDE. Thank you, Mr. Chairman.

Chairman SHAW. On the next panel of witnesses, we have William R. Brown, formerly a member of the Council of State Chambers of Commerce, on behalf of the Coalition to Repeal the FUTA Surcharge; and Bryan Little, Director of Governmental Relations for the American Farm Bureau Federation.

I realize, Mr. Brown, that you have a plane to catch. I would say that even if any of the members are unable to question you, feel free to leave when you can start smelling the jet fuel. If any of the members have questions to ask that they have not had an opportunity to ask, we would ask that you submit the answers in writing.

Mr. BROWN. Thank you, Mr. Chairman. However, if necessary, I will catch a later plane.

Chairman SHAW. I just do not want to hold you here unnecessarily.

Mr. BROWN. If there are questions that members want to ask, I hope they will be free to ask. I appear here today on behalf of about 100 organizations and businesses.

Chairman SHAW. Let me ask you to suspend at this point. There is a vote on the floor and we will recess at this point to go down and take care of that vote and then we will return as rapidly as possible. I will say that we will reconvene at approximately 5 minutes after the hour.

Mr. BROWN. I may go call Delta Airlines and see if I can get on the next flight.

Chairman SHAW. You will have an opportunity to testify and make your plane, if you feel comfortable in answering questions by mail.

Mr. BROWN. I might feel more comfortable if I could get on the next flight.

Chairman SHAW. The committee will recess.

[Recess.]

Chairman SHAW. Mr. Brown, I understand you have changed your flight, so you can proceed just as casually as you wish.

Mr. BROWN. There is no problem now, Mr. Chairman.

STATEMENT OF WILLIAM R. BROWN, FORMER PRESIDENT OF THE COUNCIL OF STATE CHAMBERS OF COMMERCE, ON BEHALF OF THE COALITION TO REPEAL THE 0.2% FUTA SURCHARGE

Mr. BROWN. As I indicated, the primary objective of our coalition is to repeal the so-called temporary FUTA surcharge, as you indicated, that is to ask Congress to keep its commitment to the employer community to finally end it. We supported it as a temporary tax, at the time it was enacted, accepting the assurance, in fact, not only the assurance, but the provision that was in the law that it would expire when the debt was repaid. The debt was fully repaid in 1987, but Congress has extended it numerous times since then because it makes the bottom line work better.

Keeping congressional commitment to end the temporary 0.2 percent surtax would be a strong signal to the business community that Congress is serious about encouraging job creation and improving the world market competitiveness of U.S. companies. Relieving employers of a tax that amounts to $14 per employee may not seem like much, but when multiplied by the number of employees, it is significant, and the symbolism would be great.

The temporary 0.2 percent surtax, which currently costs employers $1.4 billion annually, had the support of employers when it was enacted almost two decades ago. Employers are committed to adequate funding of the Nation's unemployment compensation system, but this tax has served its purpose. It is no longer needed and should be given back to the Nation's employers, as Congress originally intended.

We recognize the difficulty that the Ways and Means Committee has in acting to end this tax before its expiration date in 1998, in view of the fact that it is not included in the budget resolution, but we feel that if Congress is going to consider cutting any taxes, this is a tax cut that should be seriously considered in view of the congressional commitment.

The other area that I wanted to address on employer concerns is the use of FUTA funds only for their intended purposes. In that regard, I am very happy to hear Congressman McKeon indicate that they do not intend to use FUTA funds for their training block grants. He very adequately represented the concerns of the employer community that these funds be used for the purpose for which they are paid, which is the administrative cost of unemployment insurance and the Employment Service programs.

However, we would like to see some stronger language on requiring the integration of the unemployment insurance and the Employment Service activities than is contained in Mr. McKeon's bill, which, basically, I think, is the present Wagner-Peyser language.

We support the language that is being proposed by the Interstate Conference of Employment Security Agencies, and Debra Bowland will give you that in her testimony. They were looking at it in terms, primarily, if something needed to be done if Wagner-Peyser were repealed.

However, I would suggest that it needs to be done whether Wagner-Peyser is repealed or not, because in some States, there has not been very good integration between the Employment Service and the unemployment insurance activities. This integration is essential for application of the so-called work test. The work test is applied when the Employment Service refers an unemployment compensation claimant to suitable work, and that is a basic requirement of all UI laws. That is, for a person to draw UI benefits, he must be able and available for suitable work.

So we think that you might well consider an amendment along those lines, and they propose an amendment which is in the jurisdiction of this committee, incidentally.

We appreciate the opportunity to appear before the subcommittee and your consideration of our proposals to repeal the temporary 0.2 percent payroll tax and requiring integrated State UI/ES programs to best serve the needs of both the employer and the unemployed.

I would be happy to have any questions, and I would like to address the solvency issue that Mrs. Kennelly raised, since she raised the question as to whether you could afford to repeal the 0.2 percent tax or not.

I think the basic issue there, I guess, is probably the one that the Budget Committee was concerned about, in that you need the money to make the total come out. However, as far as the solvency of the trust funds are concerned, we do not feel that the projections that the Labor Department has made and that Mary Ann Wyrsch referred to justify any concern about solvency.

She was referring to projections in the Department of Labor, "UI Outlooks," January 1995 for the fiscal year 2000, when the extended benefit account is at $16.62 billion, which exceeds the statutory ceiling by $550 million. The State loan account is projected to be only $20 million under the statutory ceiling. The administrative account is projected to exceed the statutory ceiling by $290 million. Now, that assumes that the 0.2 percent would go through 1998. However, it seems to me that there is plenty of leeway there for these funds to still remain solvent even if the 0.2 percent tax were repealed. Thank you.

[The prepared statement and attachment follow:]

Statement by William R. Brown to the House Ways and Means Committee Subcommittee on Human Resources

In Behalf of the Coalition to Repeal the 0.2% FUTA Surcharge

May 16, 1995

I am William R. Brown. Some five years ago I retired as President of the Council of State Chambers of Commerce. However, I still act as a consultant to the Council as an advisor to the Council's Employers Task Force on Unemployment Compensation.

I appear here today in behalf of the Coalition to Repeal the 0.2% FUTA Surcharge. A list of the members of the Coalition are appended to my statement.

Introduction

This statement deals primarily with two major concerns of the business community:

1. The need for Congress to finally keep its commitment to employers by repealing the "temporary" 0.2% FUTA surcharge.

2. The need for Congress to assure that FUTA funds are used only for their intended purposes of unemployment insurance administration, State provided job placement services to job seekers including counseling, testing, occupational and labor market information, assessment, and referral to employers by a fully integrated State UI/ES service.

There is certainly merit in consolidating the many uncoordinated and duplicating job training programs. There may also be some merit using block grants to finance State administered training programs. However, Federal Unemployment Tax Act (FUTA) funds should not be used to finance these programs.

Repeal of the "Temporary" Surcharge

Now Is the Time to Keep the Congressional Commitment

Originally enacted in 1976, the 0.2% tax was sold to the employers and the Congress as a "temporary" tax imposed solely to pay off a debt Congress incurred by repeated extensions of unemployment benefits during the early 1970's. The "temporary" tax was scheduled, by law, to expire once the benefit debt was paid.

The debt was fully paid in 1987, but Congress extended the 0.2% tax for three years -- through December 31, 1990 -- to "enhance the federal budget". Revenue from the tax was needed to offset expenditures unrelated to unemployment compensation even though the money cannot be used for any other purpose,

Since that initial extension, the "temporary" 0.2% tax has been extended several times and is currently scheduled to expire at the end of 1998.

Last year, the Administration proposed making the tax permanent and dedicating it to providing funding for long-term allowances (up to 1 1/2 years) in the Reemployment Act of 1994. Secretary of Labor, Robert B. Reich argued that the proceeds of the surtax were being used as a budget offset for expenditures unrelated to unemployment and the tax was not needed to support the unemployment compensation program. Despite hearings in both the House and Senate, Congress showed little interest in establishing a costly new entitlement program for trainees. There was more interest in consolidating existing programs.

Repeal Would Be a Plus for Job Creation and Improved US Company Worldwide Competitive Position

Keeping the Congressional commitment to end this "temporary" 0.2% surtax would be a strong signal to the business community that Congress is serious about encouraging job creation and improving the world market competitiveness of US companies. Relieving employers of a tax that amounts to $14.00 per employee may not seem like much, but when multiplied by the number of employees involved, it is significant and the symbolism would be great!

The "temporary" 0.2% surtax, which currently cost employers $1.4 billion, annually, had the support of employers when it was enacted almost two decades ago. Employers are committed to adequate funding of the Nation's unemployment compensation system, but this tax has served its purpose. It is no longer needed and should be given back to the Nation's employers, as Congress originally promised.

Use of FUTA Funds Only for Intended Purposes

FUTA Should Not Be Used for Block Grant Training Programs

The primary purpose of Federal Unemployment Tax Act (FUTA) was to finance the administrative costs of Unemployment Insurance and the Employment Service programs. These funds should not be raided to pay for other programs no matter how worthy. Specifically any block training programs that are enacted by Congress should not permit the use of these funds for such programs. Use of these employer tax funds for such purposes would contribute to undermining continued employer support for UI/ES programs.

If the Wagner-Peyser Act is Repealed, Specific Provision Should be Made to Assure the Close Integration of UI and ES Services.

Pending proposals to consolidate job training programs into block grants would repeal the Wagner-Peyser Act which established the Employment Service (ES). If this is done specific provision should be made to assure the close integration of the State Unemployment Insurance Services and the State Employment Services.

From the employer perspective this close integration makes effective application of the so-called "work test" more likely. The "work test" is applied when the Employment Service refers an unemployment compensation claimant to suitable work. A basic requirement of all State UI laws is that for a person to draw UI benefits he must be able and available for suitable work.

Economic studies have shown that job placement services are the most cost effective means to get the unemployed back to work. Retraining programs fare very poorly by comparison.

The State labor exchange and reemployment services (ES) are financed by the dedicated Federal unemployment taxes (FUTA). The best way to assure continued reemployment services for unemployment benefit recipients is to require the close integration of the State UI and ES services.

We believe this can best be done by the Ways and Means Committee approving an amendment to IRS Code Chapter 23 -- The Federal Unemployment Tax Act, which has been suggested by the Interstate Conference of Employment Security Agencies (ICESA). This proposal would amend Section 3304 on approval of State laws by the Secretary of Labor that the Secretary shall approve State submissions that make provision for payment of unemployment compensation through public employment offices "established under state law which provides job search and placement services to job seekers including counseling, testing, occupational and labor market information, assessment, and referral to employers."

Conclusion

We appreciate the opportunity to appear before your Subcommittee and your consideration for our proposals to repeal the "temporary" 0.2% payroll tax and require an integrated State UI/ES programs to best serve the needs of both the employer and the unemployed.

If I or any member of our Coalition can be of service in your deliberations we stand ready to assist in any way we can.

COALITION TO REPEAL THE 0.2% FUTA SURCHARGE

American Automobile Manufacturers Association
American Iron and Steel Institute
American Payroll Association
Armco, Inc.
Associated Builders and Contractors, Inc.
Associated Industries of Florida
Associated Industries of Kentucky
Associated Industries of Massachusetts
AT&T
Bank of America
Barnett Associates, Inc.
Barry Trucking, Inc.
Betz Laboratories, Inc.
The BF Goodrich Company
Business and Industry Association of New Hampshire
California Association of Hospitals & Health Systems
Caterpillar, Inc.
CBI Industries, Inc.
Clorox
Connecticut Business & Industry Association
Council of State Chambers of Commerce
Delaware State Manufacturing Assn./State Chamber
Digital Equipment Corporation
Eastman Kodak Company
E.I. duPont DeNemours
The Employer's Group
Employers Service Corporation
Employer's Unemployment Compensation Task Force
Employers Unity, Inc.
Federated Department Stores
Food Marketing Institute
The Frick Company
Georgia-Pacific
Grainger Manufacturing, Inc.
Gulf Copper Manufacturing Corporation
M. A. Hanna Company
Hair Works
Harrington Services
Heiss, Gibbons & Company, Inc.
Heat Transfer Equipment Company
Illinois Manufacturers Association
Illinois State Chamber of Commerce
Indiana Manufacturers Association
Iowa Association of Business and Industry
JCPenney
Jon Jay Associates, Inc
Laurdan Associates, Inc.
Liberty Mutual Group
Louisiana Association of Business and Industry
Management Association of Illinois
Marriott Corporation
Martin Boyer Company, Inc.
Maryland Chamber of Commerce
Masco Corporation
The May Department Stores
Melville Corporation
Meredith Corporation
Met Life
Michigan Manufacturers Association

Mississippi Manufacturers Association
Monsanto Company
National Association of Manufacturers
National Federation of Independent Business
New Jersey Business & Industry Association
New Mexico Association of Commerce & Industry
Ohio Manufacturers' Association
Ohio Chamber of Commerce
The Oklahoma State Chamber
Oneida Ltd.
Pennsylvania Chamber of Business and Industry
Pennsylvania Manufacturers Association
Pfizer, Inc.
PPG Industries, Inc.
Pratt & Lambert
Procter & Gamble Company
Rockwell International Corporation
Ryder Systems, Inc.
Sears
The Sherwin-Williams Company
Society For Human Resource Management
Sun Company, Inc.
Texas Association of Business/Chambers of Commerce
Thrift Drug Inc.
The Timken Company
UBA, Inc.
U.S. Steel Group
USX Corporation
Varian Associates
Vermeer Mfg. Company
The Walt Disney Company
Washington State Hospital Association
The Western Sugar Company
Westinghouse Electric Corporation
WestPoint Stevens, Inc.
Weyerhaeuser Company
Wisconsin Manufacturers and Commerce
White and Associates
The Wise Company, Inc.

Chairman SHAW. Thank you, Mr. Brown.
Mr. Little.

STATEMENT OF BRYAN LITTLE, DIRECTOR, GOVERNMENTAL RELATIONS, AMERICAN FARM BUREAU FEDERATION

Mr. LITTLE. Mr. Chairman and members of the Human Resources Subcommittee, I want to thank you for the opportunity to appear before you today representing the American Farm Bureau Federation. I am Bryan Little and I serve as a director of governmental relations for the American Farm Bureau.

I am here to present the views of the American Farm Bureau Federation on the Federal Unemployment Tax Act and unemployment insurance coverage of temporary alien agricultural workers admitted to the United States under the H–2A Program.

The American Farm Bureau is the Nation's largest general farm organization. Farm bureaus in all 50 States and Puerto Rico represent some 4.4 million member families nationwide. Farm bureaus' farm and ranch members are engaged in the production of virtually every agricultural commodity grown commercially in the United States.

When the Unemployment Insurance Program was created, agricultural employers were exempt. In 1976, the Federal law was changed to extend eligibility to employees of certain agricultural employers. When unemployment insurance coverage was extended to agricultural workers and FUTA payroll taxes were likewise extended to their employers, temporary alien workers were exempted from FUTA taxes.

H–2A workers are admitted to the United States under section 101(a)(15)(H)(ii)(a) of the Immigration and Nationality Act to perform agricultural labor tasks, generally for limited periods of time. H–2A workers are employed across the United States. They work in tobacco, apples, and vegetables in Virginia, Kentucky, and Tennessee; they work in tobacco and vegetables in North Carolina; they work in fruit, vegetables, and nursery crops in New England and New York; and they are employed in sheepherding in 12 Western States, including Nevada, Oregon, and California.

The policy resolutions adopted by the voting delegates of the member State farm bureaus at the annual meeting of the American Farm Bureau Federation in January 1995 specifically addressed the issue of FUTA coverage for H–2A workers and opposed the imposition of Federal unemployment insurance payroll taxes on H–2A employers.

Farm bureau policy is clear in its opposition to extending unemployment insurance to H–2A workers and requests that the H–2A FUTA exemption be granted retroactively to January 1, 1995, and be made permanent. The H–2A FUTA exemption has been granted for specified periods of time, usually only a few years. The most recent exemption expired on January 1, 1995.

There are several reasons why unemployment insurance should not be extended to H–2A workers. First, due to their immigration status as nonimmigrant temporary alien agricultural workers, H–2A workers are unable to meet the statutory unemployment eligibility test of being willing, able, and available to work. H–2A workers must return to their home countries at the conclusion of their

employment and cannot remain unless they have secured additional employment with an H–2A certified employer.

Second, to force employers of H–2A workers to pay into the unemployment insurance system would only serve to undermine the insurance feature of the program. In effect, employers would be forced to pay for insurance protection for their employees against financial loss associated with unemployment, despite the fact that no such loss can occur.

Third, there is little in the way of additional revenue to the Federal Unemployment Trust Fund to be realized if FUTA taxation is extended to the wages of H–2A workers. Employers are required to pay a FUTA tax of 0.8 percent on the first $7,000 an employee earns, which is the Federal taxable wage base. If 15,000 H–2A workers in any given year—and in 1993, the U.S. Department of Labor certified 17,000 H–2A slots—earn as much as the taxable wage base of $7,000, their employers' tax liability to the Federal Government under FUTA would be approximately $56 per worker.

Therefore, the total collected from the H–2A FUTA tax at the Federal level would be approximately $840,000. I just learned a little earlier of the estimate that you have from CBO, and I look forward to reviewing that a little more closely. Extension of FUTA to H–2A workers does not result in a tax windfall for the Federal Government but it does entail additional compliance requirements for farmers.

Fourth, employers would be responsible for a significantly higher tax liability to State unemployment security agencies. Employers pay up to 6.2 percent of payroll for FUTA, based on their experience rating: 5.4 percent of that amount is paid to the States for the payment of benefits. Thus, employers would be subject to a significant State tax liability for unemployment insurance, which would vary somewhat by jurisdiction, should Congress fail to correct the law to exempt the H–2A wages from FUTA.

Fifth, imposition of the FUTA tax for H–2A workers would result in another regulatory burden for farmers. Not only is there the direct cost of the FUTA tax to consider, but also the indirect costs of additional recordkeeping and reporting responsibilities. These added costs for farmers, unlike most other business operations, cannot be readily recouped in the form of higher prices for farm commodities. Unfortunately, farmers do not set commodity prices; the marketplace does. If farmers are unable to recoup the added cost of FUTA taxes, they suffer a dollar-for-dollar loss of net farm income.

For these reasons, Congress should make the H–2A FUTA tax exemption permanent and retroactive to the beginning of this year. H–2A workers will never be able to meet the ready, willing, and available test to receive benefits, even if taxes are paid for them.

Thank you for the opportunity to testify. I look forward to answering any questions you may have.

Chairman SHAW. Mr. McCrery.

Mr. MCCRERY. Thank you, Mr. Chairman.

I do not really have any questions, but I want to try to clear up one thing Mr. Brown said about not allowing any of the trust fund moneys to be spent for other purposes. What do you mean by that?

Mr. BROWN. We are concerned primarily that it not go to generally finance the block grants for training. It presently finances the Employment Service, so to the extent the Employment Service participates in those block grants, as would be anticipated by Mr. McKeon's bill, I do not think we would have any objection to that, because that is still directly related to the type of activity that the employer pays the tax to do, and that is to administer the Unemployment Compensation Program and to attempt to find a job for unemployment claimants and other unemployed persons.

Mr. MCCRERY. I see, and that is a reasonable request.

Mr. BROWN. Other purposes may be quite worthy, but they are not in accord with what the employer community has been paying a payroll tax for.

Mr. MCCRERY. Sure.

Mr. BROWN. A payroll tax, I think, is something that you need to approach with caution, because, after all, this is a tax on jobs, and that is the reason decreasing the payroll tax could be helpful from a job creation point. On the other hand, if you do things that increase the payroll tax, you are making it more difficult for an employer to add employees, to add additional employees or maybe even keep the employees he has.

Mr. MCCRERY. That is right. I just wanted to make sure you did not think that the trust fund moneys were stocked away somewhere in a vault.

Mr. BROWN. Oh, no.

Mr. MCCRERY. They are, in fact, used for the purposes they are——

Mr. BROWN. I have been working on this issue since 1950. I am under no delusions in that regard, Mr. McCrery.

Mr. MCCRERY. To the extent that we can keep our Nation's finances in better shape, then we make all trust funds, including the UI Trust Fund, more able to meet its obligations.

Mr. BROWN. That is right, absolutely. I am retired and I am drawing Social Security. I am all for that.

Mr. MCCRERY. Thank you.

Chairman SHAW. Mr. Ford.

Mr. FORD. Thank you, Mr. Chairman.

Mr. Brown, you talked about the solvency of the unemployment compensation system. You made reference to something that Mrs. Kennelly mentioned earlier. The 0.2 percent FUTA tax sunsets in 1998. Do you not see a real need to build up those reserve funds in the Unemployment Compensation Program?

Mr. BROWN. Looking at the projections that were made in the Department of Labor that are published in the UI Outlook for January 1995, and that was the $16.6 billion that Mary Ann Wyrsch referred to in the standard benefit account, even though they take into consideration that 0.2 percent produces about $1.4 billion a year. So if you subtract a couple of years of that $1.4 billion, these projections will still be quite ample as to the accounts that are financed by FUTA, the Federal Unemployment Tax Act.

Mr. FORD. We saw a jump in last month's unemployment rate. You do not see a decline in the economy as being something that we should be concerned with, and since it is to sunset——

Mr. BROWN. I think you always need to be concerned, but I do not think it is that great of a concern. Again, the position that I ended up with, in view of the fact that this is not in the budget resolution, is that if you are going to enact any tax cuts, this is one that ought to be considered because of the commitment that Congress has to the employer community.

Mr. FORD. I am not really an advocate of the FUTA tax but the sunset is in 1998. The reserves in the trust fund are going to be built over that period of time to address an increase in unemployment.

Mr. BROWN. That is the present law. However, under the original law, of course, it would have sunset in 1987.

Mr. FORD. I know, but there was an extension——

Mr. BROWN. It has been extended ever since, and, quite frankly, we are afraid that when 1998 comes, it will be extended again.

Mr. FORD. What organization are you with again? I remember you testifying.

Mr. BROWN. You remember me testifying years ago for the Council of State Chambers of Commerce. I was president of the Council of State Chambers of Commerce until about 5 years ago. I am testifying for them today, but a number of other organizations, too. I retired about 5 years ago and still do a little consulting for them.

Mr. FORD. You are a consultant to the council, as an advisor to the council's employers task force?

Mr. BROWN. Yes, unemployment compensation task force, right.

Mr. FORD. You are a consultant for that particular task force of the State chambers?

Mr. BROWN. For that particular task force, and that does not pay me enough that I have any problem with the earnings test under Social Security, I assure you. [Laughter.]

Mr. FORD. I was not looking for that. I was trying to see exactly what task force you represent and what businesses, because we——

Mr. BROWN. I represent a long list of companies and organizations that are appended to my statement. There are almost 100 there. Actually, the U.S. Chamber is also a member of the coalition. However, they are going to file their own statement, which they prefer to do.

Mr. FORD. Employers in the past have supported the 0.2 percent FUTA tax.

Mr. BROWN. We supported its original enactment, but with the understanding that the provision in the original law would be honored, and that is that it would expire once the debt it was enacted to repay was repaid. Of course, we were quite upset when that did not happen, and we continue to be upset. So we have been upset about the 0.2 percent ever since 1987, when the original provision was not honored on repeal upon repayment of the debt.

Mr. FORD. It is not an area that I hear from a lot of my employers, and I certainly want to be responsive to my employers.

Mr. BROWN. I doubt that most of them even know that it is there, to tell you the truth, but that does not mean that they would not mind saving $14 per employee, if the tax were cut.

Chairman SHAW. Mr. Levin.

Mr. LEVIN. Just briefly. I did not have a chance to ask the Labor Department about their testimony on page 5, which, apparently,

you disagree with, Mr. Brown. "Continuing the surtax through 1998 will allow for sound financial management and accumulation of additional reserves to cushion an economic downturn."

Mr. BROWN. I do not question that; I think it would. It is a question of which is more important, I guess, and whether to keep the commitment to the employer or be super conservative in your fiscal management.

Mr. LEVIN. Just one quick point. Is it really wise for us to draw such a rigid line between the unemployment compensation system and retraining and training in a day and age when, now, half of the people, more than that, who are laid off are permanently separated?

Mr. BROWN. I do not think you can draw a rigid line. The bill that Mr. McKeon is working on with the administration does not draw a rigid line, and I do not think it should.

Mr. LEVIN. Then why should it be completely out of bounds to consider using FUTA for training and retraining?

Mr. BROWN. Because I think you need to be careful about what you use payroll taxes for, basically. A payroll tax is a very regressive tax. It is a tax that any liberal Democrat like you should not like very well, because it is a tax on employment. Therefore, you should not be using the payroll tax for anything——

Mr. LEVIN. How about you, since you are a liberal Democrat. I do not know about myself.

Mr. BROWN. Actually, I think it is justified to use to finance wage-related benefit programs. Therefore, I strongly favor the use of the payroll tax for Social Security and unemployment compensation, where the benefits are related to the wage that you were paid. That is the primary justification for a payroll tax, in my mind.

I think Congress has gotten in trouble and overused the payroll tax when they use it, for example, for Medicare and health care where the benefits are not related to wages. It is most easily justified when it is related to wages, so then it is in complete keeping with social insurance concepts, as envisioned by Franklin Delano Roosevelt.

Mr. LEVIN. I am not sure about labels for you or me, but let me ask you, I do not disagree about some regressivity in the payroll tax, but is not retraining related to wages when half of the people who are terminated now are terminated permanently?

Mr. BROWN. It is related to employment, there is no question about that, but it is not a wage-related benefit. That is the point I was making.

Mr. LEVIN. But is adequate retraining not more related to wage level than almost anything else these days?

Mr. BROWN. Adequate training is related to wage level, but that does not mean that it is desirable to use a regressive payroll tax to finance it.

Mr. LEVIN. I just do not quite understand why you say that training and retraining is not related to wage levels, when——

Mr. BROWN. I am not saying it is not related to wage levels. I am saying it is not a wage-related benefit. In other words, the amount of training you may need does not have anything to do with the amount of wages you earn, whereas the benefit you get

from Social Security or unemployment compensation is related to the amount of wages you were paid. It is a wage-related benefit.

Mr. LEVIN. I understand what you are saying.

Mr. BROWN. In other words, if you want to make a parallel with insurance and say this is social insurance, it is related to the premium that was paid.

Chairman SHAW. Mr. English.

Mr. ENGLISH. Thank you, Mr. Chairman.

Mr. Little, on the issue of the H–2A workers, at this point, I believe I am correct in saying that in order to qualify for this particular provision, as it is now, it has to be demonstrated that there is no displacement of American workers, is that correct?

Mr. LITTLE. The Department of Labor is responsible for certifying that no displacement of domestic workers will occur if H–2A workers are used.

Mr. ENGLISH. How well does that process work?

Mr. LITTLE. In our view, we believe that in many areas of the country, it is very difficult to get an adequate agricultural work force in certain remote areas.

For example, one user of H–2A workers in Southern Nevada has about 12,000 acres of onions under cultivation. Onion harvesting is a very labor-intensive process and there just are not a whole lot of people living in Southern Nevada. So in his particular case, it becomes necessary to turn to the H–2A Program in order to have an adequate work force in order for him to be able to get his harvest in.

Mr. ENGLISH. Would you say that the H–2A Program is most common in situations where you have a low population, or are there other labor market factors that kick in that would require guest workers to be used?

Mr. LITTLE. What typically seems to happen is that the high seasonal demand in harvest, planting, and cultivation that is unique to agriculture will tend to, if you will, overstress the availability of labor in a geographical area. That is, there simply will not be enough people there in order to perform the work that needs to be performed in a very short period of time in order to harvest a highly perishable commodity, typically fruits, vegetables, things of that nature, which are where most H–2A workers are used.

Mr. ENGLISH. Can you identify those areas in the agricultural economy, generally, again, what sorts of agricultural products require most of the H–2A Program?

Mr. LITTLE. It tends to be related to both the type of commodity and the region in which the commodity is grown. You tend to have a fair number of H–2A employees used in tobacco in North Carolina, South Carolina, Kentucky, and Tennessee, in part because the normal migrant stream does not seem to move that far to the west in order to hit those crops so that there is adequate labor in that area. They also tend to be used at the far northern extremes of the migrant labor stream, in New England and in the Pacific Northwest.

It also tends to be used in agricultural commodities where a significant amount of hand labor is required, either for cultivation, harvest, or planting at the beginning of the season. There are certain agricultural commodities that simply cannot be harvested by

machine. You cannot harvest a peach by machine and in general, many varieties of apples.

The quality of the produce is not going to be acceptable for market quality if you try and develop machinery to do those things. They still require the human touch to do that, and that is one of the reasons why, in certain rural areas, you have shortages of agricultural workers, necessitating the use of the H–2A Program.

Mr. ENGLISH. Is the H–2A Program utilized primarily by family farms or is it utilized by larger agribusiness?

Mr. LITTLE. There are some large agricultural employers that use the H–2A Program. However, in 1993, approximately 3,000 employers were certified to use H–2A employees, and approximately 17,000 job opportunities were certified under H–2A. So you do the math in that and you can see that the average is somewhere between five and six or maybe six and seven for that.

My sense of it—I do not know that anyone has ever conducted a nationwide survey with respect to exactly how many H–2A workers are used on average, but my sense of it is that a great many H–2A employees are used by small family farmers.

Mr. ENGLISH. Mr. Brown, with regard to the 0.2 percent FUTA surcharge, would repealing this surtax have any effect on the availability of UC benefits?

Mr. BROWN. No, it would not. It has no effect whatsoever.

And while we are back on that issue, I would like to make a little addition to my response to Mr. Ford. I think one reason you have not heard from many employers lately on this is they long ago gave up on Congress ever repealing it, because it was supposed to have been gone in 1987 and has been extended so many times. I think the employer community has pretty well given up hope, is the truth of the matter.

Mr. ENGLISH. Let me get back to that. With regard to your last comment, I, also, have not gotten a lot of feedback from my employers on this tax provision, but I have received a lot of feedback on other, much more targeted tax provisions. It seems to me that this is a light tax applied very, very broadly across the economy, and under our PAY–GO provisions, we would have to come up with a way of financing the repeal of this surtax. Can you suggest any other program cuts or tax savings?

Mr. BROWN. Our suggestion would be the same as is in H.R. 1120 that Mr. Zeliff has, that would use savings from consolidation and a block grant approach on the training programs.

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

Chairman SHAW. Mr. Rangel.

Mr. RANGEL. Thank you.

Do the farmers prefer foreign workers?

Mr. LITTLE. No, they do not, because they cost substantially more to use than domestic workers do, to the degree that domestic workers are available.

Mr. RANGEL. Do the farmers pay the travel back and forth?

Mr. LITTLE. They do.

Mr. RANGEL. And board?

Mr. LITTLE. They do.

Mr. RANGEL. So when you get down to the wage, forgetting the minimum wage, what is the average hourly wage, when you include everything?

Mr. LITTLE. It would be difficult to figure out exactly what a national average wage is. The Department of Agriculture conducts surveys of agricultural employers across the country. They are charged in that survey with figuring out what the appropriate wage and benefit level would be in order to prevent displacement of any available domestic labor in that area.

Mr. RANGEL. Let me tell you why I ask the question. It seems to me that, I do not know about perishable vegetables, but you have a whole lot of sheepherding here and horse training and things that really, it would seem to me, that if you added what you are paying to the foreign worker for room and board and transportation, that you might get a pretty decent salary for some American workers.

Mr. LITTLE. I suppose that is a possibility. However, sheepherding is a highly specialized skill, and up until now, American employers have not been very successful in attracting domestic workers into doing that sort of work.

Mr. RANGEL. That is why I am asking. You tell me what hourly wage you get up to by bringing in these people from New Zealand, and we may open up a school so we can put some of our people back to work.

Mr. LITTLE. As I was saying previously, the Department of Agriculture's job is to figure out what the appropriate wage and benefit level is to prevent any displacement of domestic workers. They then pass that information along to the Department of Labor and the Department of Labor issues, by regulation, what are known as the——

Mr. RANGEL. I know all of that. I need some help as to actually what the employer is actually paying so that I can have a better understanding why Americans would not make themselves available for that kind of work. I mean, horse training, to get a guy from New Zealand to train a horse, I do not know——

Mr. LITTLE. Depending on where you are, the agricultural employment wage rate is something on the order of $5.60 an hour in Virginia, something in that general range in other parts of the east coast——

Mr. RANGEL. No, wait a minute, sir. I am trying to see what it is when you include transportation costs, room and board—do they take out any taxes at all from their pay, any taxes? No. So you start adding up, without taxes, what their salary is, and I would be interested, not that I know anybody that would want to replace the sheepshearers and the goatherding and all of that, but we have to be satisfied that we are not taking American jobs, and that is the only reason I am asking. If you get up to $20 an hour with the other costs and it is tax free, I can work out something with you.

Mr. LITTLE. One of the most common usages of H–2A workers is moving plastic irrigation pipe for flood irrigation in southern Idaho, and I have done that kind of work, and it is hard work.

Mr. RANGEL. I cannot deal with the irrigation, but I can surely deal with the horse training and the sheepherding and the chicken farming. They just sound so American.

In any event, you can try to find out what the cost is, because I know the Department of Labor would not give these jobs to foreigners if we had replacement workers.

About the tax on these things, you have no problem in increasing the tax and registration to cover the cost of employing these people, if you are against the FUTA tax itself?

Mr. LITTLE. The farm bureau has no policy on increasing the level of the user fee, and I am not authorized to make policy.

Mr. RANGEL. Well, the consultant certainly is. That is what I want to be. I like them.

Mr. BROWN. The consultants do, but he is not a consultant.

Mr. RANGEL. I know. That is why I am looking at you. You have the job, as a consultant. [Laughter.]

On one hand, it would make a lot of sense, really, that the program pays for itself. On the other hand, of course, employers never want to pay more. Would you say that is basically where you are?

Mr. BROWN. Yes.

Mr. RANGEL. That is why I want to be a consultant. [Laughter.]

Thank you, Mr. Chairman.

Chairman SHAW. Mr. Little, you heard Secretary Uhalde refer to the fact that the certification process was operated at a loss. If we were to do away with the FUTA tax, then turning to certification, what would be your thoughts as far as bumping that figure up? It sounds like a very little bit of money when you look at the whole scheme of things, $10 a worker. What are your thoughts on that?

Mr. LITTLE. Again, I have to offer the disclaimer that I am not authorized to make policy for the farm bureau, and we do not have policy on this. I assure you that our process of making policy is unbelievably complicated.

However, in general, we are supportive of user fees to support governmental activities. All I could do at this stage would be to go back to the policymaking process and ask them to consider it.

Chairman SHAW. It might be helpful if your organization could look into that, because that may be a good way to trade off some of this.

Mr. LITTLE. I will do that.

Chairman SHAW. Thank you both very much. It was a very good panel.

Our final panel consists of Louis Jacobson, senior economist, Westat, Inc., in Rockville, Md.; Debra Bowland, the administrator of the Ohio Bureau of Employment Services and treasurer of the Interstate Conference of Employment Security Agencies; Walter Corson, vice president, Mathematica Policy Research, Inc., in Princeton, N.J.; and Bill Cunningham, legislative representative of the American Federation of Labor and Congress of Industrial Organizations.

We have each of your written testimony, which will become a part of the permanent record. If you care to summarize, that would be just fine. We will start out with Dr. Jacobson.

Mr. RANGEL. Mr. Chairman.

Chairman SHAW. Yes.

Mr. RANGEL. Could I have the courtesy of introducing the son of Bill Cunningham, who is here? For those who would not normally be too kind to the AFL–CIO, as a father, I would appreciate the

fact that you recognize Mr. Cunningham has his son with him today.

Chairman SHAW. Go right ahead and do that.

Mr. RANGEL. There is Mr. Cunningham there, so be kind to the old man. [Laughter.]

Chairman SHAW. With that word of caution, we shall proceed. Dr. Jacobson.

TESTIMONY OF LOUIS JACOBSON, PH.D., SENIOR ECONOMIST, WESTAT, INC., ROCKVILLE, MD.

Mr. JACOBSON. Thank you, Mr. Chairman.

I am Lou Jacobson, a researcher with Westat, Inc., and have been studying Labor Department programs for over 20 years as a private consultant. I am extremely happy to have an opportunity to discuss the Employment Service, particularly under the current conditions, where employment programs are in flux and people are looking at ways to make programs more effective.

The Employment Service is unusual among the set of positive adjustment mechanisms because it is, by far, the oldest of all the programs, having played a major role in helping workers adjust to the problems of the Great Depression, mobilizing the work force during World War II, and demobilizing the work force following the war. Most people regard those as the halcyon days of the Employment Service.

More recently, the Employment Service has taken a back seat to other programs that are generally perceived, but not necessarily accurately perceived, to be more effective. The image that I think would be worth keeping in mind is Cinderella, in which the Employment Service often is treated as the stepchild of the Department of Labor and maybe of the Federal employment programs in general. But recently, there has been a resurgence of interest in the Employment Service, which, in my view, is very well placed.

Essentially, the problem that the Employment Service has come up against is a widespread view that training is the "best" way to aid most workers who need help in today's environment. Now training is important, but training turns out to be very expensive, and in many cases, trainees never apply the training that they receive.

So the Employment Service offers a reasonable alternative that is extremely inexpensive. It only costs about $80 per registrant for Employment Service services. It turns out that studies uniformly indicate that the Employment Service services are about as effective as training but about 10 to 30 times less expensive.

One of the characteristics of the Employment Service which is extremely unusual is that it may provide something close to a "free lunch." That is, by moving programs away from more expensive treatments to less expensive treatments such as job search assistance through a public labor exchange, not only are taxpayers made better off, but the people who receive the treatment most frequently also are made better off. This is a kind of tradeoff that, I think, Congress always is looking for but rarely can find.

The shift toward expensive treatments reached a high point in 1988, when Congress mandated that JTPA programs for dislocated workers spend half their money on retraining and also established

mandatory training for TAA recipients. The shift away from expensive treatments was fostered by evidence that both those steps largely were ineffective while providing all kinds of job search assistance through the Employment Service, was highly effective.

So, in essence, the evidence suggests that the Employment Service plays a very important role. One fundamental question then is, why is it that the Employment Service has not had greater visibility and, in some sense, has been treated as a stepchild?

I think it is not difficult to perceive why that is true. Basically, the statistics that have traditionally been used to measure the performance of the Employment Service vis-a-vis other programs have not been interpreted very accurately and have failed to place the Employment Service in the proper perspective. But when studies place the Employment Services performance in proper perspective, the Employment Service is shown to increase people's earnings by thousands of dollars and to save substantial amounts of UI benefits.

An important aspect of the Employment Service, that I think other people will also mention, is its relationship to the UI system. Many States have used their own funds to improve ES services going to claimants as Wagner-Peyser funds have declined. States have taken a hardheaded look at those expenditures and have determined that every ES dollar spent on a UI claimant saved approximately $1.15 in unemployment benefits alone. As a result the States are generally quite satisfied with the ES's performance, and there is a growing trend to spend more discretionary money on the Employment Service.

This is the kind of evidence that economists, in particular, look for because it is a market test. There are alternatives, as we have heard today, to spending more money on the Employment Service, including cutting taxes. But many States have properly recognized that taxpayers are better served by using the Employment Service to help workers find jobs, and ensure claimants are assiduously searching for work on their own.

The last element of the testimony deals with the role of the Employment Service in providing labor market information. It turns out that because of the way the UI/ES systems are run, they provide a great deal of information about unemployment and employment that is used in several Bureau of Labor Statistics programs. The wage record data of the Employment Service also has been used to monitor AFDC and food stamp eligibility. In addition, the Department of Labor has saved millions upon millions of dollars in research funds by using wage records for various types of research, substituting very low-cost wage record data for very high-cost surveys. But use of this data has not gone far enough.

One of the main problems that the GAO has pointed to in terms of revamping the current system is that we know very little about the effectiveness of current programs. It is very important to have this information. In fact, I think that there is nothing more important than being able to objectively measure the effectiveness of all the human resources development programs that are in place today all over the country in a uniform way. No large business could stay in operation without an effective information system, but somehow

we assume that government programs can be run without this kind of information.

I think the Employment Service is very well positioned to provide this kind of information, because it has the necessary data, and because it does not provide expensive services, it can be an objective honest broker. If I could wave a magic wand, my wish would be for this committee to insist that the States put in place a system that accurately measures performance under a new block grant system, and because the technical problems are so great, establish a commission to develop a prototype for the States' use.

Chairman SHAW. Dr. Jacobson, I am going to have to wave my magic wand.

Mr. JACOBSON. Yes, I am finished.

[The prepared statement follows:]

TESTIMONY ON THE EFFECTIVENESS OF THE U.S. EMPLOYMENT SERVICE AND SUGGESTIONS FOR INCREASING ITS EFFECTIVENESS
before the Subcommittee on Human Resources of the Committee on Ways and Means,
U.S. House of Representatives
May 16, 1996
Dr. Louis Jacobson, Westat Inc. 301 251-8229

This testimony focuses on describing:

- the mission of the U.S. Employment Service (ES),
- how effective the ES is in accomplishing its mission, and
- how its mission has evolved over time.

Evolution of the ES's Mission

The state-federal Employment Service (ES) was established in 1933 by the Wagner-Peyser Act in the midst of the Great Depression to serve as a public labor exchange to assist unemployed workers find private jobs, and when those jobs were unavailable, facilitate participation in public employment programs. During World War II the Employment Service played a vital role in recruiting workers for defense industries. In particular, the ES assisted Southern workers to find jobs in Northern defense plants. At the end of the war it played a major role in helping GIs find civilian jobs.

Since the mid-1950's the need for ES services declined as swings in the number, type, and location of jobs greatly diminished. In the 1960's it played a major role in the "War on Poverty" helping place economically disadvantaged individuals at jobs or in government programs. This role was controversial in some quarters, however, because it was felt that the aid given economically disadvantaged individuals distorted the traditional balance between serving the needs of employers as well as the needs of workers.

In the 1970's and 1980's the ES languished as government aid to economically disadvantaged and dislocated workers primarily was channeled through MDTA, CETA, and JTPA programs. A major reason for this shift was the perception that the ES's core service--direct job placement-- as well as other forms of job search assistance (JSA) were ineffective. It was felt that much more expensive help in the form of counseling and training was required to effectively deal with poverty and economic dislocation.

Gradually, however, the pendulum has swung back to a view that finding a job with growth potential is the primary mechanism to boost earnings and achieve employment stability. Today, inexpensive direct job placement and other forms of JSA are widely recognized as the most effective means to assist workers. Much more expensive interventions such as retraining should be offered only after JSA has failed or when there appears to be a particularly good match between workers' skills and talents and those required to do well in an educational program, as well as between the skills developed in the program and employers' demand for workers with those skills.

Clear evidence of this shift is the central position of JSA provided through one-stop career centers in recent Administration proposals to revamp dislocated worker programs. In contrast, the last previous major changes to dislocated worker programs in 1988 required JTPA to spend half its resources on retraining, made retraining mandatory in order to receive Trade Readjustment Allowances and provided generous vouchers to pay for that training.

In the absence of research documenting that JSA is at least as effective as retraining, one might conclude that the much more obvious fact that JSA's cost to taxpayers is only about one-tenth the cost of retraining was the key factor behind the change in focus. The desire to save money in the face of the budget deficit probably is a factor, but this is one case where the recipients of the government service and the taxpayer can both be made better off by electing less expensive services.

In short, the ES showed exceptional resiliency in responding to changes in economic need. In periods with exceptionally high levels of unemployment when private sector jobs were

unavailable the ES played a key role in providing governmental assistance. In periods where there were massive shifts in labor demand across sectors or areas the ES played a major role in making those shifts as orderly as possible. Perhaps equally remarkable, in periods where there were no large-scale changes in labor market conditions the ES appropriately downsized its operations focusing on finding jobs for workers, who in the absence of the ES's aid, would have had great difficulty finding work.

Indeed, one of the ES's most striking attributes is that it tends to help those who need help the most by cooperating with private sector employers. Another key attribute is that it tends to fill labor exchange niches that would not be filled adequately by private employment agencies. Thus, the ES leaves to the private sector those areas, such as placing high-wage managers and temporary clerical workers, where it can do an effective job.

Measurement of ES Performance

The ES has paid a high price for doing what most government social services programs should do-- act as a "backstop" for individuals who have exhausted their own resources and those of the private sector. Wagner-Peyser funding has fallen in absolute terms as the number of job seekers who use its services has grown.

In my view, a key reason for this reduction in funding and the ES's generally poor image "inside-the-beltway" is that policy makers use inappropriate comparisons between the ES and other programs.

For example, it is true that the ES "placement rate" is about 16 percent compared to a JTPA "entered employment rate" that is above 70 percent. But the ES statistic is restricted to only those jobs taken as a direct result of an ES referral, while the JTPA statistic reflects taking any job. In addition, the ES places no restrictions on who registers, while JTPA can limit participants to individuals who are serious about finding a job. In fact, about one-third of ES registrants are UI claimants most of whom are recalled to their former jobs, and up to another third are economically disadvantaged individuals most of whom must register with the ES as a condition of receiving welfare.

Perhaps of even greater importance, the ES spends only about $80 per registrant while JTPA spends over 20 times as much on each participant.[1] Thus, it appears that the ES is expected to perform at a level of an agency that is much more generously funded and can select the individuals it chooses to serve.

Similarly, unfavorable comparisons can be made between the wage of the jobs found through the ES relative to average wages. But those comparisons ignore differences between starting wages and wages attained after several years on the job, as well as differences in the skills and other characteristics of those placed by the ES relative to other job seekers.

Indeed, most jobs seekers who turn to the ES lack other means to find work or have failed to locate jobs using other means. Thus, simple statistics end-up contrasting ES users, who typically have had great difficulty finding work, to job seekers who have had access to superior leads from friends and relatives or superior skills that made it easy to find work through want-ads or direct applications at work sites. Such comparisons have little meaning.

Of fundamental importance, even adjusting measures of placement and wage rates for differences in the characteristics of ES-users and those of other job seekers produces measures that largely are irrelevant for determining the ES's value. Appropriate measures of benefits include the reduction in joblessness, increases in earnings, and savings of transfer payments relative to the levels that would occur in the absence of ES actions.

When judged on that basis the ES performance relative to its cost is impressive. For example, detailed analysis of the experience of about 20,000 Pennsylvania claimants over a ten-year period showed that each ES placement reduced the duration of unemployment of the long-

[1] Basic statistics about current operations are that there are about 20,000,000 ES registrants a year and about 3,000,000 job placements. The total budget of the ES is about $1.6 billion. Of that amount roughly $800,000 comes from Wagner-Peyser funds. The remainder are contributions made at each state's discretion from other federal programs as well as state appropriations.

term unemployed by about 13 weeks on average.[ref. A5] This translates into an immediate earnings gain of over $2,000. Equally important, the earnings growth of those individuals also were greater than that of similar workers who did not use the ES when differences in the duration of unemployment at the point the job was taken were held constant. Thus, the total gain was at least $4,000 per placement.

Indeed, a major reason training often fails is that the large sacrifices in earnings required to participate in training go for naught as trainees end-up with much the same jobs that they could have obtained months earlier had they not entered training. Of course, some training is sufficiently productive to more than offset foregone earnings and the relatively high cost of the training itself. But much lower cost and much speedier return to work usually are decisive advantages that make the ES's direct job placement (and other types of JSA) far more cost-effective than retraining.

The Role of the ES in Improving the Performance of the UI System

So far this discussion has focused on the core service of the ES-- provision of a public labor exchange. In addition to matching job seekers to job vacancies, the ES has a special responsibility for monitoring the job search of UI claimants. This mission has the dual purpose of helping to ensure UI claimants are effectively searching for work on their own as well as helping claimants who need assistance locate suitable work.

Analyses of UI claimants in Pennsylvania and Washington State who were receiving benefits shows each ES placement reduced unemployment by about two weeks on average (compared to over two months for UI exhaustees), and saved about $300 in UI payments [ref. 4 & 7]. The reductions in UI payments reduced the tax burden on firms which translates to higher wages as well as higher profits.

Indeed, the prospect of saving UI payments and improving the solvency of the UI Trust Funds have been major factors in state decisions to use their own revenues to supplement federal Wagner-Peyser expenditures. The ES research I performed in Washington State was mandated to determine whether use of a small payroll tax to enhance ES assistance to claimants was cost-effective. The results suggested that every additional dollar spent on the ES saved a dollar and 15 cents in UI funds. Thus, the enhancement more than paid for itself even ignoring the benefits to workers and firms of speeding the job search process.

Today only about 60 percent of the ES budget comes from Wagner-Peyser expenditures. States use locally derived revenue as well as federal funds from other programs to purchase ES services. To an economist, seeing the ES effectively compete for funds against an array of alternatives, including the option of lowering taxes or purchasing services from private firms, is one of the strongest pieces of evidence suggesting that the ES is a cost-effective institution.

In addition to providing "positive" adjustment services, the ES also reports failures to attend job interviews or accept reasonable job offers to the UI system.[2] Such "refusals" lead to the severe penalty of having to return to work for a specified period and then be laidoff in order to requalify for UI payments. There is evidence that enforcement of this work-search provision provides a very powerful incentive to assiduously search for work [ref. 5]. Turning down offers of interviews and jobs without good cause also is generally regarded as the fairest basis for demonstrating a lack of commitment to search for work.

Although it is difficult to estimate the savings generated from "refusal" enforcement with precision, it is likely that the savings are very substantial, perhaps as much as 5 percent of the $16-$18 billion spent on UI each year. In contrast, enforcement of the other work-search provisions to be "able" to work (not sick or caring for dependents), and "available" for work (actively searching) have little, if any, effect. The difference might be a result of the weak

[2] At the federal level the UI and ES programs are administered separately. At the state level they are jointly administered by the State Employment Security Agency (SESA) and personnel are usually cross-trained to perform both UI and ES tasks. Thus, the same person could make the referral, note an interview did not occur, record the refusal in the UI record, call the claimant in to determine if there was a good reason for the refusal, and interview the claimant.

penalties for those failures-- loss of benefits for the period of non-compliance with no loss of entitlement.

The proper balance between "carrots" in terms of job search assistance, and "sticks" in terms of penalizing failures to adequately search for work is a controversial issue. Employers for instance, generally want the ES to send out the best qualified registrants who are most willing to accept the posted vacancy. However, because employers also gain from work-test enforcement, they appear willing to bear the cost of agreeing to interview individuals who may not show up for interviews or accept job offers. Similarly, workers recognize that UI should cover only non-volitional jobless periods. Thus, work-test provisions are usually accepted by claimants as long as those who are likely to be recalled are not unduly burdened by unreasonable requirements to search for a new job.[3]

Other Responsibilities of the ES

In addition to labor exchange and UI work-test enforcement activities, the ES is responsible for executing major labor market information programs largely under the direction of the Bureau of Labor Statistics (BLS) of the U.S. Department of Labor. These information gathering activities rely heavily on use of records required for the normal operations of the UI system, as well as conducting special employer-based surveys. The UI/ES system is in an excellent position to monitor unemployment through its payment of UI benefits, as well as monitor employment because it requires firms to make payroll tax computations based on the earnings of each employee.

The UI wage reporting system also is used to quickly establish eligibility for UI and has proven of great value for determining eligibility for Food Stamps which is another ES responsibility, as well as verifying eligibility for AFDC and other forms of welfare.

Many states have experimented with use of wage records for monitoring JTPA activities, and the U.S. Department of Labor has made extensive use of wage records as an adjunct or alternative to much more costly surveys. All of the research that I discussed today was largely based on use of UI wage, claim, and firm records. Use of those data is growing, and in my view has not come close to reaching its full potential.

Future Directions for the ES

A key potential use of UI/ES data is to establish a uniform system to monitor the performance of all programs that primarily are aimed at improving the earnings of our citizens. Indeed, one of the major failings of the current array of "workforce investment" programs pointed to by the GAO is the lack of an ability to accurately compare the performance of different programs, or provide the type of feedback operators of individual programs need to improve their performance.

In short, no private firm could possibly run its operations effectively without solid information about its performance. Why should we expect operators of government programs to be able to do an effective job without solid information about their performance?

Of particular importance, there is little reason to believe that merging programs with similar goals and giving states more discretion to structure those programs will lead to better monitoring of their performance. The returns from providing accurate feedback concerning program effectiveness could easily be over 100 times greater than the cost; but the technical complexity of the project suggests that a prototype should be developed at the federal level for use by the states.

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[3] Pennsylvania is the only state that does not routinely screen claimants for satisfying the able and available conditions, but this lack of enforcement activity appears to have no effect on UI outlays. Verifying those conditions are satisfied in other states may take away resources from the UI system that might be more productively used elsewhere, and even more importantly, often burdens claimants by forcing them to "go through the motions" of seeking work in ways that are unproductive.

I strongly urge this committee to mandate development of such a system and establish an independent commission to recommend how that best can be done. History suggests that state and federal program operators are simply too pressed with day-to-day operational issues to devote the time and resources required to carefully review the options and consider how information systems currently in place can be improved.

The ES would be the most appropriate agency to monitor performance in a uniform fashion. It currently has the data systems in place needed to measure performance, and of at least equal importance, has no direct stake in the outcome of the evaluations. In contrast, the current system which allows organizations to evaluate themselves creates strong incentives to select measures that makes performance look good, at the expense of providing meaningful feedback.

This brings me to my final point. An information system that would accurately inform program operators about their performance, and permit them to adopt procedures of proven effectiveness from other organizations, also would provide the basis for informing potential consumers of those services about what types of assistance would be most helpful and where the best quality services can be found.

Thus, the development of such an information system also would place the ES in an excellent position to act as an honest-broker with respect to providing consumer information. Not only is the ES well-positioned to serve in this capacity, several recent trends have led to practical steps in that direction.

First, many states have begun to develop one-stop career centers with the ES playing a lead role. These centers are designed to acquaint individuals needing help with the array of services available and help them select an appropriate assistance plan.

Second, the UI/ES system has been given the responsibility to "profile" each UI claimant to determine his or her need for aid, to draw up an action plan in consultation with the claimant, and make participation in the plan a condition for continuing to receive UI payments. At present states are struggling to develop computer systems to help figure out what treatments would be appropriate, as well as find the means to pay for mandatory services.

Third, there is growing state and federal interest in using vouchers to increase the consumer's role in selecting services.

Fourth, the movement towards consolidation of the current array of programs into block grants would greatly facilitate improving the match of services to the clients' needs. At present more effort often is spent determining if a client is eligible for a given service than determining if the service itself is suitable.

Each of these four trends places a premium on improving the quality and quantity of information available to consumers, honest-brokers, and program operators.

Summary

In summary, the U.S. Employment Service has shown itself to be an unusually resilient and effective organization that provides direct job placement service of great value to workers and employers.

The ES has been undervalued, however, because it is difficult to put its performance into proper perspective. Disparate measures which are biased against the ES are used to compare its performance to that of other programs, disparities in funding are ignored, and it is difficult to take into account the fact that the ES delivers services to individuals who have exhausted their own resources and those of the private sector.

More appropriate comparisons uniformly show that the ES substantially reduces the duration of unemployment of registrants and places them at jobs which, if anything, are higher paying than those the registrants could find on their own. ES referrals and placements also substantially reduce UI payments both by placing claimants at jobs and ensuring claimants assiduously search for work.

for Food Stamps and AFDC, and their use for monitoring program performance has greatly expanded over the past ten years.

The ES's ability to use its data to monitor performance and its ability to serve as an honest-broker because it does not run expensive programs places it in an ideal position to establish a system that would provide accurate feedback on the performance of the full array of human resource programs.

In my view, the single most important step Congress could take to improve the effectiveness of human resource development programs is to mandate that each state have a system to provide accurate feedback, and establish a commission to develop a prototype system for use by the states.

This step would greatly complement other efforts that are underway to profile UI claimants, establish one-stop career centers, expand use of training vouchers, and combine human service programs with similar goals into single block grants.

This analysis suggests that the ES has the ability to greatly expand its traditional role as an information-broker beyond that of matching individual workers to job openings. It could provide feedback to program operators, and perhaps most importantly, give workers the information they need to decide what services would be of value to them, and precisely where they should go to obtain appropriate public and private services. It is my hope that Congress, the Administration, and the states work together to see that potential fulfilled.

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Chairman SHAW. We will recess for just a few moments. Mr. English has gone down to vote. We will come back and reconvene as soon as he returns. I would ask the members to get back as quickly as possible. We will recess for about 10 minutes.

[Recess.]

Mr. MCCRERY [presiding]. If the panelists will take their seats, we will resume the hearing. The committee will come to order.

Thank you, Dr. Jacobson, for your statement.

Now, Ms. Bowland, if you would like to share your statement with the committee. Welcome. It is nice to have you.

STATEMENT OF DEBRA BOWLAND, ADMINISTRATOR, OHIO BUREAU OF EMPLOYMENT SERVICES, AND TREASURER, INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES

Ms. BOWLAND. Thank you very much. I am glad to be here.

Mr. Chairman and members of the subcommittee, I am Debbie Bowland and I would like to say to Mr. Rangel that employment training is the most exciting place there is to be in government today, just to make certain that you know.

I am administrator of the Ohio Bureau of Employment Services and I am treasurer of the Interstate Conference of Employment Security Agencies. ICESA recognizes that consolidation and the streamlining of government programs, particularly in work force development, is needed, but I hope that as Congress pursues all of these goals that it keeps in mind the distinctions among programs that are being considered for consolidation in an employment and training block grant.

First, employment and training consolidations and reform efforts must recognize the differences between programs that are funded from employer-paid dedicated taxes, funded out of the Unemployment Trust Fund, and those programs funded from general revenue. By law, State Unemployment Trust Fund dollars can only be used for the payment of unemployment benefits. Federal Unemployment Trust Fund moneys can be used only for benefits, and in the administration of employment services and unemployment insurance laws.

Merging UI and ES moneys which come from that dedicated tax called FUTA with general revenue for education and training programs violates the contract with the employer community that these funds will be used only for unemployment or reemployment services. No public policy decision, I think, to use FUTA—employer-dedicated taxes for training programs should be made without a full understanding of the implications of that policy decision, and the debate has to include the views of the employer community about expanding the use of their tax dollars and potentially leading to huge tax increases for the employer community.

My initial reading of the CAREERS Act, which we heard about from Representative McKeon today, certainly did not give me any kind of assurance that the dedicated nature of FUTA dollars remained intact, nor did I get the feeling that the ES/UI integrated system that has prevailed in that system remains in place. I know that is what he said in his testimony, but I think the initial reading of that bill certainly does not reflect that.

Second, as we look at employment and training consolidation, I hope we recognize the difference between job training and job placement services provided through Wagner-Peyser dollars and FUTA. I think it is important to understand that the Employment Service, which is included in the list of programs considered for consolidation, is simply not a training program. We provide jobs for people in ES and qualified workers for employers.

In Ohio, we serve job-seeking customers by matching 14,000 workers with employers just last week. For our employer customers, that week, we matched 200 job orders every single day of the week, and we referred 6,000 workers directly to employers seeking to hire them. We helped last year 117,000 Ohioans find jobs.

Economic studies have shown that the most cost-effective use of scarce resources to get unemployed people back to work is job placement. Nationally, it costs per placement $249 a year. You cannot find any other bang for the buck like that.

Third, if you include Employment Service funding in any job training block grant legislation and you sever its linkage with UI, there is no way for us to do the very, very critical work test and it could result in much higher outlays for unemployment insurance benefits.

I really think that we have to remember that that contract with employers is first to help UI beneficiaries return to work quickly and reduce employer taxes, and then to ensure that claimants are actively seeking work. I think the Employment Service is absolutely critical to ensure the integrity of the unemployment insurance system.

If Congress should decide to repeal Wagner-Peyser, we urge you to consider an amendment to FUTA contained in my written statement which would continue to link unemployment insurance and Employment Services. I hope you will look carefully at that amendment.

Fourth, the Employment Service and the employment security system provide universal access to every single person to labor exchange services, to any person who is requesting and in need of service and to employers who are looking for qualified employees. I do not think that should change. I think everyone should have a real opportunity to go to work.

We also have included in my testimony some comments about the Extended Benefits Program, whether or not UI should be means tested, and some of the other issues addressed by the budget resolution.

This testimony does not indicate that I or ICESA is in any way opposed to consolidation of all of the employment and training programs. We are working as hard as we can to ensure that committees of the House and the Senate help us develop a really well coordinated system.

I certainly hope that in this process we do not take an integrated system like unemployment insurance and employment services, tear those programs asunder, and create huge problems for employers who are paying those taxes. I am not convinced, and I hope that you are not, either, as the jurisdictional committee over the FUTA taxes, to sever this linkage and break the contract with the

employer community. I think extremely important policy decisions are being made, and we have not really focused on how very important they are and what the impact of those decisions might be.

I thank you very much for asking us to be here. If you have any questions, we certainly would be happy to answer them. ICESA is certainly representative of administrators and Governors all across the country. Thank you very much.

[The prepared statement follows:]

STATEMENT OF DEBRA BOWLAND
ADMINISTRATOR, OHIO BUREAU OF EMPLOYMENT SERVICES AND
TREASURER, INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES

Mr. Chairman, members of the Subcommittee, my name is Debra Bowland. I am Administrator of the Ohio Bureau of Employment Services, and am here today representing the Interstate Conference of Employment Security Agencies (ICESA). ICESA is the national organization of state officials who administer the nation's public Employment Service, unemployment insurance laws, labor market information programs and, in most states, job training programs.

I would like to thank Chairman Shaw for the invitation to present ICESA's views about the Employment Service in the context of discussions about consolidating and reforming employment and training programs. The membership of ICESA applauds the Subcommittee's initiative to seek input on this important issue.

In addition to representing ICESA, my remarks today are based on my experience--and my experience comes from having spent almost twenty years in the employment and training arena.

Most recently, I have had the tremendous opportunity to serve as a member of the cabinet in Governor George V. Voinovich's administration as the Administrator of Ohio's Bureau of Employment Services. In that capacity I am responsible for administration of unemployment insurance, employment service, programs of the Job Training Partnership Act, and labor market information. The Ohio Bureau of Employment Services also is the agency which coordinates and staffs the Governor's Human Resources Investment Council.

ICESA recognizes that the myriad of employment and training programs operated through a variety of federal, state and local agencies has created a fragmented system of workforce preparation and second-chance education/training assistance which can be bewildering to those who seek training and, at times, to those who operate the programs.

Reform is necessary. However, as Congress pursues streamlining, consolidating, and even eliminating some programs, we believe it is important to keep in mind the distinctions among programs that are being considered for consolidation in an employment and training block grant.

First, employment and training consolidation and reform efforts must recognize the difference between the programs that are funded from the employer-paid, dedicated revenue Unemployment Trust Fund and those programs funded from general revenues.

Merging unemployment insurance (UI) and employment service (ES) monies, which come from dedicated-revenue trust funds, with general revenue funds for education and training programs, should involve renegotiation with employers of the purpose of the Federal Unemployment Tax (FUT) and the appropriate allocation of costs for these programs between the private/business sector and government general funds. No public policy decision to use FUTA revenues for training programs should be made without full understanding of the implications of this decision and debate which includes the views of the employer community.

The Unemployment Trust Fund (UTF) is financed entirely by state and federal payroll taxes. By law, state Unemployment Trust Fund monies can be used only for payment of unemployment benefits and federal Unemployment Trust Fund monies can be used only for unemployment benefits and administration of employment services and unemployment insurance laws. Including these program monies as part of a block grant with other general revenue program monies violates the "contract" with the employer community that these funds will be used only for unemployment or reemployment services.

Implicit in this "contract" with the employer community is the understanding that unemployment benefits will be paid only to those who are unemployed through no fault of their own, as long as those workers are seeking to return to work. This understanding is expressed in most state unemployment insurance laws by the requirement that UI recipients register with the Employment Service for job placement assistance. Employers understand that their state unemployment taxes will be kept as low as possible when recipients return to work quickly with assistance from public labor exchange services.

If the public labor exchange established by the Wagner Peyser Act is eliminated and replaced by a block grant for employment and training services funded from general revenues, Congress will be taxing business twice for the same services: one time in the dedicated FUTA taxes, and a second time in taxes that produce general revenues.

Second, employment and training consolidation and reform efforts must recognize the difference between job training programs and job placement services provided by Wagner-Peyser allocations from the Unemployment Trust Fund.

The General Accounting Office (GAO) report now lists 163 federal employment training programs administered by at least 14 federal departments. Others say that there are actually fewer than that number, perhaps 80 or 60. Regardless of the exact number, it is important to understand that the Employment Service, which is included in most of these lists, is not a training program.

The Employment Service provides basic job search and job placement assistance. The Employment Service's core functions for jobseekers are: referral and placement for the job-ready and workers in transition, labor market information, referrals to training for the non-job ready, skill assessment and counseling, and job search resources. For employers, the Employment Service provides: 1) critical labor market information for business and economic planning, and 2) applicants for employer job vacancies.

Ohio's experience shows the volume and value of this job matching. As you know, by federal mandate we must serve every Ohioan who comes into our offices. Many come. In a recent week, we served job-seeking customers by matching nearly 14,000 workers with employers. For our employer customers that week, we matched 200 job orders each day of the week. We referred nearly 6,000 workers directly to employers seeking to hire them. Last year, we filled over 99,000 employer jobs, and, when you count people who took several jobs during the year, we helped Ohioans find 117,000 jobs.

Economic studies have shown that job placement services are by far the most cost effective use of scarce resources to get the unemployed back to work. The U.S. Department of Labor reports that the average cost per placement by the Employment Service last year was $249. Studies have also shown that ES services can shorten the duration of unemployment benefits, reducing trust fund outlays, and eventually resulting in lower unemployment taxes.

In addition to the important job matching function, in recent years state employment services have been developing self-help resources for jobseekers to use in conducting their own job search. Resources include access to computerized job listings, information about which industries and occupations are growing and which are declining in the local, state, and national labor markets, information about the skills required for various occupations, and about the pay levels for different jobs and occupations.

Another resource is access to America's Job Bank, an interstate effort to match jobseekers and employers. America's Job Bank makes it possible for employers who need workers with skills that are in short supply in their local areas to find candidates in areas where there is a surplus of such skills. Just recently, access to America's Job Bank has been made available on the Internet.

In addition to these resources, where funds are available, many state employment service offices provide job search workshops, job clubs, and other activities that support independent job search efforts. States also make space available free of charge to community groups to conduct similar activities.

Third, including the Employment Service in any proposed job training block grant legislation would sever its linkage with the unemployment insurance system--which is critical to application of the unemployment insurance "work-test"--and could result in higher outlays for unemployment benefits.

A great deal of discussion about re-inventing the nation's "unemployment" system has focused on worker training/retraining programs. While state employment security agencies see considerable merit in linking unemployment, employment, and training programs to create a comprehensive workforce development system, the many workers who go through periods of temporary unemployment and return to their previous job or a similar one without retraining should not be forgotten.

In FY 1994 alone, the Employment Security System provided an estimated 8.4 million unemployed workers with unemployment checks totalling over $27 billion. The average unemployed worker received benefits for just over 15 weeks. More than 11.6 million jobseekers received job service assistance from the Employment Service last year.

Most states require unemployment benefit recipients to register for work with the Employment Service. Registering with the Employment Service has two purposes:

The first is to help UI beneficiaries return to work as quickly as possible. The information available about jobs, hours and wages, and employer requirements for worker skills, as well as the job referral and placement services offered by the Employment Service, help UI beneficiaries to reenter the workforce as quickly as possible. Various studies have shown that the services provided by the Employment Service can help UI beneficiaries get back to work faster, reducing outlays for unemployment benefits and keeping state unemployment charges to employers as low as possible.

The second purpose of requiring UI beneficiaries to register with the Employment Service is to demonstrate one aspect of the individual's efforts to meet the requirements of the state unemployment insurance law to be available for and seeking new employment each week for which benefits are claimed. UI beneficiaries who refuse a referral from the Employment Service to a job opening or a job offer resulting from a referral may be disqualified from unemployment benefits. This critical linkage in administration between the Employment Service and the unemployment insurance system tests the commitment of UI beneficiaries to find new work and is often referred to as the "work test." While the overwhelming majority of UI beneficiaries want to find new jobs as quickly as possible, the "work test" provides a means to address those who might abuse the system.

Its linkage with the Employment Service is critical to the financial health and integrity of the unemployment insurance system. The original legislation--still in effect--which created the unemployment insurance system in 1935 includes a requirement that unemployment benefits be paid through public employment offices. Those offices had been created two years earlier by the Wagner-Peyser Act (June 6, 1933).

If the decision is made to repeal the Wagner-Peyser Act as part of legislation consolidating job training programs into a block grant, these critical labor exchange and reemployment services--which are financed from dedicated federal unemployment taxes--could be maintained by making public employment offices an integral part of state unemployment compensation systems, thus ensuring continued reemployment services for unemployment benefit recipients.

The following draft amendment would authorize continuation of public employment offices under the unemployment compensation law of each state.

Proposed Amendment to the IRS Code of 1986, Chapter 23, The Federal Unemployment Tax Act:

Section 3304. Approval of State Laws

(a) Requirements.--The Secretary of Labor shall approve any State law submitted to him, within 30 days of such submission, which he finds provides that--

(1) all compensation is to be paid through public employment offices *established under the state law which provide job search and placement services to job seekers including counseling, testing, occupational and labor market information, assessment, and referral to employers.*

The identical language should be used to amend the Social Security Act, Title III--Grants to States for Unemployment Compensation Administration, Section 303--Provisions of State Law--subsection (a) (2).

Each state's unemployment compensation law must be certified by the Secretary of Labor to the Secretary of the Treasury as meeting the requirements of Section 3304 of the IRS Code to permit employers doing business in the state to receive a credit of up to 90% of the total Federal Unemployment Tax (6.0 percent), reducing the net permanent tax to 0.6 percent of taxable wages (plus the temporary 0.2% still in effect).

By making state employment services a part of each state's unemployment compensation law, federal appropriations could be made from the Unemployment Trust Fund for state employment services under Title III of the Social Security Act (Grants to States for Unemployment Compensation Administration).

Fourth, the Employment Security System provides universal access to labor exchange services--providing access to any individual or employer requesting and in need of its services.

The Employment Service is designed to serve all jobseekers and employers. At its most basic, it is a labor exchange: workers seeking jobs and employers seeking workers are introduced to each other. We are told that every industrialized country in the world has a public labor exchange to promote the efficient functioning of its labor markets.

Employment Service funds support development of state and local labor market information which is used by jobseekers but is also relied upon by public policy makers for a variety of purposes including economic development and by businesses for essential decision making activities. This information, like the labor exchange function, is important to labor market efficiency throughout the nation.

We believe that the universal public labor exchange and the unemployment insurance system provide a basic infrastructure to promote the efficient functioning of labor markets throughout the country. Devoting resources now committed to

those activities to other initiatives that serve special groups could damage the overall economic environment in which special groups are seeking to participate.

Urging you to keep funding for the Employment Service linked with funding for administration of unemployment benefits in no way indicates that I or ICESA stand opposed to better coordinating the delivery of all of the components of the broader workforce development system. ICESA has worked, and continues to work, with the several congressional committees of jurisdiction and the Administration to develop such a coordinated system.

Budget Deficit Reduction Proposals Related to Unemployment Insurance

Although this hearing does not address unemployment benefits directly, I would like to speak briefly to several proposals that have been made during development of the FY 1996 budget resolution. We have heard that the House Budget Committee proposes to repeal the Federal-State Extended Unemployment Compensation Act. We have also read that another balanced budget plan from Congressman Solomon proposes to means test state unemployment benefits and impose a two-week waiting period for benefits.

Elimination of Extended Benefits: The federal-state extended benefits program was enacted in 1970. The rationale for the program was to have legislation in place that would automatically trigger on when unemployment was high in a particular state--targeting the benefits--or throughout the country during a nationwide recession, rather than Congress having to enact a program for additional weeks of benefits on an ad hoc basis during each recession. The legislation required states to pay half the cost of the benefits from their Unemployment Trust Funds deposited in the U.S. Treasury. During the 1975-77 period, even though the extended benefits program triggered on, Congress enacted the Federal Unemployment Benefits program for those who exhausted federal-state extended benefits. Changes were made in the 1980s which eliminated the national trigger and required higher levels of unemployment for states to trigger on. During subsequent recessions, the Congress has enacted temporary programs for additional weeks of benefits whether or not extended benefits have been available: most recently, the Federal Supplemental Compensation (FSC) program in 1982-85 and the Emergency Unemployment Compensation (EUC) program in 1991-94.

Repealing the extended benefits program may appear to make sense since Congress has deemed it necessary to add a special program in each of the recessions since the program was enacted, but it would raise several questions. If the program is repealed, would the portion of the federal unemployment tax allocated to fund those benefits also be repealed? Twenty percent of federal unemployment tax collections go to the Extended Unemployment Compensation Account in the Unemployment Trust Fund--about $5.4 billion over the next five years. The federal share of extended benefit payments for the next five years is estimated by the Department of Labor at about $600 million. If the extended benefits portion of the federal unemployment tax is repealed concurrently with the program, there would be a net increase in the federal deficit rather than a reduction. In addition, elimination of the state share of extended benefits would have no long term impact on the federal budget even though state trust funds are included in federal budget deficit calculations. Reductions in state trust fund outlays result in tax/contribution rate adjustments to lower state unemployment tax/contribution collections. Should the extended benefits program and the taxes that fund it both be repealed, what source of funding would be available to the Congress should some program of additional benefits be developed in response to a future recession?

Although it appears to us that repealing the extended benefits program for budget deficit reduction purposes does not make sense, we believe that there are

numerous problems with the current program and would be open to discussions about replacing the program with a better approach.

Means Testing of Unemployment Benefits: I would also like to touch on our concerns about means testing of unemployment benefits. As I mentioned in the discussion about extended benefits, imposing restrictions on state unemployment benefits has no long-term impact on the federal budget because reductions in outlays eventually result in automatic adjustments to lower state unemployment revenues. In addition, there are significant policy considerations that argue against means testing unemployment benefits:

- The unemployment insurance system is structured to provide higher wage replacement to lower income workers. Each state caps benefits at a set "maximum weekly benefit amount" regardless of the individual's wages. This means that the higher an individual's base period wages (over a minimum amount), the lower his/her wage replacement rate.

- Living expenses, such as rent/mortgage payments, tend to vary with income levels. Two income families usually have expenses that require two incomes and need partial wage replacement when one wage earner is unemployed. Loss of a job tends to have a major impact on the living standard of most people regardless of their former earnings or other family income.

- Eliminating middle and higher income workers from unemployment beneficiaries will reduce the economic stimulus/stabilization effect of UI during recessions. The decline in insured unemployment as a percent of total unemployment over the past 15 years has already lessened this impact.

- Employers may well object to paying taxes/contributions on behalf of those workers whose economic circumstance will exclude them from eligibility for benefits should they become unemployed.

- Benefits are available for a limited period of time--26 weeks in most states. The average beneficiary receives benefits for about 15 weeks.

- There is no crisis in funding for unemployment benefits. There is a net balance of over $30 billion in state accounts in the federal Unemployment Trust Fund. Revenues are projected to exceed outlays as far into the future as projections go.

- In relation to the potential cost savings, the administrative cost of applying a means test, depending on how it is designed (whether assets are included), would be very high.

Two-Week Waiting Period: As I have said earlier, restricting state unemployment benefits has no long term impact on the federal deficit because reduced benefit pay-outs result in reduced pay-in from employers. Most states have a one-week waiting period; no state has a two-week waiting period. State legislatures, balancing many aspects of benefits such as the weekly benefit amount structure, number of weeks of benefits available, qualifying criteria, and eligibility requirements, have made a number of interlocking choices about benefit levels and the conditions under which they are available, keeping in mind the level of taxes required to support those benefits. We believe Congress should leave decisions about the terms and conditions of benefit payments to the states where the responsibility for financing the benefits is placed.

Mr. Chairman, thank you for your invitation to present our views. I would be happy to respond to any questions you may have.

Chairman SHAW [presiding]. Thank you, Ms. Bowland.
Mr. Corson.

STATEMENT OF WALTER CORSON, VICE PRESIDENT, MATHEMATICA POLICY RESEARCH, PRINCETON, N.J.

Mr. CORSON. Thank you. I am pleased to have the opportunity to appear here today. I have been asked by the subcommittee to describe the Trade Adjustment Assistance Program and discuss findings from a recent evaluation of the program and to comment on the policy implications of these findings.

The Trade Adjustment Assistance Program is intended to promote trade liberalization by compensating workers for trade-related income losses. It offers extended unemployment compensation, called trade readjustment allowances, and also provides eligible workers with reemployment services.

In 1962, when the program was initially established, and in 1974, when the eligibility criteria were liberalized and benefits expanded, the compensation goal was emphasized and relatively few participants received any adjustment services.

In 1981, major changes were made in the program that restricted benefits to the long-term unemployed. More funds were also made available for training, shifting the emphasis of the program toward providing adjustment services.

A further shift toward adjustment occurred in 1988, when training was made an entitlement for eligible workers and when TRA recipients were required to participate in an approved training program unless they received a waiver.

The program serves a small number of workers. In the eighties, an average of 30,000 individuals began receiving financial assistance each year. Currently, about 18,000 to 19,000 individuals enter training each year.

A recent evaluation of the program found that the program is well targeted. It serves workers who are permanently displaced from their jobs and who have great difficulty in becoming reemployed. In most cases, TRA recipients are permanently separated from their prelayoff employers, and in the majority of cases, the layoffs are due to plant closings.

TRA recipients also experience substantial earnings losses due to their layoffs. These earnings losses averaged about $46,000 over the 3 years of followup included in the study. The jobs that recipients find generally pay lower wages than the wages they received on their prelayoff jobs.

The most recent changes in the program added the requirement that recipients participate in an approved training program. Whether training should be required of TRA recipients should depend on how successful it is at increasing employment and earnings. Our findings, which are consistent with the findings of other studies of training for displaced workers, suggest that the training did not have a substantial positive effect on earnings, at least in the 3 years after the initial layoff.

Given this uncertainty about the payoff of training, I believe that the training participation requirement should be dropped and that the participation in training should be voluntary.

At the same time, the training requirement could be replaced with a requirement to participate in a job search program. Recent research suggests that requirements to participate in job search programs can increase employment and reduce the receipt of unemployment benefits among recipients.

An alternative approach would be to offer TRA payments only to those individuals who actively participate in training. This approach would ensure that resources go to individuals who are actively attempting to adjust to a new industry or occupation. However, it would deny payments to displaced workers who cannot or choose not to participate in the training. Our findings indicated these workers also experience severe earnings losses after their layoff.

These recommendations about the training requirements are based on the assumption that the program continues in some form. Whether this is the case should depend on whether Congress thinks that it is appropriate to provide more income support and more reemployment services to trade-impacted workers than to other displaced workers. Clearly, these workers suffer large income losses as a result of their job loss, but so do other workers who lose their jobs for other reasons. Thank you.

[The prepared statement follows:]

STATEMENT ON TRADE ADJUSTMENT ASSISTANCE
FOR THE SUBCOMMITTEE ON HUMAN RESOURCES
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
MAY 16, 1995

Walter Corson
Vice President
Mathematica Policy Research

Mr. Chairman and members of the subcommittee, I am pleased to have the opportunity to appear here today. I have been asked by the subcommittee to describe the Trade Adjustment Assistance (TAA) Program, to discuss findings from a recent evaluation of the program, and to comment on the policy implications of these findings.

The Trade Adjustment Assistance Program

The Trade Adjustment Assistance (TAA) program is intended to promote trade liberalization by compensating workers for trade-related income losses by offering extended unemployment compensation--Trade Readjustment Allowances (TRAs)--to workers who lose their jobs in the face of increased import competition. It also provides eligible workers with reemployment services to help them adjust to changes in labor market circumstances.

In 1962, when the program was initially established and, in 1974, when eligibility criteria were liberalized and benefits expanded, the compensation goal was emphasized and relatively few participants received any adjustment services. In 1981 major changes were made in the program that restricted benefits and targeted them on the long-term unemployed. More funds were also made available for training, shifting the emphasis of the program toward providing adjustment services, particularly training. A further shift toward adjustment occurred in 1988 when training was made an entitlement for eligible workers and when TRA recipients were required to participate in an approved training program, unless they received a waiver exempting them under certain circumstances.

Workers become eligible for TAA by filing a petition with the U.S. Department of Labor (USDOL) as a group of workers from a plant or firm. If USDOL determines that international trade contributed to these workers' unemployment, they are certified to apply, as individuals, for TRA benefits and reemployment services. Individual workers are then eligible for reemployment services if they were laid-off from the certified firm within the time period specified by the certification. They are eligible, in addition, for TRA benefits if (1) they worked for 26 weeks in the year before the layoff, (2) they exhausted all UI benefits, and (3) they fulfilled the training requirement (for workers applying for TRA benefits after November 1988).

Typically, a worker who has been laid off begins collecting UI benefits. Then, if the worker's group is certified for TAA, the worker will be notified that he or she might be eligible to receive benefits under the TAA program. Ideally, the worker is notified while still collecting UI benefits, although the timing depends on when the petition was filed after the layoff. After notification, the worker applies for TRA benefits. If the worker has satisfied the training requirement, he or she begins receiving TRA benefits after exhausting UI. These benefits equal the UI weekly benefit amount and extend the duration to 52 weeks from the initial 26 weeks that is typically provided by UI. An additional 26 weeks is available for individuals in training.

The program serves a small number of displaced workers. Between FY1982 and FY1991, an average of 30,000 individuals began receiving financial assistance from TAA each year. This number dropped to about 10,000 in FY1992 and FY1993 because extended UI benefits took the place of TRA benefits. In the 1980's prior to the 1988 amendments about 11,000 individuals entered training each year. Since that time, about 18,000-19,000 individuals have entered training each year. In FY1993 program outlays were about $130 million.

Evaluation Findings

A recent evaluation that I helped conduct describes the pre-layoff characteristics and post-layoff labor-market experience of TRA recipients,[1] based on data on nationally representative samples of TRA recipients who participated in the program either just before or just after the 1988 program changes. It also describes the training provided under the program, based on data on separate nationally representative samples of TAA trainees. Data on UI exhaustees from manufacturing industries who did not receive TRA are used for comparison purposes.

The Characteristics of TRA Recipients

- The workers served by the TAA program (that is, TRA recipients) clearly exhibit the characteristics associated with displaced workers. In most cases, they were permanently separated from their pre-layoff employers, and in the majority of cases (70 percent) the layoffs were due to plant closings. This finding contrasts with the situation in the 1970s, when the majority of workers served by the TAA program were job attached.

- More than 85 percent of TRA recipients come from the manufacturing sector, with major concentrations in the textile and apparel, rubber and leather, primary and fabricated metals, machinery, and transportation equipment industries. In contrast, most workers in the general population of displaced workers identified by the Bureau of Labor Statistics had not previously been employed in manufacturing.

- The average pre-layoff wages of TRA recipients were higher than those of the general population of displaced workers and the population of displaced workers served under Title III of JTPA. The average pre-layoff wages of TRA recipients were also higher than those of UI exhaustees from the same manufacturing industries. This difference may be due to the fact that the job tenures of TRA recipients were considerably longer and their rates of unionization higher than those of UI exhaustees and, indeed, the general population of displaced workers. TRA recipients also received more fringe benefits than did UI exhaustees.

Participation in Reemployment Services

- Both prior to and after the 1988 amendments, a substantial proportion of TRA recipients received reemployment services from the TAA program: prior to the 1988 amendments, 37 percent participated in TAA training; this proportion rose significantly (to 47 percent) after the 1988 amendments. In addition, most TRA recipients received other reemployment services from the ES, and their rates of receipt were higher than those of UI exhaustees for most services. However, very few TRA recipients received job-search payments for out-of-area job searches or moving expenses to take an out-of-area job, primarily because most recipients were not interested in moving.

- TRA recipients who received TAA training differed from nontrainees. On average, TAA trainees were younger and better educated than nontrainees. Among pre-88 recipients, the pre-layoff wages of trainees were higher than those of nontrainees, but, controlling for other factors, the reverse was true among post-88 recipients.

- The training provided to TAA participants generally sought to develop specific job-related skills in new occupations. Much of the training was long-term (longer than a year), and much of it was provided at vocational training centers or at local community colleges. About half of the pre-88 trainees entered training prior to receiving TRA benefits; this percentage rose to about 60 percent among trainees after the 1988 amendments. Seventy-two (72) percent of pre-88 trainees and 67 percent of post-88 trainees completed training. The majority of trainees felt that their training both helped them find a job and gave them useful experience for the job when they became reemployed.

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[1]Corson, Walter et al. "International Trade and Worker Dislocation: Evaluation of the Trade Adjustment Assistance Program." Princeton, NJ: Mathematica Policy Research, April 1993.

The Post-Layoff Employment, Earnings, and Job Characteristics of TRA Recipients

- Our findings are consistent with the presumption that the TAA program serves unemployed workers who are likely to have difficulty in finding reemployment. The post-layoff jobless spells of TRA recipients were relatively long, and TRA recipients clearly experienced longer jobless spells on average than did other UI exhaustees from the same industries. Jobless spells were about 23 percent longer among TRA recipients than among UI exhaustees prior to the 1988 legislative changes, and about 14 percent longer after the legislative changes. This difference in the length of initial jobless spells between pre-88 and post-88 TRA recipients was mirrored in the TRA benefit rates; the average pre-88 TRA recipient received 18.4 weeks of basic TRA payments, and the average post-88 TRA recipient received 15.3 weeks.

- Our findings based on quarterly employment and earnings measures are consistent with the findings on jobless spells. TRA recipients were employed less and earned less than UI exhaustees throughout most of the three years after their initial UI claim, and the difference was larger before than after the 1988 legislative changes. Both before and after the 1988 legislative changes, TRA recipients experienced significant earnings losses due to their layoff.

- Even the TRA recipients who held a job three years after their initial UI claim experienced significant wage and benefit losses. More than three quarters of the reemployed TRA recipients earned less in their new job three years after their initial UI claim than they did in their pre-layoff job. Wage losses were significantly higher among TRA recipients than among UI exhaustees, although much of the difference can be explained by the fact that the pre-layoff wages of TRA recipients were higher than those of UI exhaustees. The average levels of post-layoff wages among the reemployed TRA recipients and UI exhaustees were similar. The majority of TRA recipients became reemployed in a different industry or different occupation, and the industry- and occupation-switchers experienced greater wage losses than those who did not switch.

Post-Layoff Employment, Earnings, and Job Characteristics Among TAA Trainees

- As expected, employment rates and average earnings levels of TAA trainees were lower than those of other TRA recipients throughout most of the first 12 quarters after their initial UI claim. The differences partly reflect the investment decision made by trainees--to forego employment and earnings in the short run in order to train for a new job that they hope will enhance their earnings potential in the future. In addition, many trainees chose to enter training only after they were jobless for a substantial period of time. Both factors caused the lower employment and earnings levels among trainees throughout the post-layoff period.

- If training had a positive effect on employment and earnings, we would expect that the employment and earnings of trainees would eventually be higher than those of nontrainees, other things being equal. When we examined employment and earnings at the end of 12 quarters, we found that trainees tended to be employed more and to earn more than other TRA recipients in quarter 12. But these differences are attributable largely to differences in the observable characteristics of the two groups. After we controlled for these characteristics, the outcomes of trainees and other TRA recipients were similar. Alternative estimates derived for trainees who had exited training within two years after their initial UI claim provide some indication that, at least for the post-88 sample, TAA training had a positive effect on those trainees. However, without a longer observation period, we were unable to isolate the impact of training on the remaining trainees. Nevertheless, our findings imply that, if training has a substantial positive effect on employment or earnings among all trainees, it is realized not earlier than three years after the initial UI claim.

- Among the TRA recipients who found a job, those who had participated in TAA training received slightly lower wages on average than those who had not participated in training, but the differences are generally not significant. TAA trainees also lost more fringe benefits than did these other TRA recipients. However, this result is not surprising: TAA trainees were more likely to have switched industry or occupation on their new job, and industry- and occupation-switchers suffered greater wage and benefit losses than did stayers. Training thus appears to be part of a transition process, in which workers move from their old industry or occupation to a new industry or occupation. Among those respondents who switched industry

or occupation on their new job, our estimates show that the average wages of trainees were slightly higher than those of nontrainees, other things being equal. Although these estimates are not statistically significant, they provide some indication that TAA training may have had a positive effect on the wage rates of TRA recipients who switched to a new industry or occupation.

The Costs of Worker Dislocation and TAA Expenditures

- The costs of displacement among TRA recipients, as measured by earnings losses, equal approximately $46,000 during the first three years after the initial UI claim. Quarterly earnings losses tended to fall towards zero over time, but the losses were still large even three years after the initial claim. In quarter 12, the earnings losses averaged nearly $3,000 dollars.

- Because TRA recipients must exhaust UI benefits before they can collect TRA benefits, these earnings losses are higher than those found for more general populations of displaced workers, some of whom will become reemployed prior to exhaustion. But TRA recipients had even higher average losses than UI exhaustees--about $10,000 higher than during the three years after the initial claim. The differences were highest near the end of the first year after the initial UI claim, after which they declined gradually.

- TRA recipients receive assistance from the federal government in the form of UI benefits, TRA payments, TAA job-search allowances, TAA relocation allowances, and TAA training. The total value of these benefits was about $10,603 per TRA recipient in our post-88 sample, which falls far short of the average earnings losses, or total costs of displacement, among TRA recipients. However, the TAA program provided more than half the assistance received by TRA recipients, demonstrating the importance of TAA benefits for those who qualify.

Policy Implications

These findings demonstrate that the TAA program is currently well-targeted--the TAA program serves workers who are permanently displaced from their jobs and who have greater difficulty in becoming reemployed than do similar UI exhaustees. Both before and after the 1988 legislative changes, TRA recipients experienced significant earnings losses due to their layoff. Even the TRA recipients who found a job after their initial UI claim experienced significant wage losses relative to their pre-layoff wages.

The most recent changes in the TAA program made training an entitlement and also required that TRA recipients participate in an approved training program unless they received a waiver exempting them under certain circumstances. A training requirement might affect TRA recipients in at least two ways. First, it might increase the training participation rate among TRA recipients. The findings show that, while there was substantial participation in training prior to the requirement, the requirement increased training participation even further, to approximately half of all TRA recipients. A training requirement can also affect TRA recipients by targeting TRA payments at those who need training and by discouraging long spells of TRA receipt among those recipients who have no need or desire to participate in training. The findings are consistent with this interpretation. They suggest that the training requirement reduced weeks of TRA receipt among the average recipient, despite the fact that the average duration of training increased. In addition, the training requirement led to a decline in the duration of the initial jobless spell and to an increase in earnings due to more rapid reemployment.

Whether training is required of TRA recipients should depend primarily on how successful it is at increasing employment and earnings. Our findings, which are consistent with the findings of other studies of training for displaced workers, suggest that TAA training did not have substantial positive effect on earnings of TAA trainees, at least in the first three years after the initial UI claim. Given this uncertainty about the returns to training, I believe that training participation should be voluntary rather than mandatory for TRA recipients. Even if training were made voluntary, a relatively large proportion of TRA recipients would still probably participate in training; more than a third of the members of the pre-88 sample of TRA recipients, for whom training was voluntary, participated in training. At the same time, the training requirement could be replaced with a requirement to participate in a job search program. This strategy was attempted in the TAA program between 1986 and 1988, but the job-search services were never fully implemented due to a lack of adequate funding. Recent research suggests that requirements to participate in a job-search program can increase employment and reduce the receipt of unemployment benefits among recipients.

An alternative approach would be to offer TRA payments only to those individuals who actively participate in training. Targeting TRA payments only at trainees would ensure that resources go to individuals who are actively attempting to adjust to a new industry or occupation. But that approach would deny TRA payments to displaced workers who cannot or choose not to participate in training. The findings presented above indicated that these nontrainees will experience severe earnings losses after their layoff. Denying them the additional unemployment benefits might be socially undesirable.

The above recommendations are based on assumption that the TAA program continues in some form. Whether this is the case should depend on whether Congress thinks that it is appropriate to provide more income support and reemployment services to trade-impacted workers than to other displaced workers. Clearly these workers suffer large income losses as a result of their job loss, but so do some other workers who lose their jobs for other reasons.

Chairman SHAW. Thank you, Mr. Corson.
Mr. Cunningham.

STATEMENT OF BILL CUNNINGHAM, LEGISLATIVE REPRESENTATIVE, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

Mr. CUNNINGHAM. Thank you, Mr. Chairman, members of the subcommittee.

Let me comment briefly on the need for sound financing of the Nation's unemployment compensation system. As this subcommittee knows, the unemployment compensation system not only provides the minimum benefits for workers who are out of work, but it also is a key economic stabilizer.

However, it is a flawed system. Three out of five jobless workers do not get any unemployment compensation. Those lucky enough to get UI benefits only get one-third of their prior salary. One out of three UI recipients exhaust their benefits before finding work.

Let me just turn to the issues at hand. As this committee is aware, the Kasich budget repeals the Extended Benefits Program. We respectfully suggest that you keep this program in place. For members who have been here during recent recessions, the Extended Benefits Program was one of the key economic stabilizers that each of you on a bipartisan basis worked to retain and get for your States. However, we know it has a flawed trigger. It comes in too late, and that should be changed.

Let me just point out to you that the Kasich budget does zero out the Extended Benefits Program, but perversely, it does not reduce the UI tax that funds this program, so I think that that is a factor that will have to be considered. It is our position, however, that the Extended Benefits Program should remain in place.

We also support retaining Wagner-Peyser. I know that Chairman McKeon was here earlier. He assured this committee that he would not be using any of the money in the Employment Service for retraining. You also know, however, that the Kasich budget zeroes out the Employment Service, so that money will not be available. As with the Extended Benefits Program in the prior bill, there is no reduction in the UI tax in the Kasich budget for repealing the Employment Service.

We believe the Employment Service should stay in place and it should continue to be funded. The Employment Service is not a job retraining program. It is to help with the unemployment compensation system and is funded by unemployment compensation taxes.

During the last recession, I know that some of you had individual experience where people who were in the Employment Service were drafted to just walk across the aisle to process unemployment claims. In times of high recession, they will not have that work force in place, and I think that is something to keep in mind. We are now entering a period of more uncertainty than we have had in the past, and if the Employment Service is gutted and these funds are taken away, I think the unemployment compensation system itself will suffer. That is a real problem.

The Employment Service is the Nation's only universal labor exchange. It provides information to everybody, not just on a needs

basis but everybody in the work force. It costs about $810 million a year of the trust fund.

We also urge the continuation of TAA and NAFTA–TAA. Members who have been on the committee for a while remember that TAA, when it was upgraded in 1988, was done as part of the GATT agreement, to basically assure that people who lost their jobs because of trade agreements would have a benefit package that they were entitled to. Of course, the Kasich budget eliminates that.

When the NAFTA passed, we were on the other side of the NAFTA proposal, but one of the benefits of the NAFTA agreement was supposed to be and is a NAFTA–TAA entitlement program that already serves 28,000 workers who are getting this, who have lost their jobs because of movement of jobs to Mexico.

We believe that both of these programs should remain as they are. They represent a commitment not only of the Congress but specifically of this committee in trade legislation.

We support continuation of the FUTA tax, the 0.2 percent tax, because projections we have seen from the Department of Labor suggest that the fund will go broke about the same time Medicare does if there is not this continued infusion of funds. They have some data there.

We support the continuation of the tax for alien farmworkers. We are participants, through Tom Donahue, our secretary-treasurer, on the advisory panel of unemployment compensation. They have looked at this issue, this bipartisan commission, and have suggested retaining this, not only for the fact of the $10 million that is not collected to pay the fees, but because they have found some data to suggest that there is a substitution of foreign workers for U.S. workers because of this incentive.

Mr. Chairman, the rest of my testimony goes on to differences in the job retraining program and what we would like to see, but I think, in brief comment, we would like to see the Extended Benefits Program continued because we think there will be recessions down the road that require this additional 13 weeks. We want Wagner-Peyser to continue, TAA and NAFTA–TAA, and the other two provisions.

Thank you very much.

Chairman SHAW. Thank you, Mr. Cunningham. Your entire statement, as you know, will become a part of the record.

[The prepared statement follows:]

**STATEMENT BY BILL CUNNINGHAM, LEGISLATIVE REPRESENTATIVE,
THE AMERICAN FEDERATION OF LABOR
AND CONGRESS OF INDUSTRIAL ORGANIZATIONS
ON
UNEMPLOYMENT COMPENSATION ISSUES, THE EMPLOYMENT SERVICE AND
TRADE ADJUSTMENT ASSISTANCE AND NAFTA-TAA
TO THE SUBCOMMITTEE ON HUMAN RESOURCES,
WAYS AND MEANS COMMITTEE, U.S. HOUSE OF REPRESENTATIVES**

May 16, 1995

I appreciate this opportunity to set forth some AFL-CIO concerns about the nation's federal-state unemployment compensation system, about possible consolidation of federal job training programs, and about the future of the U.S. Employment Service.

In brief, in this statement we urge:

* Keep the Extended Benefit program of unemployment compensation for long-term jobless workers in states with high unemployment;

* Continue the Wagner-Peyser law as the base for a revitalized Employment Service and continued operation of the nation's unemployment insurance system;

* Continue Trade Adjustment Assistance and NAFTA-TAA as distinct programs;

* Keep wages of alien H2-A farm workers subject to FUTA taxes;

* Continue the 0.2 percent FUTA surtax;

* Keep labor participation a formal part of any restructuring of job training programs;

* Make accountability a formal part of any restructuring of job training programs.

Let me comment briefly on the need for sound financing of the nation's unemployment compensation system.

The unemployment insurance system is the nation's first line of defense for workers and their families when job loss hits them. This UI system is a key part of the nation's safety net to restore a minimum decent standard of living when workers lose their jobs and their income from work.

But there's an important economic purpose of the UI system -- in addition to the humanitarian safety net purpose of helping people without earnings and income. The nation's UI system is a key economic stabilizer. In time of recession this system quickly gets buying power into the hands of consumers who will spend it quickly -- thus cushioning the recession and helping business as well as helping families in need.

Unfortunately, the UI safety net is full of holes. Lack of adequate funding is the biggest single factor behind excessive restrictions on eligibility and inadequate UI payments.

Three out of every five jobless workers do not get any unemployment compensation. Those lucky enough to get UI payments get only one-third of their previous earnings. And one out of three UI recipients exhausts UI benefits before finding a job.

Thus, the UI system is failing in its basic humanitarian safety net income maintenance purpose -- and it is also failing in its countercyclical economic purpose of maintaining consumer buying power in time of recession.

As the Committee is aware, there is a Commission under Dr. Janet Norwood, that is developing proposals for significant changes in the UI system. The AFL-CIO believes all wage and salary workers should be covered by the UI system and should be eligible for UI benefits. Benefits should be at least 50 percent of a worker's previous earnings, up to a maximum of two-thirds of the state's average weekly wage. Harsh and excessive eligibility and disqualification provisions should be eliminated.

For periods of high unemployment, extended or supplemental benefits should be available up to 39 weeks beyond the regular 26 weeks of state benefits, so that the maximum duration of benefits is 65 weeks when the unemployment level is high.

The continued operation of the nation's UI system depends upon a fully functioning Employment Service providing critical labor market information, job development and job search assistance, assessment and counseling services for UI recipients. A revitalized Job Service can help shorten spells of unemployment, and thus relieve the cost burden to employers and minimize long-term job loss of many workers.

Keep Extended Benefits
For Long-Term Unemployed

We are very seriously concerned about the recent proposal of the House Budget Committee to kill the existing permanent program of Extended Benefits (EB) for long-term jobless workers in states with high unemployment. (A seven year savings of over $31 billion.) We urge you to resist efforts to kill the Extended Benefits program.

This 50-50 federal-state program was enacted in 1970 after various unsatisfactory experiments with temporary extensions of unemployment compensation in times of recession and persistent high unemployment.

It is very interesting to note that the budget assumptions used for the EB program -- even with the flawed triggers in present law -- show a dramatic increase in the utilization of this program by FY 2002.

To kill this program would be a serious blow to long-term unemployed workers and their families in the hardest hit states with the highest rates of unemployment. It would also be a serious blow to the countercyclical purpose of the nation's unemployment compensation system.

At present, only Alaska, Puerto Rico, and Rhode Island are triggered on to the EB program, but in times of recession many more states become eligible. Without the EB program in effect, high unemployment states will be forced to come back to Congress again and again to get the resources needed to help their long-term unemployed workers.

This Extended Benefits issue has important humanitarian aspects and important countercyclical economic aspects. We ask you to make sure that the Extended Benefits program continues as a basic protection for workers and for state economies.

Keep Wagner-Peyser and The Employment Service

A revitalized and accountable Employment Service should be the centerpiece of efforts to upgrade assistance to unemployed workers. Since it does not itself operate training programs, the Employment Service can make objective assessments about the quality of local education and training providers and the appropriateness of referrals.

Some proposals for consolidation of job training programs would include Employment Service operations in a job training block grant. But only the Employment Service can make objective assessments about the quality of local education and training providers and the appropriateness of referrals. The present cost is approximately $810 million annually.

First, employment and training consolidation and reform must recognize the difference between the programs that are funded from the employer-paid, dedicated Unemployment Trust Fund and those programs funded from general revenues.

Second, employment and training consolidation and reform must recognize the difference between Employment Service job placement services and job training programs.

Third, including the Employment Service in a job training block grant system would sever its link with the unemployment insurance (UI) system which is critical to application of the UI work test and could result in higher outlays for unemployment benefits.

Fourth, the Employment Service provides universal access to labor exchange services to any individual or employer who needs and asks for its services.

The Wagner-Peyser Act should not be repealed for the following reasons:

* **The Employment Service does not belong in a job training consolidation because it is not a job training program.**

Reform efforts must recognize the difference between job training and education programs. The Employment Service does not provide training. Instead, it provides job placement services and labor market information for employers and job seekers, skill assessment and counseling, and referrals to training programs. The Wagner-Peyser Act has very few requirements; it is a block grant on its own.

* **The Employment Service and job training programs are financed from different federal taxes and should not be combined.**

The Employment Service is financed from employer taxes deposited in the Federal Unemployment Trust Fund. The ES is part of the entire "employment security system", which includes the unemployment insurance program. The ES was established primarily to help employers find workers and job seekers find jobs. The job training programs are financed by general revenues raised by the income tax. They were created long after the employment security system was created.

* **The link between the ES and the unemployment insurance (UI) system should not be broken by including the ES in a block grant or converting ES dollars into vouchers.**

Doing so would destroy the application of the "work-test" requirement for the UI program and make it more difficult to move unemployed workers receiving unemployment benefits into jobs. ES and unemployment insurance programs share office space, and staff are cross-trained. Removing the ES funds would have a very

negative impact on the processing of unemployment benefits. Some local offices would have to close.

* **The ES is the nation's only universal labor exchange, serving any individual or employer in need of its services.**

Job training programs serve targeted populations while the ES does not have specific income or other eligibility requirements. A block grant or voucher program is likely to have to ration resources by established eligibility criteria. If the ES is folded into either approach, the United States will become the only industrialized nation without a national public labor exchange.

Continue Trade Adjustment Assistance and NAFTA-TAA

We urge you to continue TAA and NAFTA-TAA as separate worker assistance programs. The TAA benefit cost $2.2 billion annually and the NAFTA and TAA training money cost $101 million annually.

The AFL-CIO strongly opposes elimination of TAA and NAFTA-Transitional Adjustment Assistance (NAFTA-TAA), which is precisely what would happen to them if they are folded in to a block grant program.

The harm sustained by workers who lose their jobs because of increased imports or trade agreements such as NAFTA is substantial and has been well documented. Long spells of unemployment and loss of medical insurance, homes and a lifetime of savings are not uncommon. Middle class lifestyles are wiped out for many who are forced by low wages and insecure jobs into near poverty. Beyond the human tragedy, the national economy sustains a substantial loss of skills and productive capacity.

Advocates of freer trade and agreements such as NAFTA base their advocacy on the belief that benefits from these policies will accrue to society as a whole. While the universal validity of this belief can be questioned, the fact that with freer trade of agreements such as NAFTA there will be losers as well as winners.

The TAA program represents a long-standing commitment by the federal government to assist and compensate workers who are harmed by trade policy and increased imports. What these workers need most are trade and industrial policies that will stop the disappearance of their jobs, and will instead create and retain more good jobs in the United States.

As presently constituted, the TAA program falls very far short of meeting this need. Yet nearly two million trade-injured workers have received important assistance under this program over the last 20 years. At a time when the nation's trade deficit is massive and rising, and the implementation of trade agreements such as NAFTA and GATT are causing the loss of many thousands of jobs, it would be a grave injustice to working people to terminate the modest but necessary assistance that TAA and NAFTA-TAA provide.

The rationale for these programs is even stronger today than when President Kennedy first proposed TAA more than thirty years ago. According to his message to Congress accompanying the trade bill that gave birth to TAA in 1962:

"I am ... recommending as an essential part of the new trade program that companies, farmers and workers who suffer damage from increased foreign import competition be assisted in their efforts to adjust to that competition. When considerations of national policy make it desirable to avoid higher tariffs, those injured by that competition should not be required to bear the full brunt of the impact. Rather, the burden of economic adjustment should be borne in part by the Federal

Government."

When workers are injured as a result of deliberate national policy such as trade liberalization or a North American Free Trade Agreement (NAFTA), they not only need assistance but as a matter of basic fairness they should be entitled to compensation as well. Property owners who are dispossessed as a result of government action often are entitled to compensation; workers who lose their jobs as a result of government action usually sustain far more serious damage and should have no lesser claim.

In the current budget climate it is natural to scrutinize the cost of such compensation, but the central question is fairness, not cost.

For workers who qualify, TAA provides a range of benefits including job search assistance, relocation assistance and up to two years of training assistance. Most important, it provides a modest level of income support for up to one year after an eligible worker's six months of basic unemployment benefits have expired.

Entitlement to income support is so essential to allow trade-injured, TAA-eligible workers to afford the longer-term, higher quality training which can prepared them for new jobs.

If TAA and NAFTA-TAA are allowed to disappear into a block grant, with reduced funding which declines over time, there will be little or no money for income support, and workers who lose their jobs because of increased imports or trade agreements will no longer have any entitlement to receive assistance, despite the federal government's obvious and long-recognized obligation to compensate them for the loss of their jobs.

While TAA and NAFTA-TAA are far from perfect, most of their problems stem from inadequate commitment of resources and inadequate federal oversight. These problems will be severely exacerbated by the block grant approach. Money may be saved, but at the expense of jobless workers who lost their jobs because of federal policies and decisions, and who urgently need and clearly deserve to be helped.

The possibility that NAFTA-TAA may be eliminated so soon after the ink has dried on this nearly brand new trade agreement is especially troublesome. Many members of Congress would not have voted for NAFTA had they known that the federal government intended to renege so quickly on its commitment to compensate and assist workers who are injured as a result of this trade agreement. NAFTA-TAA is woefully inadequate, but its elimination will only make a bad situation even more dire for thousands of workers.

Problems related to poor administration at the state level -- since the states have enormous responsibility for NAFTA-TAA already -- are a preview of what is in store if the program is eliminated and folded in to a block grant. In many states, due to inadequate state outreach efforts, potentially eligible unemployed workers are not made aware of the existence of the program and hence are denied the opportunity even to apply for assistance. This serious problem, and many others, would become dramatically worse under a block grant approach.

In the fifteen months since NAFTA took effect, NAFTA-TAA petitions have been submitted by or on behalf of workers at 455 firms in 46 states. The 216 certifications which have been made cover more than 28,000 workers. The Congress, which adopted NAFTA over the strenuous opposition of most American working people, should not now renege on the modest but important commitment to help NAFTA's victims which NAFTA-TAA represents.

Support FUTA Tax on Alien Farm Workers

The Advisory Council on Unemployment Compensation, chaired by Janet Norwood, has already made two reports and will make its final report by February 1, 1996. We commend to your attention the 1994 and 1995 recommendations of this Advisory Council.

I call your attention particularly to the recommendation on page 14 of the 1994 report which supports the view that the wages of alien H2-A agricultural workers should be subject to FUTA taxes. In line with the recommendation of the Advisory Council, we urge that you do not continue the expired exemption of these wages. The exemption created an unfortunate incentive for substitution of foreign workers for U.S. workers. Furthermore, the cost of certifying these workers is charged to the FUTA tax.

Continue 0.2 Percent FUTA Surtax

In regard to proposed repeal of the so-called temporary 0.2 percent FUTA surtax now extended to the end of 1998, we believe this tax should not be repealed. This tax should be continued pending the final report of the Advisory Council on Unemployment Compensation and full consideration and action by the United States Congress on comprehensive reform of the UI financing system.

Many problems of the UI system relate to inadequate financing, and the Advisory Council is making a variety of recommendations to improve the financial soundness of the system. The AFL-CIO has long urged raising and indexing the UI taxable wage base to 65 percent of the nation's average annual wage -- as recommended in 1980 by the National Commission on Unemployment Compensation.

The present 0.2 percent temporary surtax is needed to help maintain financial soundness in the UI system until more systematic and more comprehensive proposals can be considered by this Committee and by the Congress. We urge you not to repeal this tax at this time. Projections by the U.S. Department of Labor show that without this tax extension, the UI system could go broke at the same time as the Medicare system. (FY 2002)

Proposals for Employment & Training Block Grants

As this Committee and the Congress consider consolidation of job training programs and proposals for employment and training block grants, we urge you to give careful attention to the appropriate roles for federal, state, and local governments, and for labor and business in the training-education arena. It will take the combined resources of the public and private sectors and business and labor to make our training system the best in the world.

Support Labor Participation

We urge this Committee to make labor participation a key part of any restructuring of job training programs.

Unions have provided increased leverage through collective bargaining that now results in hundreds of millions of dollars being spent on training and education for front-line workers as well as new apprentices.

In many cases these funds have been coordinated with public resources to bring young people and disadvantaged adults into the workplace through skill training. We can show you outstanding examples where the collaboration between unions and companies even in economically distressed areas has brought about good training and good jobs.

Labor participation in our nation's training system is more important now than ever. The expertise unions have gained from directly providing training, negotiating

training funds, and helping workers to make informed choices about careers and jobs must be brought to bear in restructuring and delivering future training services. Unions have a keen understanding of the learning needs of workers. Through our apprenticeship programs we have determined the best methods for combining classroom and on the job learning so that workers' skills are at world class levels.

Full and continuing labor participation, involvement, and input are absolutely essential in all training-related areas. In addition such participation is vital because it convinces workers that they have a stake in the process and the results.

We recommend that establishment of tripartite governance structures at the federal, state and local level where labor, business and community leaders can help guide the new training system.

These governing structures must have a role in determining specific eligibility requirements, selecting and certifying training providers and contributing to the development of up-to-date and accurate job growth information. Labor involvement in these structures can help to make sure that public funds do not substitute for those that should come from the private sector and can assure that abuses of the public trust do not occur.

Trade unions have important responsibilities for supporting, protecting, and promoting training and education programs for workers. But employers and local, state, and federal governments also must give more adequate support to job-related education and training. Private and public sector cooperation in these areas is desirable and necessary. Labor organizations should have an equal voice with employers in such cooperation.

Goals of Restructuring

We believe a restructured system should achieve the following goals: (1) it should be effective; (2) it should be accountable; and (3) it should be comprehensive.

An effective restructured system will be responsive to local, state, regional, and national labor markets, both the needs of employers on the demand side and the needs of workers on the supply side. These needs will vary depending on the labor market.

But one key element is availability of income support for people in training. For most unemployed workers with family responsibilities, mortgages, and other bills, participating in classroom training is impossible unless they get income support.

Accountability

A restructured training system must be accountable to the taxpayer. Public sector agencies have a unique and exclusive role to play to achieve this goal: they should play the role of the "honest broker," providing objective, good quality information, vocational assessment and referral, job counseling, job search assistance, and job development.

A revitalized and accountable Employment Service should be the centerpiece of efforts to upgrade assistance to unemployed workers. Since it does not itself operate training programs, the Employment Service can make objective assessments about the quality of local education and training providers and the appropriateness of referrals.

As noted earlier, the continued effective functioning of the nation's unemployment insurance system depends on a reliable and fully functioning labor exchange program operated by the Employment Service.

A restructured training system should ensure that Federal investments in training not substitute for investments employers would have made anyway. We must guard against abuses that have in the past led to destructive competition and business relocations, pitting one community against another. An effective complaint and grievance procedure at the local, state, and federal level should be established so abuses can be discovered and handled at an early stage.

In order to help workers know what to be trained for and where to apply for jobs when they complete their training, all employers should be required to list their job openings with the Employment Service.

A system of accountability will require a national framework of skill standards and program performance standards. State-of-the art information systems must be broadened at the federal, state and local level to provide sound monitoring, labor market information as well as outcome measures of performance.

Standards for learning gains, educational achievements, job placement and earnings increases must be made a part of the credential process for all training institutions. The voluntary industry skills standards initiative established by Goals 2000 is a critical element of this new system.

Comprehensiveness

There must be sufficient funding to meet the needs of all segments of the workforce. At a minimum, any proposal to give individual grants to unemployed and dislocated workers should provide training and education benefits equal to what veterans and national service participants currently receive.

A restructured training system should coordinate a diversity of training approaches. Besides serving employed workers as well as the long-term unemployed, the system should pay close attention to special needs of dislocated workers and young people in school.

The public school system must play an integral role in a coordinated work force preparation system. A redesigned school-based component of the system should tie vocational education to other reform efforts and focus on raising the academic, technical and employability skills for students. This system should offer career awareness and improved counseling to students beginning in the early grades.

States should be supported to establish clear academic and occupational standards based in part on industry-oriented standards. Standards should be tied to assessment and credentialing systems, curricula and instruction aligned to these standards and professional development provided so that school staff can deliver integrated academic and vocational instruction.

States and local school districts should be given the flexibility to develop the kinds of systems, programs and course offerings that meet high standards.

School-to-Work

The AFL-CIO supports the planning and implementation efforts now under way in the states to help students develop a sound foundation of academic skills and prepared for the world of work. We believe the larger education reforms embraced in 1990 by the reauthorized vocational education act should be continued and expanded. Many AFL-CIO affiliates are already involved in such programs.

As the School-to-Work Opportunities Act now provides, labor consultation and input are essential in planning and implementing these programs. Employer

participation in building a new school-to-work transition system is necessary but not sufficient. The participation and support of front-line workers and their unions are also vital to achieve the goals of this new initiative.

Conclusion

The AFL-CIO represents some 90 national and international unions with some 14 million working people as members. The workers we represent will benefit from constructive action by Congress to make the nation's unemployment compensation, job training, and job placement efforts more effective. We welcome the concern of your Committee and we look forward to working with you on legislation that will be good for workers and good for America. Thank you.

Chairman SHAW. Mr. McCrery.

Mr. MCCRERY. Thank you, Mr. Chairman.

First of all, let me just make a clarification, Mr. Cunningham. Your testimony kept referring to the Kasich budget zeroes this and zeroes that. The Kasich budget does not zero anything. That is left up to the authorizing committees and committees of jurisdiction, so those are assumptions and recommendations by the Budget Committee, but they do not have the power to zero anything.

Mr. CUNNINGHAM. Right, I understand.

Mr. MCCRERY. So all those things are still alive, even if the budget passes.

Mr. CUNNINGHAM. We are breathing heavy, but we are still alive.

Mr. MCCRERY. I would like for you, Mr. Cunningham, to tell us where you get the data that indicates the trust fund will be broke in 2002 if we do away with the surcharge.

Mr. CUNNINGHAM. I thought I had, but people from the Labor Department shared with me some data, and I just remember the chart where they had the 0.2 percent tax and they basically showed that when it goes out after 1998 that it dips below the preferred level of funding.

There is one other point I forgot to make on the Extended Benefits Program.

Mr. MCCRERY. So you think this information comes from the Department of Labor?

Mr. CUNNINGHAM. Yes, and I will try and get it for you.

[The information was unavailable at the time of printing.]

Mr. MCCRERY. Thank you.

Mr. CUNNINGHAM. On the Extended Benefits Program, I forgot to mention a very important issue. In the Kasich budget, which I understand is an illustration, the utilization of extended benefits in the years 2000, 2001, and 2002 jumps threefold. So in his budget, it is assumed that the Extended Benefits Program would have been used much more than it will be used in the first 5 years, and the reason for our concern here is that if this program is not in place and the budgets go through, that you will have to put a new program in place or these people will not be served. I am sorry to switch subjects.

Mr. MCCRERY. Thank you, Mr. Chairman.

Chairman SHAW. Mr. Rangel.

Mr. RANGEL. Ms. Bowland, you have a national responsibility in sharing what administrators do throughout the country. Have you noticed as a result of the treaties and the need for high-tech training that it is more difficult to place people in jobs? Are higher training and education required?

Ms. BOWLAND. No. What we are finding is a greater need for us to ensure that people have skills or ensure that qualified workers are referred to employers, and part of the secret of that is matching appropriately. In Ohio, we are experimenting with matching people and their skills with actual skills that they need in the job.

Mr. RANGEL. I guess my question is regarding high school dropouts and those with very little skills, are you able to place them into jobs?

Ms. BOWLAND. Yes. We are working on that, and we are ensuring, through the use of national skills standards, high-tech training——

Mr. RANGEL. What kind of jobs are available for this type of person?

Ms. BOWLAND. Right now, what we are doing is working through our national skills standards, programs with the national skills standards, our curriculum with vocational education——

Mr. RANGEL. I do not know what that means, but on a national basis, would you find that your administrators nationally have no problems in placing high school dropouts?

Ms. BOWLAND. I did not say they had no problems. What I am trying to indicate is that I think everyone in this age of very high technology and high performance workplaces have to ensure that people who are placed are qualified, and second, they can get the skill training they need.

Mr. RANGEL. No, no. Forget that. I know that. What I am really trying to find out is whether your school system is supplying people with the training that is necessary to put them in the high-technology jobs.

Ms. BOWLAND. No.

Mr. RANGEL. Since you deal with this on a national level, have people in your category demanded from the school system that instead of just diplomas, that they prepare these young people to enter into the labor market?

Ms. BOWLAND. Yes. In Ohio, we are actually working on standards that must be met, passports that folks can carry from grade school through high school and then to jobs.

Mr. RANGEL. Have you found communities in Ohio and other parts of the country that are not producing this, that they have high rates of unemployment as well as high rates of high school dropouts, higher in other inner cities?

Ms. BOWLAND. Yes, and I think we are working to correct that, yes.

Mr. RANGEL. Are these the areas that cause the States and the country major problems, the people that are in the street without jobs and without diplomas and unemployable?

Ms. BOWLAND. I think that certainly is one of the major problems.

Mr. RANGEL. And you found this to be national, not just in Ohio?

Ms. BOWLAND. I think it is a national problem.

Mr. RANGEL. Have you seen anything from the national level that addresses that problem, that is, to tie in the school system with the job market so that when they get to you, that you can place them in the jobs that are necessary?

Ms. BOWLAND. I think the school-to-work initiative in the Federal Government has been excellent. I believe the program on national skills standards has gone a long way toward us identifying the skills and occupations and ensuring that we train people to meet those occupational skills.

Mr. RANGEL. Have you been able to target the areas that have the least amount of skills, the highest crimes, the highest dropouts, the highest social problems, in order to make certain that this group is brought along in order to get into the job market?

Ms. BOWLAND. Probably not to the extent that I have heard you talk about today, but I think the vast majority of our training programs are targeted——

Mr. RANGEL. Is there a place in Ohio that you can name that I could go to to see where concentrated effort has been made to——

Ms. BOWLAND. Fostoria.

Mr. RANGEL. Fostoria?

Ms. BOWLAND. Fostoria, Norton Manufacturing.

Mr. RANGEL. I was talking about a community.

Ms. BOWLAND. It is Fostoria, Ohio.

Mr. RANGEL. Who represents that area? Do you know offhand? I will check it out.

Ms. BOWLAND. Mr. Oxley.

Mr. RANGEL. Mike Oxley? Thank you so much.

Ms. BOWLAND. You are welcome.

Mr. RANGEL. Thank you, Mr. Chairman.

Chairman SHAW. Mr. English.

Mr. ENGLISH. Mr. Chairman, I will try to keep my questions very brief.

Dr. Corson is the coauthor of the 1993 assessment of TAA. Are you familiar with the TAA audit that was performed by the U.S. Department of Labor in September 1993?

Mr. CORSON. Somewhat. I do not have a detailed knowledge of it.

Mr. ENGLISH. I was just wondering if you were aware of its conclusions and concurred with the general thrust, which is very critical of the internal controls in the program.

Mr. CORSON. I think some of their concern was that there was not much information on the program, on what happened to individuals in the program. Is that your understanding?

Mr. ENGLISH. That is my understanding.

Mr. CORSON. I think that is true. It is probably not a surprise, though, because it is quite a small program, and in most States, it has a very small caseload.

Mr. ENGLISH. Thank you.

Dr. Jacobson, how has the Employment Service program adopted new technology in recent years? To what extent have you applied new technology to improve your clearinghouse services?

Mr. JACOBSON. Actually, the Employment Service has been very adept at using new data processing equipment, because you have to remember, the UI system is one of the largest data processing agencies in each State. They have tended to keep up with new technology. In particular, Ohio is a State that has looked for new ways of making job matches. Colorado is another State that has taken a lead in developing new technologies.

So it is a very active area, and, in part, it has been forced on the States because, essentially, they have to do more and more work with fewer resources. So they have, I think, done a pretty good job on their own. Recently, the Department of Labor has given more impetus to these efforts through its revitalization program. That also is a very positive step.

Mr. ENGLISH. Thank you, Mr. Jacobson.

Knowing the brevity of our time, I think I will conclude now.

Thank you, Mr. Chairman.

Chairman SHAW. Thank you.

I would like to thank all the panelists that appeared before us today, this last panel included, for giving up your time to share your experience with us.

The hearing is concluded for today. Thank you.

[Whereupon, at 4:33 p.m., the hearing was adjourned.]

[Submissions for the record follow:]

STATEMENT SUBMITTED TO
U.S. HOUSE OF REPRESENTATIVES
WAYS AND MEANS SUBCOMMITTEE ON HUMAN RESOURCES
by the
ADVISORY COUNCIL ON UNEMPLOYMENT COMPENSATION
May 16, 1995

The Advisory Council on Unemployment Compensation (ACUC) was created by an Act of Congress in November of 1991 to provide advice on improving the nation's unemployment compensation system. The Congressional mandate to the Council was a broad one, instructing it "to evaluate the unemployment compensation program, including the purpose, goals, countercyclical effectiveness, coverage, benefit adequacy, trust fund solvency, funding of State administrative costs, administrative efficiency, and other aspects of the program and to make recommendations for improvement." In addition, Congress specifically requested that the Council consider the treatment of alien agricultural workers within the Unemployment Insurance system.

This statement contains the findings and recommendations from the ACUC's 1994 and 1995 reports. Recommendation #1994-7 addresses the treatment of alien agricultural workers. While the Council has not yet agreed upon a recommendation regarding the FUTA tax rate, an initial set of findings on this issue follows recommendation #1995-6.

1994 FINDINGS AND RECOMMENDATIONS

PURPOSE OF THE EXTENDED BENEFITS PROGRAM

The Council finds that the nature of unemployment has changed since the inception of the Unemployment Insurance system. The length of time that individuals are unemployed, which increases sharply during recessions, has also increased slowly but steadily during non-recessionary times. Workers who have been laid off from their jobs are now less likely to return to their previous jobs than has historically been the case. This indicates an increase in the level of long-term unemployment in the economy.

The Unemployment Insurance system was designed primarily as a means of alleviating the hardship caused by short-term unemployment. The system was never intended to combat long-term unemployment. The purpose of the Unemployment Insurance system, and in particular the Extended Benefits program, must be expanded if the system is to deal effectively with the changing nature of unemployment. In doing so, however, careful consideration must be given to the funding of the system, in order to ensure that expenditures for combatting long-term unemployment do not drain the Unemployment Insurance trust fund reserves. It must also be recognized that while Unemployment Insurance reform is a necessary component of developing effective strategies for dealing with long-term unemployment, other reforms -- especially among programs for dislocated workers -- will be needed.

1994-1. Recommendation

The scope of the Extended Benefits program should be expanded to enhance the capacity of the Unemployment Insurance system to provide assistance for long-term unemployed workers as well as short-term unemployed workers. Those individuals who are long-term unemployed should be eligible for extended Unemployment Insurance benefits, provided they are participating in job search activities or in education and training activities, where available and suitable, that enhance their re-employment prospects. To maintain the integrity of the Unemployment Insurance income support system, a separate funding source should be used to finance job search and education and training activities for long-term unemployed workers.*

THE TRIGGER FOR EXTENDED BENEFITS

The Council finds that receipt of Unemployment Insurance benefits by the unemployed has slowly but steadily declined since at least 1947 -- the first year for which data on the system are available. In addition to the long-term downward trend in receipt of benefits, there was a pronounced decline in the early 1980s, just as the economy entered a recession.

The reasons behind the decline in the Unemployment Insurance system are many. The long-term decline appears to have been caused by the changing demographics of the labor force, the changing industrial and geographic composition of employment, and a decline in the solvency of states' Unemployment Insurance trust funds. The sharp decline in receipt of benefits in the early 1980s appears to be attributable primarily to changes in federal policies which encouraged the states to increase the

* One member of the Council emphasizes that an increase in employers' payroll taxes should not be used as the funding source. Another member emphasizes that such a recommendation must be considered in the context of reform of dislocated workers programs.

solvency of their trust funds by restricting eligibility for Unemployment Insurance benefits and/or increasing employers' tax rates, as well as independent state efforts to improve their trust fund solvency.

The utilization of the Unemployment Insurance system is measured by the Insured Unemployment Rate (IUR). The IUR is the number of Unemployment Insurance recipients, relative to the number of individuals in UI-covered employment. Since the inception of the Extended Benefits program in 1970, states have been required to use the state IUR as a "trigger" that determines whether or not individuals who have exhausted their regular UI benefits are eligible for Extended Benefits.

Research has shown that the decline in the utilization of the Unemployment Insurance system has caused the IUR to become a less reliable indicator of economic conditions, reducing the likelihood that Extended Benefits will trigger on in states with high unemployment. In addition, just as the IUR was experiencing a marked decline during the recession of the 1980s, the "trigger" level required to become eligible for Extended Benefits was raised.

The combination of the reduction in the IUR and the increase in the trigger level resulted in the failure of the Extended Benefits program to trigger on as unemployment continued to rise during this most recent recession. As a result, Congress found it necessary to pass a series of emergency extensions of Unemployment Insurance benefits. The Council finds that emergency extensions of Unemployment Insurance benefits are extremely inefficient since they are neither well-timed nor well-targeted. Therefore, it is necessary to reform the Extended Benefits program prior to the onset of the next recession, in order to minimize the need for future emergency legislation.

The Council has considered a variety of measures that could be used to trigger the Extended Benefits program. While no perfect measures exist, the best available evidence about the condition of the overall labor market within a state is the Total Unemployment Rate (TUR), which indicates the supply of individuals who are unable to find work. It should be noted, however, that the TUR rates for January 1994 will be affected by the redesign of the Current Population Survey. An alternative measure of the labor market conditions that are faced by Unemployment Insurance recipients is the Adjusted Insured Unemployment Rate (AIUR), which is the IUR adjusted to include those individuals who have exhausted their regular Unemployment Insurance benefits.

The Council finds that while substate (or regional) data are available on some measures of local labor market conditions, these data are extremely unreliable measures of the true conditions that the unemployed face. Furthermore, there would be substantial administrative difficulties in using either substate or regional data for triggering Extended Benefits.

The Council finds that, in addition to problems with the triggers that have been used to determine whether or not Extended Benefits are available within a state, the thresholds built into the triggers have been problematic. These thresholds require that a state's unemployment rate (whether measured by the IUR or the TUR) exceed the level that prevailed over the previous two-year period (by a factor of 120 percent for the IUR or 110 percent for the TUR).

The threshold requirements do not significantly affect the number of states in which Extended Benefits trigger on during a recession. However, the thresholds have the effect of delaying the point at which Extended Benefits trigger on in some states with the highest unemployment, as well as hastening the point at which such states trigger off the Extended Benefits program. As a result, the thresholds have caused dissatisfaction among some with the operation of the program since those states suffering the most economic hardship are triggered on for the shortest period of time. This problem could be addressed by eliminating the thresholds and setting the triggers at a slightly higher level.

1994-2. Recommendation

The Council is unanimous in the view that there is a pressing need to reform the Extended Benefits program.

The majority of the Council recommends that the Extended Benefits program should trigger on when a state's seasonally adjusted total unemployment rate (STUR) exceeds 6.5 percent as measured before the Current Population Survey redesign.* Two members of the Council recommend that each state should have the choice of using either the STUR trigger of 6.5 percent with a threshold requirement of 110 percent above either of the two previous years, or an IUR or AIUR trigger set at 4 percent with a threshold requirement of 120 percent over the previous two year period.

The Council hopes Congress can implement these reforms promptly. Although the Council has reservations about the inefficient targeting of emergency benefits, Congress should extend the existing Emergency Unemployment Compensation for a six month period to provide a bridge program until these Extended Benefits reforms can be implemented.**

1994-3. Recommendation

Neither substate nor regional data should be used for the purpose of determining whether or not Extended Benefits are available within a given area.

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* Two members of the Council recommend that the trigger should be set at 6.5 percent regardless of any changes in the measured unemployment rate that result from the redesign of the Current Population Survey.

** Two members do not agree to the recommendation that Emergency Unemployment Compensation should be extended.

FINANCING EXTENDED BENEFITS REFORM

The Council finds that the integrity of the Unemployment Insurance system as well as its capacity to adapt to the changing nature of unemployment are compromised by incorporating its trust funds into the unified federal budget. While the flow of funds into the Extended Unemployment Compensation account may be adequate to finance the recommended Extended Benefits reform, such reform is complicated by the use of dedicated Unemployment Insurance trust funds for the purpose of deficit reduction. Several members of the Council believe that prompt action should be taken to correct this situation. Other members feel that the issue of how trust fund accounts should be treated in the budget is a very complex one, and requires careful consideration within a broader context. The Council intends to revisit this issue in its future deliberations.

1994-5. Recommendation

If additional revenue is required to implement the Council's recommendations, such revenue should be generated by a modest increase in the FUTA taxable wage base, to $8,500.*

WORK SEARCH TEST UNDER EXTENDED BENEFITS

The Council finds that another problematic aspect of the Extended Benefits program is the federal requirement that, with some exceptions, those individuals who are receiving Extended Benefits must accept a minimum wage job if one is offered, or become ineligible for benefits. While the Council understands that recipients of both regular and extended Unemployment Insurance benefits have an obligation to search actively for work and accept appropriate job offers, the Council finds the current federal requirements to be excessively onerous. All states use a "suitability" test to determine the jobs which claimants are required to accept to remain eligible for benefits. This test gives states the flexibility to ensure adequate work search by claimants, while protecting unemployed workers' living standards and job skills by permitting them to decline substandard jobs. The States are in a better position to determine appropriate mechanisms for enforcing a work search test, given the particular conditions of their labor markets.

1994-6. Recommendation

The federal requirement that individuals who are receiving Extended Benefits must accept a minimum wage job if one is offered, or become ineligible for benefits should be eliminated. Each state should be allowed to determine an appropriate work search test, based on the conditions of its labor market.

STATE TRUST FUND SOLVENCY

The Council finds an overall decline in receipt of Unemployment Insurance benefits among the unemployed. This decline is at least partially caused by the inadequate reserves of many states' trust funds. During the past decade, many states with low or negative trust fund reserves have found themselves in the position of either having to increase taxes on employers in the midst of an economic downturn, or having to take measures to restrict eligibility and benefits for the unemployed. Some believe that this reliance on pay-as-you-go funding has worked to the overall detriment of the Unemployment Insurance system.

The Council believes that it would be in the interest of the nation to begin to restore the forward-funding nature of the Unemployment Insurance system, resulting in a building up of reserves during good economic times and a drawing down of reserves during recessions. The Council finds, however, that any move toward creating federal guidelines for states' Unemployment Insurance trust fund accounts must be carefully weighed. Otherwise, there will be a risk of creating undue incentives for the states to restrict the eligibility and level of Unemployment Insurance benefits in order to achieve the solvency guidelines. The Council intends to make specific recommendations on this issue in future reports.

FUTA TAXATION OF ALIEN AGRICULTURAL WORKERS

The Council was asked by Congress to consider the treatment of alien agricultural workers within the Unemployment Insurance system. Currently, the wages paid to alien agricultural workers with H2-A visas are exempt from the Federal Unemployment Tax Act (FUTA). This exemption is set to expire on January 1, 1995.

The Council finds that there are arguments both for and against continuing this exemption. Under the current exemption, alien agricultural workers are less costly to hire than domestic workers, on whom FUTA taxes must be paid. This cost differential may create an incentive for substitution of foreign workers for U.S. workers, which argues in favor of repeal of the exemption. Furthermore, the process of certifying workers and issuing H2-A visas imposes costs on the federal and state governments that have the responsibility for overseeing this process. The vast majority (97 percent) of the cost of the

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* Two members object to this recommendation.

certification process is funded through the FUTA tax. Since FUTA serves as the mechanism for funding the costs of the certification process, there is an additional rationale for repealing the exemption of H2-A workers from FUTA taxation.

On the other hand, H2-A workers are ineligible to receive Unemployment Insurance benefits since their visas require that they return to their country of origin within ten days after their employment terminates. Consequently, these individuals cannot meet the "available for work" test of the Unemployment Insurance system. Thus, FUTA taxes would be imposed upon the wages of individuals who cannot receive Unemployment Insurance benefits, which argues against imposing the FUTA tax on their wages.

On balance, the Council finds that the arguments in favor of FUTA taxation of alien agricultural workers outweigh the arguments against continuing that exemption.

1994-7. Recommendation

As of January 1, 1995, the wages of alien agricultural workers (H2-A workers) should be subject to FUTA taxes.

1995 FINDINGS AND RECOMMENDATIONS

THE PURPOSE OF UNEMPLOYMENT INSURANCE

The Advisory Council on Unemployment Compensation finds that, although an increasing percentage of the unemployed experience long spells of unemployment, the majority of the unemployed experience relatively short unemployment spells. Similarly, while a growing minority of individuals who receive Unemployment Insurance exhaust their benefits without having found new employment, the majority of individuals receive Unemployment Insurance benefits for a relatively short period of time before returning to employment. This reality dictates that the Unemployment Insurance system must be designed to deal effectively with a variety of needs. In particular, the system must both provide temporary wage replacement to individuals and facilitate the productive reemployment of those individuals who experience longer spells of unemployment.

The Unemployment Insurance system also serves an important macroeconomic stabilization role by injecting additional money into the economy during periods of downturn. This objective, however, can only be achieved effectively if the system is forward-funded, thereby accumulating funds during periods of economic health.

These findings lead the Council to a formulation of the following statement of purpose for the Unemployment Insurance system.

1995-1. Statement of Purpose

The most important objective of the U.S. system of Unemployment Insurance is the provision of temporary, partial wage replacement as a matter of right to involuntarily unemployed individuals who have demonstrated a prior attachment to the labor force. This support should help to meet the necessary expenses of these workers as they search for employment that takes advantage of their skills and experience. Their search for productive reemployment should be facilitated by close cooperation among the Unemployment Insurance system and employment, training, and education services. In addition, the system should accumulate adequate funds during periods of economic health in order to promote economic stability by maintaining consumer purchasing power during economic downturns.

FUNDING OF THE UNEMPLOYMENT INSURANCE SYSTEM

The Unemployment Insurance system's capacity to promote economic stability rests on two key aspects of its funding mechanism. First, the funding of the system is "experience rated"--that is, employers who have been responsible for greater demands on the system pay higher taxes and consequently bear a greater share of the system's costs. Second, during periods of prosperity, the system accumulates reserves that are then spent during periods of economic decline.

Some members of the Council believe that experience rating is a crucial component of the program, providing effective incentives for employers to avoid laying off workers. Other members believe that experience rating causes employers to make excessive use of the system's appeal mechanism in an attempt to keep their experience-rated taxes as low as possible. Although the Council was unable to resolve this difference of opinion, it intends to address the issue of experience rating in its next annual report.

The Council unanimously concludes, however, that promoting economic stability is an objective that transcends the interests of the states and cannot be achieved by states working in isolation. While some states have attempted to maintain an adequate degree of forward funding, others have not. The low reserves in some states' trust funds weaken the Unemployment Insurance system's capacity to achieve its economic stabilization function.

Effectively promoting the forward funding of the Unemployment Insurance system requires a coherent federal strategy that includes congressionally stated goals.

1995-2. Recommendation

Congress should establish an explicit goal to promote the forward funding of the Unemployment Insurance system. In particular, during periods of economic health, each state should be encouraged to accumulate reserves sufficient to pay at least one year of Unemployment Insurance benefits at levels comparable to its previous "high cost." For purposes of establishing this forward-funding goal, previous "high cost" should be defined as the average of the three highest annual levels of Unemployment Insurance benefits that a state has paid in any of the previous 20 calendar years.

To complement these forward-funding goals, financial incentives to encourage forward funding should be created. This can be done by changing the structure of the interest rates that the federal government pays to the states on their Unemployment Insurance trust fund balances. A slight reduction in the interest rate paid on low levels of states' trust funds could be used to finance a fairly substantial interest rate premium paid on high levels of reserves. While it is difficult to predict with accuracy how many states would respond to such incentives, careful management of the interest rate structure could ensure that these incentives could be financed without additional cost to the federal government.

1995-3. Recommendation

To encourage further forward funding, an interest premium should be paid on that portion of a state's Unemployment Insurance trust fund that is in excess of one "high cost" year of reserves. The cost of this interest rate premium should be financed by a reduction in the interest rate paid on that portion of each state's trust fund that is less than one "high cost" year of reserves. The U.S. Department of Labor should be given authority to adjust periodically the interest rate structure to ensure that these incentives create no additional cost to the federal government.

The Council finds that the current federal policy of providing short-term, interest-free loans to state trust funds creates a disincentive for states to forward fund their systems. Preferential loan treatment should be available only to states that have met, or made satisfactory progress toward, the forward-funding goal. An example of how satisfactory progress might be defined is presented in Chapter 5 of this report.

1995-4. Recommendation

Preferential interest rates on federal loans to the states should be restricted to those states that have achieved (or made satisfactory progress toward) the forward-funding goal. In particular, the current system of making interest-free, cash-flow federal loans generally available to all states should be ended. Rather, these interest-free loans should be made available only to those states that have achieved (or made satisfactory progress toward) the forward-funding goal prior to the onset of an economic downturn. In other states, these loans should be subject to the same interest charges that are incurred on long-term loans to state Unemployment Insurance trust funds.

1995-5. Recommendation

A method is needed for determining whether a state that has not yet met the forward-funding goal has made "satisfactory progress" toward the goal. This method should be based on an empirical analysis of the rate at which state trust funds must be restored during periods of economic health in order to achieve the forward-funding goal prior to a recession.

1995-6. Recommendation

When states have achieved (or made satisfactory progress toward) the forward-funding goal, yet find it necessary to borrow from the federal government, the interest rate charged on long-term loans should be a preferential rate that is 1 percentage point lower than would otherwise be charged.

The Council has discussed the level at which the taxable wage base and tax rate established by the Federal Unemployment Tax Act (FUTA) should be set. This is a complex issue. FUTA revenues are earmarked for financing the administration of the nation's Unemployment Insurance system, as well as that of the U.S. Employment Service. However, because the trust funds are currently held within the unified federal budget, it is not possible for these programs to achieve direct access to the funds that are earmarked for them. In addition, a two-tenths surcharge that was imposed in 1977 to pay off trust fund debts has been extended well beyond the time when the debt was repaid. Quite apart from these issues, the Council has not yet made a determination of whether or not additional revenues from FUTA would contribute to more efficient and effective operation of the Unemployment Insurance system and the Employment Service.

Another element of complexity results from the fact that the minimum taxable wage base that the states use for financing their Unemployment Insurance benefits is tied to the FUTA taxable wage base. On average, those states with higher taxable wage bases have a higher level of reserves than do states that have set their taxable wage base at the minimum level of $7,000. Consequently, raising the FUTA taxable wage base might contribute to the overall forward funding of the system.

Furthermore, a low taxable wage base within a state tends to impose the burden of Unemployment Insurance payroll taxes disproportionately on employers of low-wage workers. To the extent that employers pass on a portion of the tax to their workers in the form of lower wages, therefore, a disproportionate share of the burden of the tax is ultimately borne by low-wage workers. Those low-wage workers who work part-time or part-year, however, are often ineligible for Unemployment Insurance. As a result, the low taxable wage base within the Unemployment Insurance system is both regressive and unfair.

The Council has not yet reached a consensus on how to address these interrelated issues most effectively. As it considers the issues of administrative funding and efficiency over the course of the next year, however, the issue of the FUTA taxable wage base and tax rate will once again be addressed.

The Council does note, however, that the Unemployment Insurance system was intended as a self-contained system of social insurance. Inherent in this design is the principle that funds are accumulated and held in trust solely for their intended purpose: namely, the payment of benefits to eligible unemployed workers, economic stimulus, and the costs of administering the system.

Inclusion of FUTA accounts and state Unemployment Insurance trust fund accounts within the unified federal budget undermines the integrity of the Unemployment Insurance system. Since federal budget offsets must be identified before additional FUTA funds (which are earmarked for program administration) can be appropriated, some states have found it necessary to divert their trust funds to pay for administrative expenses—expenses that should be paid out of the FUTA trust fund. This diversion, while perhaps necessary, tends to erode the integrity of the system's financing. Employer willingness to contribute to the system, state capacity to develop and maintain adequate trust funds, and worker confidence in the system are all undermined.

Furthermore, when Unemployment Insurance trust fund balances that have been explicitly accumulated for countercyclical purposes are used to balance the annual federal budget, the system loses its capacity to increase spending automatically during recessions. Consequently, unlike other trust funds held by the federal government, the Unemployment Insurance trust funds are rendered fundamentally incapable of achieving one of their major objectives—economic stabilization—through their inclusion in the unified federal budget.

1995-7. Recommendation

All Unemployment Insurance trust funds should be removed from the unified federal budget.

UNEMPLOYMENT INSURANCE COVERAGE AND TAXATION

Virtually all wage and salaried workers are covered by Unemployment Insurance, and their employers pay taxes into the system accordingly. There are, however, two important exceptions. The first exception is that nonprofit employers do not pay FUTA taxes, despite the fact that their employees are eligible for Unemployment Insurance, use the system, and generate administrative costs for the system. In calendar year 1992, this exemption cost the federal trust funds approximately $300 million. The second exception is that agricultural workers on small farms are not covered by Unemployment Insurance. The Council finds no justification for either of these exceptions.

1995-8. Recommendation

The FUTA exemption for nonprofit employers should be eliminated.

1995-9. Recommendation

The exemption of agricultural workers on small farms from Unemployment Insurance coverage should be eliminated.*

The Council also finds that Unemployment Insurance taxes owed by farm labor contractors ("crew leaders") often are not paid. Federal law specifies that, under most circumstances, these farm labor contractors are the designated employers of their workers and that they are responsible for the payment of Unemployment Insurance taxes. It is difficult, however, to enforce this provision because of the many obstacles that prevent locating crew leaders who have outstanding tax obligations.

1995-10. Recommendation

Federal law should be amended so that farm owners or operators are assigned responsibility for unpaid Unemployment Insurance taxes owed by the crew leaders with whom they contract for workers on their farms.**

The Council finds that some employers improperly avoid paying Unemployment Insurance taxes by misclassifying their employees as independent contractors. Clear definitions that delineate the conditions under which an individual would legitimately be qualified as an independent contractor would help to alleviate this problem.

Section 530 of the Revenue Act of 1978 protects businesses that have "reasonable basis" for misclassifying employees as independent contractors. Businesses that fall under the Section 530 "safe harbor" are not required to correct the classification of employees and cannot be assessed back taxes or penalties based on the misclassification of workers. Section 530 also prohibits the Internal Revenue Service (IRS) from clarifying the guidelines for determining whether a worker is an employee or an independent contractor. The ambiguity of these guidelines is the cornerstone of the misclassification problem and the tax revenue losses associated with it. In addition, revenue collection is limited by Section

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*Two members of the Council object to this recommendation.

**One member of the Council objects to this recommendation.

3509 of the Internal Revenue Code, which caps the employment tax liability of those businesses not covered by Section 530.

The greatest revenue loss results from businesses that do not file information returns on independent contractors. These are circumstances under which businesses are most likely to misclassify workers, as well as the circumstances under which independent contractors are least likely to report their entire income. Increasing the penalty for failing to file information returns would increase the incentive to file, increase the percentage of independent contractor income reported, and provide the information needed to identify employers that misclassify workers—thereby creating an incentive to classify workers correctly.

While the Council recognizes that correcting these problems would have ramifications that reach far beyond the Unemployment Insurance system, the Council finds that the problems are sufficiently serious to merit action at both the state and federal levels.

1995-11. Recommendation

States should review and consider adopting the best practices of other states to address classification issues which include the following: clarifying the definitions of employee and independent contractor; specifying employer liability for payroll taxes; licensing, bonding, or regulating the employee leasing industry; and strategic targeting of audits.

1995-12. Recommendation

Federal law should be amended to eliminate the "prior audit" safe harbor provision of Section 530 of the Revenue Act of 1978.

1995-13. Recommendation

Federal law should be amended to eliminate the provision of Section 530 of the Revenue Act of 1978 that bars the IRS from issuing guidelines to define the employment relationship.

1995-14. Recommendation

Federal law should be amended to repeal Section 3509 of the Internal Revenue Code and to require businesses to pay all taxes owed for workers that are misclassified after the enactment of the repeal.

1995-15. Recommendation

The $50 penalty for businesses that fail to file information returns with the IRS or with the independent contractor they have hired should be increased.

The Council notes that available statistics do not accurately measure the level of Unemployment Insurance receipt among the unemployed (that is, "recipiency"). The measure of the "insured unemployed" (IU) and the ratio of insured unemployed to the covered labor force (that is, the insured unemployment rate—the IUR) are frequently used for a number of purposes. When used as measures of recipiency, however, they are misleading. Both statistics consistently overstate the number of individuals who actually receive Unemployment Insurance benefits in a given week. In addition to counting recipients, the two measures both include individuals who file a claim for, but do not receive, benefits in a given week (these include individuals on a waiting week, individuals whose claims are ultimately denied for nonmonetary reasons, and individuals who are disqualified for a given week). At the national level, this inclusion has the effect of overstating the number of the unemployed who actually receive Unemployment Insurance benefits by approximately 10 percent (although there is considerable variation among the states in the extent to which currently reported statistics overstate the actual receipt of benefits).

1995-16. Recommendation

The U.S. Department of Labor should report a measure of Unemployment Insurance recipiency. The measure should be a ratio, with the numerator defined as the number of individuals who are actually paid Unemployment Insurance benefits, and the denominator defined as the total number of unemployed individuals.

ELIGIBILITY FOR UNEMPLOYMENT INSURANCE BENEFITS

Five percent of all workers in 1993 reported that they were unable to find full-time employment, and 16 percent of the work force held part-time jobs. The Council finds that in some states, these individuals are unable to qualify for Unemployment Insurance benefits, even when they have substantial labor force attachment. This problem is especially pronounced for low-wage individuals, many of whom must work in temporary or part-time jobs. Welfare reform could result in an increase in the number of low-wage workers who find themselves in this situation.

Some unemployed workers are unable to qualify for Unemployment Insurance benefits because of their state's definition of the "base period." The base period is the period of time that is used for calculating whether or not unemployed individuals' earnings are sufficient to qualify them for Unemployment Insurance. Many states define the base period as the first four of the past five completed calendar quarters. In these states, therefore, between three and six months of an individual's most recent work experience is excluded from consideration in calculating eligibility for benefits. This may have the effect of disqualifying some workers who have worked continuously, but who need the most recently completed quarter of earnings to be included in the base period in order to qualify for Unemployment Insurance benefits. To solve this problem, some states now use a "moveable base period," which allows the

minimum earnings requirement to be met on the basis of the four most recently completed quarters of work if it is not met using the standard definition.

The Council finds that advances in technology have made it feasible for all states to use the most recently completed quarter when determining benefit eligibility, and that using this quarter is consistent with the legislative requirement that states ensure full payment of Unemployment Insurance when due. While the Council has been unable to develop sound estimates of the cost of implementing such a change, there are reasons to believe that the cost may not be prohibitive. First, many of the individuals who are determined to be eligible using a moveable base period would become eligible eventually (as soon as an additional quarter of earnings information becomes available). Second, some of the increase in the cost of Unemployment Insurance benefits would be offset by a reduction in benefits paid under means-tested programs, such as Aid to Families with Dependent Children (AFDC) and Food Stamps.

In some cases, unemployed individuals cannot qualify for Unemployment Insurance benefits because their eligibility is contingent upon their earnings in the calendar quarter in which they became unemployed. Information about their most recent earnings is typically not available until after the quarter has been completed. These individuals often do not realize that they can reapply (and often qualify) for benefits when information about their most recent quarter of earnings becomes available. This problem could be corrected if these individuals were told when they should reapply for benefits, as well as what additional earnings they would need to qualify for benefits.

1995-17. Recommendation

All states should use a moveable base period in cases in which its use would qualify an Unemployment Insurance claimant to meet the state's monetary eligibility requirements. When a claimant fails to meet the monetary eligibility requirement for Unemployment Insurance, the state should inform the individual in writing of what additional earnings would be needed to qualify for benefits, as well as the date when the individual should reapply for benefits.

In some states, low-wage workers face an additional impediment in qualifying for Unemployment Insurance benefits. In order to meet their state's base period and/or high-quarter earnings requirements, low-wage individuals must work more hours than workers who earn higher wages. For example, an individual who works half-time for a full year (i.e., 1,040 hours) at the federal minimum wage level would not meet minimum earnings requirements in 9 states. At an hourly wage of $8.00, however, a half-time, full-year worker would be eligible in all states. Similarly, an individual who works two days per week for a full year (approximately 800 hours) at the minimum wage would not meet the minimum earnings requirements in 29 states. At a wage of $8.00 per hour, however, that individual would be eligible in all but 2 states.

The Council finds that any individual who works at least 800 hours per year should be eligible for Unemployment Insurance benefits and that states' minimum earnings requirements should be set accordingly. If all states set their earnings requirements at this level, the number of individuals eligible for Unemployment Insurance benefits would increase by approximately 5.3 percent, and the amount of benefits paid would increase by approximately 3.6 percent. Some of the increase in the cost to the system, however, would be offset by a reduction in receipt of means-tested benefits such as AFDC and Food Stamps (see Appendix D).

1995-18. Recommendation

Each state should set its law so that its base period earnings requirements do not exceed 800 times the state's minimum hourly wage, and so that its high quarter earnings requirements do not exceed one-quarter of that amount.

Fourteen states preclude workers in seasonal industries from collecting Unemployment Insurance except during the season in which work is normally done within the industry. In addition, twelve of these states disallow seasonal workers' earnings from being counted toward their minimum earnings requirement, even if the individual subsequently works in a nonseasonal job. The Council finds these exclusions to be problematic.

1995-19. Recommendation

States should eliminate seasonal exclusions; claimants who have worked in seasonal jobs should be subject to the same eligibility requirements as all other unemployed workers.

In addition to the monetary requirements for qualifying for Unemployment Insurance, each state has a variety of nonmonetary requirements that unemployed individuals must satisfy in order to qualify for benefits. These requirements include stipulations about availability for suitable work, ability to work, work search requirements, voluntary separation for good cause, discharges due to misconduct, refusal of suitable work, and unemployment as a result of a labor dispute. In some cases, part-time workers (who meet monetary eligibility requirements) are explicitly precluded from receiving Unemployment Insurance.

1995-20. Recommendation

Workers who meet a state's monetary eligibility requirements should not be precluded from receiving Unemployment Insurance benefits merely because they are seeking part-time, rather than full-time, employment.

State legislation often does not address the specifics of many of the situations that Unemployment Insurance claimants face. As a result, interpretations of nonmonetary eligibility requirements can also be found in administrative and judicial case law and administrative rules. Testimony presented in the Council's public hearings indicates that the complexity of these nonmonetary requirements creates confusion about eligibility requirements. It can be difficult for both claimants and employers to understand these requirements with a reasonable degree of certainty. These problems can be particularly pronounced for multistate employers.

Not only can this lack of certainty impede the receipt of Unemployment Insurance, it may also increase unnecessarily the number of appeals filed by both claimants and employers. These problems appear to be particularly severe with regard to determinations involving employee misconduct, refusal of suitable work, and voluntary leaving for good cause. Clarifying these issues would serve the interests of both groups.

1995-21. Recommendation

A state-specific information packet that clearly explains Unemployment Insurance eligibility conditions (both monetary and nonmonetary) should be distributed by the states to unemployed individuals.

The Council is particularly concerned about a number of specific nonmonetary eligibility conditions. For example, it is not always clear whether an individual who is unavailable for shift work (perhaps due to a lack of public transportation or child care) will be found to be eligible for Unemployment Insurance. Consideration needs to be given to situations in which individuals quit their jobs because of one of the following circumstances: a change in their employment situation (e.g., change in hours of work), sexual or other discriminatory harassment, domestic violence, or compelling personal reasons, including family responsibilities. In addition, the Council is concerned about the variability in the definition of misconduct across states, and about the treatment of individuals who refuse employment because it is temporary or commission work. The Council intends to address these and related issues in its third annual report.

ADEQUACY OF UNEMPLOYMENT INSURANCE BENEFITS

At the inception of the Unemployment Insurance system, much debate was devoted to the adequacy of benefits. Many of the founders of the system argued that benefits should replace 50 percent of lost earnings; they believed that this percentage was high enough to allow workers to purchase basic necessities, but not so high as to discourage prompt return to work.

A number of presidents, including and following Dwight Eisenhower, have endorsed a goal of 50 percent replacement of lost earnings within the Unemployment Insurance system. President Richard Nixon advocated that the Unemployment Insurance system should seek to replace 50 percent of lost earnings for four-fifths of all Unemployment Insurance recipients.

The level of a state's maximum weekly benefit amount has a direct impact upon the percentage of Unemployment Insurance recipients who receive benefits that equal or exceed a given replacement rate. Those individuals whose earnings qualify them for their state's maximum weekly benefit amount typically have less than half of their wages replaced. Therefore, when a state's maximum benefit amount is relatively low as a percentage of the state's average weekly wage, the state will not meet the 50 percent replacement rate goal for a large percentage of recipients.

The Council endorses the long-standing goal of 50 percent replacement of lost earnings, and notes that a state is likely to be able to achieve this goal for a large number of workers by setting the state maximum weekly benefit amount equal to two-thirds of state average weekly wages.

1995-22. Recommendation

For eligible workers, each state should replace at least 50 percent of lost earnings over a six-month period, with a maximum weekly benefit amount equal to two-thirds of the state's average weekly wages.*

The Council also notes that, starting in 1986, all Unemployment Insurance benefits became subject to taxation. Taxation of Unemployment Insurance benefits results in a reduction of the effective replacement rate.

1995-23. Recommendation

Unemployment Insurance benefits should be tax-exempt.**

The Council finds that the current system for reporting the average replacement rate of lost earnings within the Unemployment Insurance system needs to be improved. While the U.S. Department of Labor routinely reports the replacement rate, the concept used in the calculation is flawed. The reported replacement rate is calculated by dividing Unemployment Insurance benefits paid by the wages of all covered workers. To the extent that those who receive Unemployment Insurance have lower wages than the average covered worker, the reported replacement rate will understate the actual replacement rate. Conversely, if those who receive Unemployment Insurance have higher wages than the typical covered

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*One member of the Council objects to this recommendation.

**Four members of the Council object to this recommendation.

worker, the reported replacement rate will overstate the actual replacement rate. Advisory Council calculations using data available from selected states suggest that the reported replacement rate significantly understates the actual replacement rate.

1995-24. Recommendation

The U.S. Department of Labor should calculate and report the actual replacement rate for individuals who receive Unemployment Insurance. This replacement rate should be calculated by dividing the weekly benefits paid to individuals by the average weekly earnings paid to those individuals prior to unemployment.

REEMPLOYMENT INCENTIVES

The Council finds that financial incentives (such as reemployment bonuses or self-employment subsidies) for facilitating rapid reemployment have a positive impact on a small portion of the unemployed. In some cases, this positive impact could be offset partially by negative impacts on others who find jobs more slowly because they are displaced in the job queue by those who receive the incentives. This displacement effect is likely to be more pronounced during periods of relatively high unemployment.

The Council concludes, therefore, that the states should be permitted to experiment with reemployment incentives, but it opposes incentives to encourage (or require) states to implement such strategies.

Some members of the Council object to the use of self-employment incentives within the Unemployment Insurance system—especially when an individual's entire benefit is paid in lump-sum form.

1995-25. Recommendation

States should be given broad discretion in determining whether reemployment incentives, such as reemployment bonuses or self-employment allowances, should be included as a part of their Unemployment Insurance systems.

ADMINISTRATIVE FINANCING

States' administrative costs are financed by the federal government with a portion of the revenues generated by FUTA. This situation requires some systematic method for allocating these revenues among the states. The Council finds that whatever method is chosen, it is important to create financial incentives for states to administer their Unemployment Insurance systems efficiently. For example, those states that are able both to administer their Unemployment Insurance systems with less money than is allotted to them and to achieve U.S. Department of Labor performance requirements could be allowed to keep all or part of the surplus for other uses within their UI systems. The Council intends to address this issue, in conjunction with the U.S. Department of Labor's performance requirements, in its next annual report.

The U.S. Department of Labor has proposed an Administrative Financing Initiative (AFI) that would allocate FUTA funds based on a national unit cost with base-level and contingency-level funding. The Council takes no position on the AFI, because the U.S. Department of Labor and the states have not yet agreed on the details of this initiative.

The Council notes that it is inefficient for the federal government to require employers to fill out and submit separate forms and payments for their FUTA and state Unemployment Insurance taxes. Not only does this impose an unnecessary paperwork burden on employers, it also creates redundant tax collection units in the federal and state governments. The expense of collecting Unemployment Insurance taxes could be reduced by allowing the states to collect FUTA taxes on behalf of the federal government.

1995-26. Recommendation

FUTA taxes should be collected with other Unemployment Insurance taxes by each of the states and submitted to the federal government for placement in the federal trust fund. States' Unemployment Insurance taxes should remain in the state trust funds, as is currently the case.

**STATEMENT FOR THE RECORD BY MARK JONES, PRESIDENT,
EMPLOYERS' NATIONAL JOB SERVICE COUNCIL
ON
FEDERAL UNEMPLOYMENT COMPENSATION SYSTEM AND CONSOLIDATION OF JOB TRAINING PROGRAMS
TO THE SUBCOMMITTEE ON HUMAN RESOURCES,
WAYS AND MEANS COMMITTEE, U.S. HOUSE OF REPRESENTATIVES**

This represents the statement of the Employers' National Job Service Council (ENJSC) in connection with the hearing of the Subcommittee on Human Resources held on May 16, 1995. The subject of the hearing was Federal Unemployment Compensation System and the Consolidation of Job Training Programs.

The ENJSC represents approximately 90,000 participating employers who have a substantial interest in the proposals to reform the Nations' employment and training programs.

Certainly, employers are not opposed to changes in the current fragmented system. In fact, we believe that changes must be made to develop a far more effective and efficient system than we currently have in operation. We advocate block grants to give the states flexibility in the design of these programs. Clearly, we would not favor an effort to impose an organizational structure on the states. A "one-size-fits-all" scheme would be inappropriate and we would argue for greater flexibility for the states.

There are four issues however, that are extremely important to us in this redesign:

First, we do not want to see the Federal Unemployment Tax Act (FUTA) funds co-mingled with general revenue funds. As employers, we pay the FUTA tax for specific services and do not want those revenues used for other purposes. It is our position that these funds be distinctly identifiable from the Governor to the point of service delivery.

Second, it is essential that the unemployment compensation system and the employment/labor exchange system remain linked. The labor exchange system is the employers greatest assurance that laid-off workers, drawing unemployment compensation benefits, are returning to work as quickly as possible. Studies have shown that this close linkage between these two programs reduces the duration of benefits by more than one week. A one week reduction in benefits, alone, saves employers between $250-275 million dollars nationally in state unemployment insurance taxes. We want to see the FUTA revenues used, in large part, for this purpose. This is a very critical issue to us.

Third, in order to maximize employer involvement and support, in any new delivery system, we encourage you to use a local employer committee structure (local Job Service Employer Committees/ Employer Advisory Committees) in partnership with local governing bodies. We firmly believe that such language in the bill is essential to ensuring employer participation covering a wide spectrum of businesses that are actually involved in employment service, unemployment compensation, and training programs.

Fourth, it is important to us in our hiring process to find the best person available to fill a vacancy. Therefore, we want the one-stop career centers or employment centers to be available to any job seeker and not limited to recipients of public assistance programs.

Thank you for the opportunity to share our views with the Committee.

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International Association of Personnel in
Employment Security

May 26, 1995

The Honorable E. Clay Shaw, Jr.
Chairman, Subcommittee on Human Resources
Committee on Ways and Means
United States House of Representatives
1102 Longworth House Office Building
Washington, DC, 20515

RE: *Hearing on Federal Unemployment Compensation System and Consolidation of Job Training Programs*
May 16, 1995

Dear Chairman Shaw,

The International Association of Personnel in Employment Security (IAPES) appreciates the opportunity to provide this statement for the hearing record on the above referenced matter. IAPES represents almost 20,000 professionals in the federal-state Employment Security System of Unemployment Compensation (Insurance), Employment (Job) Service and Labor Market Information. The Frankfort-based non-profit educational association also has members who are employed in various job training programs, especially in those states where innovations and customer-service improvements have led to the creation of comprehensive workforce development system under the aegis of the State Employment Security Agency (SESA). Many of the association's associate members come from the private sector. They are personnel officials who make hiring and firing decisions and work on a daily basis with Employment Security staff. IAPES serves as a source of educational and professional development material, as a clearinghouse of information, and as a legislative resource for the association's grassroots network. IAPES represents the largest collective voice of the front-line employee in the federal-state Employment Security System. It asks for the Committee's consideration of the following points.

- **Employment Security programs have a proven record of service.**

  IAPES welcomes a serious and comprehensive review of Employment Security programs. The association recognizes that the Employment Service is more than 60 years old and that the Unemployment Compensation program now is celebrating its 60th year. Both programs were created at a time far different economically than today; yet, through flexibility, innovation and customer-service efforts the programs have remained a vital part of America's economic fabric. Not only have millions of Americans benefited from direct assistance from Employment Security programs, but also many millions more have benefited indirectly. Many local economies have been kept afloat by the influx of Unemployment Compensation benefit dollars during hard economic times. These high-turnover dollars stabilize communities by allowing recipients to buy groceries, pay rent and fill gasoline tanks. These dollars are quickly pumped into local economies supporting a myriad of private-sector institutions.

  In Program Year 1994, more than 10½-million citizens received almost $30 billion in benefits. The professionals who administer the program — IAPES members — ensure that recipients are eligible through a recent attachment to the workforce that ended through no fault of their own. Unemployment Compensation is not welfare. It is for those citizens who know how to hold jobs and who pay taxes but need a bridge between jobs. Adding integrity to the system is the Employment Service, which in the same year made more than 3¼-million placements and provided some job-seeking assistance to more than 12 million persons. The latter figure is an increase of more than 500,000 over the previous year, demonstrating the innovations and customer-service improvements SESAs have pursued and hands-on professionals have implemented. In Program Year 1993, an IAPES study showed that the per-placement cost was just over $200. That is a productivity measure that far exceeds other employment and training programs. Other studies have shown that an intensive work-search requirement speeds beneficiaries' return to work, which saves millions of employer-paid trust fund dollars and helps keep tax rates lower.

- **Unemployment Compensation and Employment Security are not "corporate welfare;" they are a promise made with America's private sector.**

  Much recent discussion has been raised about "corporate welfare," or government programs that subsidize American business. Unemployment Compensation and Employment Security programs, including the Disabled Veteran Outreach Program and Local Veterans Employment Representatives, are no such thing. Businesses are assessed two taxes, one state (SUI, state unemployment insurance) and one federal (FUTA, the Federal Unemployment Tax Act). SUI pays for the benefits, and FUTA pays for the administration of the program. Only in Alaska, New Jersey and Pennsylvania do employees contribute to benefit funding. Administrative dollars are wholly employer paid. This represents a promise to America's business community, which supports the Unemployment Compensation program because of its economic stabilization effects and the ability to have a highly skilled workforce available through hard economic times. Although times are different from when the program started, various reports show that there will be more job turnover. That increases the need for a comprehensive Employment Security program and for support of those citizens who are the working backbone of the nation. IAPES urges the Committee to consider that the administration of the system preserves the integrity of the benefit program, which is an actuarially based insurance system, not welfare.

- **Unemployment Compensation and Employment Security funding is unique among employment and training programs.**

  While IAPES also supports a serious review of all employment and training or workforce development programs — and understands that more consolidation and collaboration are needed in a locally responsive and empowered system — it must point out that Employment Security funding, including veterans programs, are paid by a tax on employers and not funded from general revenues as other employment and training programs. The association has long held that this unique funding source should be recognized. The association long has urged removal from the Federal Unified Budget of the unemployment trust funds for both benefits and administration. All are running at surpluses, yet the funding is pinched as the surplus dollars are used through accounting measures to help offset the deficit being accrued in general-revenue-supported programs. By identifying the funding source and recipient, government can bring a greater accountability to the programs. That accountability will fulfill the promise government has made with the private sector in creating the Employment Security System. Apart from removal of unemployment trust funds from the Federal Unified Budget, unemployment trust fund moneys should not be commingled in a comprehensive block grant that would confuse funding streams and accountability to the private sector. As the congressional debate over possible block granting of administrative dollars continues, IAPES urges the Committee to consider an alternative of an "Employment Security" block grant that also would serve the purpose of separating the funding sources. That would bring a clear funding steam and a more easily trackable accountability to the programs. Even devolution of all trust funds to the states would be superior to a commingled, all-encompassing block grant.

- **The 0.2 percent "temporary" FUTA surtax should be repealed.**

  The promise made with America's business in the mid-'70s, when the 0.2 percent "temporary" FUTA surtax was added to repay the cost of benefits and administration arising from the economic recession of that era, was that when the debt was repaid the tax would end. The debt was repaid in the mid-'80s, but it is the mid-'90s and the tax still is being collected. Worse, the moneys are not being used to support the system. Rather, through the Federal Unified Budget the funds are accruing as surplus and are being used to offset deficits in other areas of the budget. Many in the private sector call this a misuse and abuse the tax and an unneeded and expensive donation to the federal government. IAPES agrees. Private-sector employers are not even seeing an increased benefit through additional administrative spending. Factoring in inflation, less is being spent on Employment Security administration than in the 1970s. The federal government needs to honor its promise and repeal the 0.2 percent "temporary" FUTA surtax.

- **Employment Security programs are not training programs.**

  Programs supported by the unemployment trust funds — Unemployment Compensation, Employment Service, Labor Market Information, Disabled Veteran Outreach Program, Local Veteran Employment Representative — are third-party labor force intermediaries. As such, they represent job seekers and employers equally. In any emerging system, an objective third-party will be needed to provide an assessment of effective training programs. In any emerging system, there will be a critical need for current, accurate job information. In any emerging system, there will be a need for some type of income support. The Employment Security System is the only program with the proven track record of success in all these areas — and it is the only one that private-sector employers directly support with their tax dollars. IAPES urges the Committee to recognize these factors when considering job training consolidation legislation.

- IAPES believes in a broad-based system serving employers, the unemployed, job seekers and communities; easily accessible, comprehensive services; accountability, with specific performance measures; flexibility in design and operation; and a system driven by state and local needs with customer input.

  IAPES believes that the Employment Security System represents the centerpiece of the nation's future workforce development program. Its universal access can assure a "no wrong door" approach. It already has a collaborative relationship with the private sector and a growing linkage with other workforce development programs. It has a proven record of productivity, flexibility, innovation and customer-service responsiveness needed to meet today's economic challenges.

IAPES again expresses its appreciation for this opportunity to comment. The association offers its assistance in any way to help improve a program that is staffed by dedicated, professional public servants who are working to ensure the economic security of the nation.

Sincerely,

Bill Patton, President
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Written Statement of the

International Union, UAW

Introduction

This statement is submitted for the record on behalf of the International Union, UAW and its 1.5 million active and retired members. Because unemployment compensation plays a key role in assisting unemployed workers and stabilizing our economy, the UAW welcomes this opportunity to submit its views to the Committee.

Advisory Council on Unemployment Compensation

The union has taken an active role in unemployment compensation matters for decades, most recently through the participation of UAW President Owen Bieber on the Advisory Council on Unemployment Compensation (ACUC). To date, the ACUC has issued two of its expected three reports. The UAW wishes to point out a number of the most important findings and recommendations of the Advisory Council.

First, the Advisory Council has recommended a return to forward funding of the unemployment compensation system. That is, states should be encouraged and rewarded for accumulating funds during economic recoveries in order to pay benefits during recessions. This advances the national interest by preserving the living standards of the unemployed and giving the economy a boost. Forward funding also has the admirable result of avoiding UI tax increases and benefit cuts during recessions. The use of forward funding would also reduce state borrowing from the FUTA trust funds, and the accompanying interest charges and solvency taxes which are passed on to employers in debtor states. The ACUC report clearly found a positive relationship between adequate reserves and avoiding borrowing during a recession. For this reason, the Advisory Council advocated the use of interest premiums on reserves above adequate levels and adjustments in interest rates on other states to encourage states to forward fund their UI trust funds.

The UAW believes that the inclusion of both state and federal UI trust funds in the federal unified budget undercuts forward funding in significant ways. For example, employers rightfully complain about the use of FUTA trust funds to offset the federal deficit, especially when budget rules require further offsets when these dedicated funds are used for their intended uses. States are likewise right to complain when administrative FUTA funds are inadequate to support state agency activities at levels sufficient to serve claimants and employers. Claimant advocates also properly object to viewing UI benefits simply as budget "costs" without regard to their important income maintenance and economic stabilization features.

More perniciously, the inclusion of the UI trust funds within the federal budget leads to efforts to impose federal restrictions on benefit "costs" without regard to the wisdom of the particular proposal for UI policy. Two examples are the federal income taxation of UI benefits, imposed in 1986, and current proposals to add a two-week "waiting period" as a budget measure. The UAW supports the Advisory Council's recommendations of removal of all UI trust funds from the federal budget and the repeal of income taxation of UI benefits.

The Advisory Council's reports document the serious erosion in the number of unemployed workers getting UI benefits in the last decade or so. A widely used measure of UI benefit recipiency is the ratio of insured unemployed workers to total unemployed workers. In 1993, twelve states had an IU/TU ratio of less than 25

percent. Thirty-two of the 52 jurisdictions had an IU/TU ratio of less than one-third. Even so-called "job losers" are no longer getting UI benefits, although they clearly fall into the involuntarily unemployed category of workers for whom UI is mainly intended to assist. Since 1970, the ratio of UI claimants to job losers has fallen nearly forty percent.

A major contributor to the decline in receipt of UI benefits is the virtual elimination of Extended Benefits (EB) as a result of restrictions adopted in 1981. As a result, long-term unemployed workers remain without assistance during recessions. An unintended consequence of the effective elimination of EB is the use of less targeted, temporary benefit extensions. The most recent such program was the Emergency Unemployment Compensation (EUC) program. The ACUC's first report demonstrated that EUC cost much more than a properly constituted EB program. In fact, the EUC program ultimately cost $30 billion, while a properly reformed EB was estimated by the ACUC to cost at most $14 billion. The Advisory Council's first report made a number of recommendations to restore the EB program. These measures should be adopted before the next recession.

In order to reverse the decline in receipt of UI benefits, the Advisory Council recommended a number of steps for states. These include the adoption of moveable, or flexible base periods, and easing of high initial monetary eligibility requirements adopted in some states. Eight states already use moveable base periods, or similar measures to permit workers flexibility in measuring their participation in the labor market prior to their separation from work. The Congress should consider means to encourage states to adopt these and similar measures needed to reverse the decline in recipiency of UI benefits.

In recent years, the Internal Revenue Service has charged the trust funds up to $100 million to collect the FUTA taxes. State agencies already collect state UI payroll taxes and could collect FUTA taxes with little or no added cost to the trust funds. For these reasons, the Advisory Council recommended that the states be authorized to collect the FUTA taxes and turn them over to the federal trust funds as is currently done with state UI payroll tax revenues.

The recommendations of the ACUC are supported by extensive factual documentation and investigation, and represent a consensus of the members of the Advisory Council. For this reason, the UAW believes they deserve the Committee's prompt and favorable consideration.

The FUTA Surcharge

Despite the severe budget cuts being imposed on many critical programs, employer groups are advocating the immediate repeal of the so-called .2 percent FUTA surcharge. The UAW opposes this repeal. It would have a serious and negative impact upon the FUTA system. The UAW has grave doubts about the impact on the FUTA trust funds and their ability to adequately fund extended benefits during the next recession, if the FUTA surcharge is repealed.

Most fundamentally, employers have no factual grounds upon which to base their requested repeal of the FUTA surcharge. Since the federal taxable wage base has been frozen at only $7000 for over a decade, inflation has effectively reduced the impact of the FUTA surcharge to nil. In fact, taking inflation into account shows that the current $56 FUTA payroll tax is at its historically lowest level in the history of the program. That historic low occurred in 1970, when a .5 percent effective FUTA tax on a $3000 taxable wage base cost employers $56 dollars in terms of 1993 dollars. The attached Exhibit A is taken from the 1995 Report of the Advisory Council and gives the complete history of the changes in the FUTA tax rate and taxable wage base.

In short, despite its initial plausibility, this historical overview shows that the continuation of the "temporary" FUTA surcharge has not worked an injustice upon

employers. In fact, in terms of inflation, the overall FUTA tax has fallen dramatically from $81 when the $7000 taxable wage base was adopted in 1983 to its present level of $56. For this reason, we urge the Committee to reject calls for the repeal of the FUTA surcharge.

Trade Adjustment Assistance and NAFTA Transitional Adjustment Assistance

There is a great deal of discussion swirling around dislocated worker training programs. There is talk of consolidation, block grants, and vouchers. Some have called for the elimination of Trade Adjustment Assistance (TAA) for workers and the related NAFTA Transitional Adjustment Assistance (NAFTA TAA) program. Others have advocated the consolidation of these programs into a training block grant.

The UAW supports the continuation of TAA and NAFTA TAA programs as separate programs. To some critics, these programs seem out of line because their cost sometimes exceeds that of other dislocated worker programs. With all due respect to TAA's critics, what's out of line is the low cost of many more ineffective programs which fail to adequately retrain workers and waste scarce resources. In the UAW's view, it is far worse to pretend to serve dislocated workers with low-cost programs which fail to address the retraining needs of workers, than to give some trade-impacted workers access to quality retraining and the income support necessary to successfully complete that retraining. Until the United States adopts and funds a comprehensive dislocated worker program and active labor market policies to provide jobs to unemployed workers, the UAW will fight to preserve TAA and NAFTA TAA as separate programs to address the specific needs of trade-impacted workers.

Both TAA and NAFTA TAA represent a promise (dare we say "contract") with workers harmed by our nation's "free trade" policies. The economic, social, and emotional damage delivered by these free trade policies to eligible workers and their communities far exceeds the funds spent on TAA and NAFTA TAA throughout their history. Despite the claims made by NAFTA and GATT supporters of benefits to American workers of our free trade policies, the UAW strongly objects to the elimination of TAA and NAFTA TAA or their inclusion in a block grant.

Employment Service

Currently, there is a great deal of discussion and controversy surrounding government training and reemployment services. In reacting to current criticisms, Congress would be well advised not to forget history and to build upon, rather than abandon, current programs. Every modern economy has a role for a public labor exchange. The UAW supports the preservation and strengthening of the Employment Service, and strongly opposes efforts to repeal the Wagner-Peyser Act or to include the Employment Service in proposed training block grants.

In large measure, the Employment Service has been subjected to benign neglect over the last 25 years. Congress has frequently added new responsibilities such as work registration of targeted populations or claimant profiling without providing additional staff or funding to fulfill these responsibilities. State employment security agencies have not been adequately funded over many years, and, as a result, the majority of states have had to use state funds at various times to supplement federal Wagner-Peyser dollars.

Despite this benign neglect, the Employment Service provides cost-effective services to many employers and workers in the lower-wage sectors of the economy. While many private employment services provide temporary placements for these workers, the Employment Service remains the job finder of last resort for many in our economy. With added support, the Employment Service has become a true one-stop center for both employed and unemployed workers, as well as for employers, in some communities. The Committee should take note of the many innovative and strong

programs developed in the federal-state Employment Service and work to develop similar initiatives in all states, rather than throwing out the baby with the bathwater.

Federal administrative dollars for the Employment Service are already block grants. If there are particular obstacles to better state administration of the Employment Service block grants, those obstacles should be addressed by the Congress or the Secretary of Labor. Including the Employment Service in a larger block grant would increase the danger that the functions of the Employment Service would be neglected or subject to political and proprietary pressures. These pressures led to the establishment of the Employment Service in 1933, and they have not disappeared to date. For these reasons, the UAW urges the Committee to strongly defend the Employment Service against unwarranted and radical proposals, while encouraging or permitting increased innovation and flexibility.

Conclusion

The employment security system in the United States has evolved over the last sixty years. While improvements and increased efficiency are welcomed, the current debate, at times, seems pointed more toward dismantling the system, rather than reforming it. In assessing the wisdom of the current proposals, the Committee must consider that the state employment security agencies and their federal counterpart have built a largely successful partnership which serves hundreds of thousands of workers and thousands of employers. Dramatic changes in this partnership should happen only when a compelling need is demonstrated, and only when a convincing case is made that improvements will follow from the change. The UAW does not find that either of these factors have been established by the advocates of the proposals before this Committee today, and for this reason we urge their rejection.

We thank the Committee for this opportunity to present our views.

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Statement of
Kenneth McLennan
President
Manufacturers Alliance
on
The Federal Unemployment Compensation System and Consolidation of Job Training Programs
to the
U.S. House of Representatives
Committee on Ways and Means
Subcommittee on Human Resources

May 30, 1995

The Manufacturers Alliance is pleased to submit to the Subcommittee on Human Resources a statement of its views on reforming the unemployment insurance (UI) system, repealing the Federal Unemployment Tax Act (FUTA) surtax, and consolidating federal job training programs.

The Manufacturers Alliance is a policy research and professional development organization whose 500 member companies include leaders in almost every manufacturing industry. For more than 60 years, the Alliance has served as a spokesperson for policies which promote technological advancement, workforce development, and economic growth.

All our member companies pay UI taxes. In recent years, most have undergone restructuring that has had the effect of displacing some workers, while at the same time searching for skilled new hires. These companies have a vested interest in a more efficient labor force development program, and support the principle that government programs that affect the marketplace should be able to satisfy certain tests in the market to remain viable. These tests include providing services at lower cost, being accountable in the quality of the services offered, a business-as-the-customer orientation, and efficient and effective planning and follow-up.

The business community welcomes a thorough review of the unemployment compensation program and an examination of consolidating and redesigning federal employment and training programs. To summarize the points made in this statement, the Manufacturers Alliance first explains how current changes in the labor market have altered the goals for UI and worker training. Improving the effectiveness of UI can be achieved, the Alliance believes, by shifting the focus to *re*employment. Also, the Alliance comments on the 0.2 percent FUTA surtax. The Manufacturers Alliance concludes its remarks by recommending that the subcommittee apply a number of basic points as it prepares to consolidate and reform the federal employment and training program.

The Nature of Unemployment in the United States Has Changed

Policies that mitigate the effects of unemployment by offering new skills to displaced workers and training disadvantaged individuals should be reevaluated periodically in light of changing economic conditions. The UI system and the framework for most of the federally sponsored employment and training programs were developed some 25-30 years ago when the prevailing thought was most unemployment is temporary and that, in time, these workers will be recalled. Over the last 15 years, this view of the labor market has changed as structural unemployment has become an important public policy issue. The rapid growth of technological progress, corporate restructuring, the integration of the world economy, and defense downsizing have accelerated the pace of economic change, displacing many workers in the process. Structural change also has altered the nature of unemployment in a number of crucial ways.

- Today a much higher proportion of the unemployed are laid off ***permanently***—they cannot count on returning to their old jobs. Those who have lost their jobs can be divided into two groups: those who are laid off temporarily and will be recalled, and those who never return to their old jobs. In 1993, 77 percent of all job losers lost their jobs permanently—the largest proportion in the history of these statistics that go back to 1967. Even though unemployment was low last year by historical standards, 74 percent of job losers in 1994 lost their jobs permanently.

- Long-term unemployment continues to rise even during this period of economic expansion. The share of persons unemployed six months or longer as a percent of total joblessness has risen over the last 25 years. During the 1960s and 1970s, about 11 percent of the jobless were long-term unemployed. On average in the 1980s, 16 percent were unemployed for six months or longer. In 1993 and 1994, however, over 20 percent of the unemployed had been without work for longer than 26 weeks.

- As the number of long-term unemployed has risen, so has the number of UI recipients who exhaust their benefits without returning to work. In 1993, 39 percent of those who collected regular unemployment benefits ended up exhausting their eligibility; only in 1983, when the unemployment rate averaged 9.6 percent, did a higher fraction of UI recipients fail to find work before their eligibility for benefits expired. And despite widespread economic prosperity last year, 36 percent of regular UI recipients exhausted their benefits in 1994.

Unemployment Compensation and the FUTA Tax

Unemployment compensation serves numerous purposes in the economy: (1) the employer-funded system provides an income safety net for workers who lose their jobs through no fault of their own; (2) weekly UI benefits for up to six months give workers the financial ability to wait out layoffs and cushion the process of finding a new job; (3) due to the countercyclical nature of the unemployment compensation payouts—larger benefits paid when there is high unemployment in recessions—the UI fund acts as a fiscal policy "automatic stabilizer" to dampen the volatility and possibly the duration of the business cycle; and (4) unemployment compensation also has been used by the Congress to deliver emergency aid to the unemployed during severe economic crisis.

It was following an economic crisis that the "temporary" FUTA 0.2 percent surtax was enacted in 1976. The tax was enacted to pay off a debt the Congress incurred by repeated extension of unemployment benefits during the early 1970s. The employer surtax is 0.2 percent of the first $7,000 of each worker's earnings (a maximum $14 per employee a year). The debt was fully paid in 1987, but the Congress extended the 0.2 percent tax for three years—until January 1991—to enhance the federal budget. Since that initial extension, the temporary tax has been extended several times. The unemployment aftermath of the 1990-1991 recession again led policymakers to offer extended benefits to the long-term unemployed, thus draining the accumulated surplus in the account. The surtax is currently scheduled to expire at the end of 1998.

To put spending in these programs into perspective, states paid out $26.5 billion in 1992, $23 billion in 1993, and $22 billion in 1994 for regular UI benefits, and federal spending on administrative costs for regular UI was between $2 billion and $3 billion per year. Despite these huge outlays, the predicament of the long-term unemployed led to enactment and repeated extension of federal emergency UI during the 1992-1993 time frame, costing an additional $13.4 billion in 1992 and $12 billion in 1993.

UI Needs a Reemployment Focus

It is imperative that government reexamine the practices in a program that pays large sums of employer-paid tax funds each year, particularly when the original goals of the program appear to have changed. As discussed above in this statement, the nature of unemployment in the United States has changed dramatically. Most workers who lose their jobs now are laid off permanently. Rather than encourage those UI recipients to wait for callback that may never materialize and consequently postpone job hunting, the UI system needs to be refocused to encourage workers to act quickly in seeking reemployment.

The Manufacturers Alliance urges the Congress to give states greater flexibility in the use of UI funds to implement several innovative approaches so as to give those insured unemployeds an incentive to find new jobs before they exhaust their benefits. For example, experiments in Illinois, Pennsylvania, and Washington show that offering reemployment bonuses cut the average length of unemployment among the eligible population by one-half week to one week—even though only 10 percent to 15 percent of eligible clients actually made use of the bonuses. The Alliance suggests Congress allow all states to pay a lump-sum reemployment bonus to individuals who obtain full-time employment within 12 weeks of filing a benefit claim.

In demonstration projects in Washington and Massachusetts, UI claimants interested in starting their own businesses, if given training and income support, were twice as likely to launch successfully a new business as a comparable nonparticipant. Subsequently, they also were found to have higher average employment rates and earnings than the control group. While there is a provision in the North American Free Trade Agreement (NAFTA) legislation that allows all states the option of creating self-employment programs within UI, this authority is only temporary under current law; the Manufacturers Alliance advocates making it permanent.

About one-third of the states now operate short-term compensation programs. Under this incentive system, partial unemployment benefits are paid to employees who work reduced hours because their employers are trying to lower costs and thus avert a shutdown, or are reducing work throughout the labor force as they attempt to avoid layoffs. The Alliance believes that the Congress should provide incentives for nonparticipating states to offer this option.

Another problem with the UI system is that dislocated workers who are in training cannot take part-time jobs without losing their UI benefits and training support. To make the system more job-oriented, workers in federally sponsored educational and training programs should be permitted to receive income support and at the same time retain wages earned of up to one-half of their weekly UI benefit amount.

FUTA Surtax Should Remain Dedicated to the Trust Fund

The 0.2 percent FUTA surtax is being used as a budget offset device; but the actual proceeds are confined to trust funds dedicated to unemployment compensation—largely the extended unemployment account. The Manufacturers Alliance recommends that the 0.2 percent FUTA surtax remain the funding vehicle for the extended unemployment compensation account and not be diverted to any other special account.

The subcommittee is aware that the Clinton Administration's proposed Reemployment Act of 1994 (REA) would have established a trust fund from the 0.2 percent FUTA surtax to pay income support to dislocated workers who are in REA training programs. The Alliance is convinced that establishing an employer-funded link between income support and worker training would set a precedent that in the future could be used to

expand training programs at the expense of business. The Alliance is totally opposed to any diversion of UI funds or the FUTA surtax to pay for worker training and education. The responsibility for helping disadvantaged people, the unskilled, or structurally dislocated workers should continue to be shared by the society at large out of general funds.

Manufacturers Alliance does not advocate that the "temporary" 0.2 percent FUTA surtax be allowed to expire, although we would not oppose such action. The Alliance proposes, however, to dedicate this tax to the extended unemployment trust fund. If the trust fund achieves a surplus during the economic expansion, this will reduce the federal budget deficit. But in a severe economic recession, the trust fund will be available to provide emergency extended UI benefits.

Consolidation of Employment and Training Programs

As mentioned previously, rapid technological innovation, corporate restructuring, the global economy, and defense downsizing have accelerated the pace of economic change and displaced many workers in the process. Dynamic economic change would be less cause for concern if today's workers were highly skilled and could adapt easily to the job opportunities that are being created. This does not appear to be the case, however. The unemployment rate for persons who have not completed high school rose from about 7 percent in the 1970s to 11 percent in the 1980s and early 1990s. By way of contrast, the unemployment rate for college graduates is only around 2 percent to 3 percent. Clearly, there are large mismatches between the abilities of those looking for work and the requirements of available jobs.

Further evidence of the need for a more effective education and training policy is the widening disparity in earnings between the high- and low-wage workers. During the 1980s and early 1990s, wage differentials widened significantly as low-skilled, primarily male, workers were forced to compete with workers in developing countries overseas for jobs in low productivity growth industries. Men with less than four years of high school experienced a decline in inflation-adjusted median usual weekly earnings of about 20 percent from 1981 to 1991. In contrast, men with four years of college achieved a real earnings gain of 2 percent, and those with five or more years of college achieved a substantial 14 percent increase in earnings over the 10-year period. Wage differentials have widened at a time when inflation-adjusted weekly earnings for all full-time wage-and-salary workers declined 0.2 percent per year. In other words, only the most highly educated people in the workforce (college graduates) have been able to improve their purchasing power in the last decade.

Society has a responsibility to assist individuals who have some job tenure and become unemployed because of structural change. The current dislocated worker adjustment system, however, should be completely overhauled. It is inequitable because many dislocated workers do not fall into the specific categories under the two largest programs, the Economic Dislocation and Worker Adjustment Assistance (EDWAA) or the Trade Adjustment Assistance (TAA), and are therefore not eligible for the special services available under these programs. The General Accounting Office (GAO) estimates that the fiscal year 1994 budget contained 154 education and training programs administered by 14 federal departments and agencies providing about $25 billion in assistance to out-of-school youth and adults not enrolled in advanced-degree programs to enhance their skills or employment opportunities.[1] Despite the Administration's and the Congress' rhetoric about consolidating various programs, the number of separate programs grew to 163 in fiscal year 1995. Under the existing programs, the enormous complexity of the system means that applicants often must fill out numerous forms to access the services available in their community and may have to go to a number of locations to determine what services they are entitled to receive and how to obtain them.

Assisting Dislocated Workers

It is time for a fundamental change in how federal education and training funds are administered, particularly for displaced workers. The Alliance fully supports a radical reform of the entire federal employment and training system as long as the goal is to deliver services more effectively and efficiently to recipients.

Various proposals to consolidate programs into employment and training block grants to states are being considered by the Congress. While the Alliance believes that states should be given flexibility to respond to local labor market conditions and should not be overburdened with the federal government's administrative procedures, the efficiency of state governments is not uniform. Some minimum requirements are needed to ensure that the federal government's workforce development funds do not support bloated and inefficient delivery systems at the state government level and that the funds go to the people most in need of the services.

The Alliance recommends that the Congress, in shaping training and related education policy, consider the following points:

— All 163 federal training and related education programs should be consolidated into a few grants with administrative procedures that allow the states sufficient flexibility to respond to local labor force needs. No new targeted worker readjustment programs should be enacted in the future.

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[1]"Multiple Employment Training Programs: Conflicting Requirements Underscore Need for Change," statement of Linda G. Morra, Director, Education and Employment Issues, Health, Education, and Human Services Division of the U.S. General Accounting Office, Labor and Human Resources Senate Subcommittee on Employment and Productivity, March 10, 1994, p. 1.

— Workforce development and educational grants should be allocated to the states based on need, using the number of unemployed in the state to determine funding levels.

— In collaboration with members of the business and educational communities and elected officials, states should be required to submit for federal review a statewide workforce development plan that contains clearly defined program goals and an action plan.

— Guidance for local workforce development programs must come from boards of directors where the majority of the directors are members of the business community. Only through business oversight and cooperation will training and development programs maintain a job orientation.

— The delivery mechanism for employment and training services should be local "one-stop" career centers. The one-stop career center is a centralized repository for job search, counseling, and program information.

— The type and breadth of reemployment services provided clients should be based on need and not delivered on a "first-come first-served" basis. Research has shown that the vast majority of unemployed workers are in need of job search assistance, not retraining. Through its profile system, the career center can screen for those unemployed and low-wage workers who have significant workforce experience, but who lack marketable skills, and who are eligible to receive federally assisted training.

— Individuals should be empowered to make their own career choices by providing vouchers to eligible recipients who are then free to use them to purchase training from accredited suppliers.

— The career centers and other service suppliers must be held accountable for the quality of their services. Outcome statistics such as placement rates and starting wages should become a part of a career center's labor market information that is made available to clients. Also, outcome statistics should become a major factor in maintaining the accreditation of training providers.

— Information on jobs in demand and skill requirements and performance statistics of service suppliers should be available to all individuals. Employers should be able also to rely on career center information systems to refer qualified candidates for job openings.

Concluding Comments

The subcommittee will hear a great deal of testimony in support of training dislocated workers in new skills so that they can compete for the high-paid jobs of the future. A common belief is that training is the answer to helping unemployed workers find new jobs. Experiences with two large training programs, the EDWAA and the TAA, have shown, however, that most dislocated workers have skills that can be transferred to new jobs, and training is not always the key to a new job. According to findings in three studies,[2] workers who were offered short-term training plus job search assistance did not experience a significant increase in earnings or employment over workers who were offered only job search assistance.

Dislocated workers who are most likely to benefit from training are those who lack marketable skills or whose present skills are no longer needed. For this reason, the Manufacturers Alliance recommends that administrators of grant programs for disadvantaged adults and dislocated workers begin by profiling the applicants. The career centers should identify eligible, dislocated workers who have skill deficiencies and move them into training early, before their regular UI is exhausted. The vast majority of unemployed workers, though, are in need of job search assistance.

Finally, the Manufacturers Alliance asks the subcommittee to consider this critical point: much of the expenditures that are earmarked for worker training and development would be unnecessary if the educational system in the United States turned out better educated adults. This country needs sweeping educational reforms such as national educational performance standards, school choice experiments, school-to-work programs, and in cooperation with community colleges, a comprehensive system of technical and professional certificates and associate's degrees. Only with a more highly educated and trained labor force will this country be able to accelerate the growth in productivity and raise the general level of wages for the U.S. worker.

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[2]Statement of Robert B. Reich, Secretary of Labor, before the Senate Committee on Finance, May 26, 1994, p. 6.

STATEMENT OF
SERGEANT MAJOR MICHAEL F. OUELLETTE, USA, (RET),
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NON COMMISSIONED OFFICERS ASSOCIATION OF THE
UNITED STATES OF AMERICA

Mr. Chairman. The Non Commissioned Officers Association of the USA (NCOA) appreciates the opportunity to present testimony to the subcommittee concerning a number of Unemployment Compensation issues the Association considers important. NCOA is a federally-chartered organization with a membership in excess of 160,000 noncommissioned and petty officers serving in every component of the five Armed Forces of the United States; active, national guard, reserve, retired and veteran. The issue of Unemployment Compensation for Ex-Servicemembers (UCX) has been and continues to be a key item on NCOA's legislative agenda. This statement primarily concerns the importance of retaining the UCX benefit for those military members who choose to leave military service prior to completing a 20-year career. The Association also wants to include support for two other unemployment compensation matters considered vital quality-of-life issues by military members and their families. One of these issues concerns unemployment compensation for members of the Guard and Reserve who lose their primary civilian jobs. The other concerns the possible payment of unemployment compensation to military spouses who must voluntarily terminate civilian employment due to the reassignment and relocation of the military member.

ISSUE #1

UNEMPLOYMENT COMPENSATION FOR EX-SERVICEMEMBERS (UCX)

Mr. Chairman: In 1980 Congress terminated Unemployment Compensation benefits for servicemembers who were eligible to reenlist but chose not to do so. At the same time, Congress continued to pay unemployment benefits to the miscreants, malcontents and others unsuited to military service who were denied reenlistment or discharged early.

It took only a few short years for Congress to realize that this policy imposed an inequitable and undue hardship on those who had honorably served in the Armed Forces.

Congress restored UCX benefits in the mid-eighties but imposed a five week waiting period

on ex-servicemembers to hold down the cost of the program. It also limited benefits to 14 weeks while civilians could draw up to 39 weeks of benefits.

In 1991 with high unemployment rates and the impending plan to significantly reduce the personnel strengths of the armed forces, Congress answered an NCOA recommendation that unemployment compensation benefits paid to ex-servicemembers and unemployed civilians should be equalized. Since 1991, NCOA is pleased to report to the members of this subcommittee that ex-servicemembers have rightfully enjoyed parity in the payment of unemployment compensation.

For the past number of years when "deficit reduction" has become the order of the day, the elimination of UCX is continually being discussed as a source of revenue to either reduce the national debt or provide funding to pay for other programs. The recommendations are for the most part based on the premise that those who voluntarily terminate employment are not eligible for unemployment benefits. Since military personnel terminate service by not choosing to renew their contracts, they are labeled as a group who voluntarily "quit" their jobs. NCOA suggests that military service is unique and a number of factors cause it to differ from the traditional definition of the term "job". For instance:

- **The majority of young men and women who are recruited into the armed forces, do not envision serving for a full 20-year career, but only to fulfill their military service obligation to the Country.**
- **The Department of Defense (DoD) admits their inability to manage the personnel strengths, recruiting goals or upward mobility opportunities for career-minded individuals of the armed forces if all who joined would remain.**
- **Enlistment rationale varies, but normally involves personal development, opportunity, training, travel and Montgomery GI Bill education benefits.**
- **Unlike civilian employment, military service requires a contractual agreement between the individual and government for only a specified period of years.**

- **Military members are required to fulfill the service agreement even though they may prematurely decide to return to civilian life at the end of their contracts.**
- **The nature of military assignments to overseas areas, isolated areas, military bases and installations and world-wide sea duty, far removed from hometown locales, provide little to no opportunity to seek potential employment prior to separation from military duty.**
- **Many military members return to hometown locations after acquiring a spouse or family during period of military service, posing obvious financial hardships if civilian employment is not immediately available or is slow to develop.**

NCOA would very much like to report to this subcommittee that every enlisted member who makes a decision to return to the civilian community would be able to secure immediate employment. In fact, NCOA sponsors job seekers workshops, and Job Fairs in an effort to give separating men and women assistance in finding employment following military service. Many do, but many do not. Since UCX is for the most part an enlisted program that benefits those who cannot secure employment in a timely manner, the minimal benefits associated with the Unemployment Compensation Program can be extremely valuable and most helpful during the transition and readjustment period of ex-servicemembers. Congress tried this only a few years ago and determined that based on the conditions of military service, servicemembers should be treated no differently than any citizen who finds themselves in the unfortunate situation of unemployment.

Mr. Chairman, NCOA recommends to the members of this subcommittee that ex-servicemembers be protected in law and continue to be entitled to the same Unemployment Compensation Benefit protection as is made available to every unemployed civilian.

ISSUE #2

UNEMPLOYMENT COMPENSATION FOR THE GUARD/RESERVE

The following NCOA recommendation does not concern the expansion of the Unemployment Compensation Program, but proposes a change to the way National Guard/Reserve compensation reduces the amount of unemployment compensation guard/reserve members can receive should they lose their primary jobs or sources of income.

Mr. Chairman, the decision to be an active part of the National Guard or Reserve forces has never been more important than it is today. At a time when the active forces have been reduced to what many believe are bare minimum levels, decisions must be made that will encourage young men and women to serve in guard and reserve forces. These members receive only a minimal amount of compensation for their service and must rely on their primary civilian jobs to provide for themselves and their families. If they lose civilian employment, unemployment compensation provides them some financial relief until they become reemployed. Some states exempt Guard/Reserve pay from unemployment compensation determination. In other state however, the amount of unemployment compensation a member of the guard/reserve receives is frequently reduced by the amount of military compensation received as a result of guard/reserve service. NCOA believes that such a computation formula unduly punishes a guard/reserve member for the hardships incurred as a result of his or her desire to militarily serve their Country and ultimately discourages continued participation.

NCOA recommends this subcommittee address the particular needs of guard and reserve members by providing legislative relief that would uniformly exclude any guard/reserve pay received from any offset computations to determine authorized levels of unemployment compensation.

ISSUE #3

MILITARY SPOUSES AND UNEMPLOYMENT COMPENSATION

Military members, not unlike their civilian counterparts, have come to rely on the second incomes of working spouses in order to maintain acceptable or desired quality-of-life conditions. However, working spouses who must voluntarily give-up their jobs based on the ordered reassignment of the military member. They quickly find that they are at a severe disadvantage when attempting to qualify for unemployment compensation benefits for income balance purposes. The majority of states will deny unemployment compensation benefits to the working military spouse who voluntarily quits his or her civilian job in order to follow the military member to another location. Such a situation imposes severe financial hardships on the military family who have made financial decisions based on the availability of two incomes. The consistent payment of unemployment compensation among the states would significantly reduce the financial strain on a military family who accompanies the military member, whenever possible, to a new area of assignment.

In order to assist the financial condition and the quality-of-life of military families when the working spouse must voluntarily resign a position of employment because of the reassignment of the military member, NCOA recommends this subcommittee consider legislation that would permit the payment of unemployment compensation to military spouses who face such a situation.

ISSUE #4

VETERANS EMPLOYMENT AND TRAINING PROGRAMS

Mr. Chairman, several pieces of legislation have been introduced in both Chambers of Congress that would significantly change, in some cases eliminate altogether, federal programs that were designed for and have served the Nation's veterans for as long as half a century. NCOA has no quarrel with the goals and general direction that Congressional leaders are taking, namely: (1) eliminate duplication in federal programs; (2) consolidate for cost

economy; and, (3) return authority to the States through block grants. The Association is concerned though that highly successful programs meeting veterans' employment and training needs could erode or be eliminated under some of the proposed legislation. These various legislative proposals would have their greatest impact on disabled veterans.

H.R. 511 was introduced on January 13, 1995, and included among its features is a repeal of the Department of Veterans Affairs (DVA) Vocational Rehabilitation Program (Chapter 31 Title 38 USC) and the Survivors' and Dependents' Educational Assistance Program (Chapter 35, Title 38 USC). Additionally, the Montgomery GI Bill (Chapter 30, Title 38 USC) for veterans and reserve component members would be repealed by H.R. 511.

As you are aware Mr. Chairman, Chapter 31 is available for serviced-connected disabled veterans and is designed to make them competitive and restore employability. The actual goal of the entire training effort is employment. Chapter 35 is available to dependents of totally disabled service-connected veterans or those who die while on active duty or whose death was related to service in the military. Frequently, these dependents are spouses with young family members. In place of these programs, pending legislation would establish block grants to the states. Without specific parameters clearly contained in any legislation that might be enacted, NCOA is fearful that block grants will result in different levels of benefits and perhaps even different levels of eligibility among the states.

In addition to the above, H.R. 511 would abolish entirely the Veterans Employment and Training Service (VETS) in the Department of Labor (DOL). Another bill, H.R. 1120, proposed to retain VETS but would terminate the Disabled Veterans' Outreach Program (DVOP) and Local Veterans' Employment Representatives (LVER).

VETS is headed by an Assistant Secretary for VETS and is responsible for the following programs that pertain to veterans employment and training: Disabled Veterans' Outreach Program (DVOP) and Local Veterans' Employment Representatives (LVER) administered by VETS through State Employment Security Agencies; Transition Assistance Program (TAP);

Service Members Occupational Conversion and Training Act (SMOCTA); Homeless Veterans Reintegration Project (HVRP); Job Training Partnership Act (JTPA); National Veterans' Training Institute (NVTI); and enforcement of the Uniformed Services' Employment and Reemployment Act (USERRA).

The various House Bills as well as similar legislation in the Senate would alter or dismantle all or a portion of the aforementioned programs in some way and essentially cast veterans to compete with everyone else, often at a distinct disadvantage as a result of service-connected injuries or illnesses.

NCOA will never be persuaded that the obligation to veterans, and in particular to disabled veterans, is anything less than a core responsibility of the federal government. Disabled veterans are the product of the federal government. The obligation incurred should not be passed to the states, counties and cities unless veterans are specifically targeted and protected in any block grant mechanisms.

NCOA is not contending that current programs for veterans are perfect. The Association has and will continue to support efforts aimed at improving veterans programs including their efficiency at less cost. NCOA is of the firm belief though that current highly successful programs are much more preferable than the proposed alternatives given the attendant de-emphasizing of veterans that inevitably will be the result. NCOA will hold steadfast to the proposition that answering the Nation's highest calling must be a distinguishing and deciding factor. Anything less is unacceptable to this Association.

Thank you.

STATEMENT
on
THE FEDERAL UNEMPLOYMENT TAX ACT
before the
SUBCOMMITTEE ON HUMAN RESOURCES
of the
HOUSE COMMITTEE ON WAYS AND MEANS
for the
U.S. Chamber of Commerce
by
Jeffrey H. Joseph*

May 16, 1995

The U.S. Chamber of Commerce, representing 215,000 businesses, 3,000 state and local chambers of commerce, 1,200 trade and professional organizations, and 72 American Chambers of Commerce abroad, commends the Subcommittee on Human Resources of the House Committee on Ways and Means for holding a hearing on the federal unemployment compensation system and consolidation of job training programs. The Chamber is anxious to continue to work with members of Congress on each of these important issues during the 104th Congress.

The Chamber has been working with Congress to restructure the federal training and employment system. Current proposals in the House and Senate would consolidate education, training, and employment programs into a series of one or more block grants to the states. The Chamber views block grants as a positive step toward diminishing control from the federal government and increasing state and local flexibility. However, it is essential that state and local workforce development plans emerging from the block grants maintain the goal of preparing students and workers for skills needed in a high-performance workplace. U.S. Chamber policy addressing federal training and employment programs is found in the attached statement.

The House Committee on Ways and Means has jurisdiction over several programs under consideration for the consolidation, including the Trade Adjustment Assistance program, the NAFTA/Trade Adjustment Assistance Program, and the U.S. Employment Service. We appreciate the opportunity to work with you to ensure that the new workforce development system emanating from a merger of these and other federal programs is accomplished in a manner that benefits employers and employees alike.

In the process of consolidating federal training and employment programs, the Chamber urges you to repeal the 0.2% Federal Unemployment Tax Act (FUTA) surtax, which virtually all employers are required to pay. This tax has served its purpose and must be eliminated.

The surtax has a long and lurid history. Originally enacted in 1976, the 0.2% surcharge was "sold" to employers and Congress as a "temporary" tax imposed solely to pay off a debt Congress incurred by repeated extensions of unemployment benefits during the early 1970s. The debt was fully paid in 1987, but Congress extended the 0.2% surtax for three years to "enhance" the federal budget. Since then, the surtax has been extended several times and is currently scheduled, by law, to expire at the end of 1998.

The surtax costs employers $14.00 per employee each year, and generates about $1.4 billion annually. While business is committed to helping to fund the nation's unemployment compensation system, the 0.2% surtax has served its purpose. The surtax should be given back to the nation's employers, as Congress originally promised.

---

* Jeffrey H. Joseph, Vice President for Domestic Policy, U.S. Chamber of Commerce

Last year, under the Reemployment Act (REA), the Clinton Administration proposed permanently extending the surtax to pay for income support for persons needing long-term training. With help from the Chamber and other business organizations that opposed a permanent extension, the REA never made its way through Congress. House and Senate leaders rightfully showed little interest in establishing a costly new entitlement program for trainees. Interest in consolidating existing programs is the better solution.

With legislation to consolidate federal training and employment programs on the table, the Chamber urges that you consider inserting legislative language to repeal the 0.2% FUTA surtax. Keeping the Congressional commitment to end this "temporary" surcharge would send a strong signal to employers that Congress is serious about encouraging job creation and improving the global competitiveness of U.S. companies.

The Chamber looks forward to continuing to work with you to restructure federal training and employment programs and better serve the employment needs of the American workforce and business community. We remain available to assist with your reform efforts by way of testimony, briefings, and grassroots activities, among others.

STATEMENT ON

RESTRUCTURING THE FEDERAL TRAINING AND EMPLOYMENT SYSTEM

The U.S. Chamber recognizes that America's training and employment system is inadequate to meet the demands of rapidly evolving technologies and intensifying global competition. The current system is fragmented and duplicative, and often fails to provide workers and employers with the fast and effective training and placement services they need. Equally compelling is the fact that growing numbers of workers are becoming permanently displaced through structural changes in government policy and corporate restructuring, as opposed to cyclical changes in the economy. These weaknesses in the existing work-to-work transition system need to be resolved.

The U.S. Chamber, therefore, supports restructuring the federal training and employment system to make it more responsive to the needs of dislocated workers and skill requirements of employers. To be effective, it is essential that the new system reflect the following principles:

- The business community must be centrally involved in all phases of the restructured system's design, development, operation, and evaluation.

- The new system must not impose any new federal mandates or regulatory burdens upon employers. It must not be financed through the creation of a new tax or an increase in any current tax on business.

- The new system should assist workers in pursuing job search and placement assistance, career advancement, and a career change. Services must be delivered as promptly and effectively as possible to help employers make quicker and less costly connections with prospective employees. Training services must reflect the local and regional skill needs of employers.

- Information regarding career and training services should be offered competitively at the local level. Service providers may include representatives of the private sector. The creation and governance of the streamlined system must be business led. Attempts should be made to factor in the education, employment and training programs of all federal agencies.

- There must be sufficient state and local flexibility incorporated into the design and implementation of the new re-employment system. Provisions to maintain accountability and standards of quality at the state and local level should be a part of the national restructuring plan.

- The current labor market information system must be strengthened and enhanced. Voluntary occupational skills standards should be integrated into this system, so dislocated workers can know exactly what types of skills they will need for certain occupations.

- In addition to strengthening state and local flexibility, the private sector should be encouraged to compete for the delivery of education, employment and training services. One way to help spur local competition and encourage public sector programs to operate more efficiently is to put financial resources directly in the hands of individuals to pursue private or public sector postsecondary education and training. The overall goal should be to improve the learning and achievement of individuals and help them to succeed in the workplace of the 21st century.

CHILD SUPPORT ENFORCEMENT AND SUPPLEMENTAL SECURITY INCOME

HEARING

BEFORE THE

SUBCOMMITTEE ON HUMAN RESOURCES

OF THE

COMMITTEE ON WAYS AND MEANS HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTH CONGRESS

FIRST SESSION

JUNE 13, 1995

Serial 104–34

Printed for the use of the Committee on Ways and Means

U.S. GOVERNMENT PRINTING OFFICE

93–638 CC WASHINGTON : 1996

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-052469-5

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CHILD SUPPORT ENFORCEMENT AND SUPPLEMENTAL SECURITY INCOME

TUESDAY, JUNE 13, 1995

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

The subcommittee met, pursuant to call, at 2:10 p.m., in room B–318, Rayburn 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
May 31, 1995
No. HR-7

CONTACT: (202) 225-1025

Shaw Announces Hearing on Child Support Enforcement and Supplemental Security Income

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 Child Support Enforcement and Supplemental Security Income. **The hearing will take place on Tuesday, June 13, 1995, in room B-318 of the Rayburn House Office Building, beginning at 1:00 p.m.**

Oral testimony at this hearing will be heard from invited witnesses only. Witnesses will include parents, child support administrators, scholars, and representatives of children's advocacy groups. However, 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:

H.R. 4, the welfare reform bill, passed by the House in March, contained extensive reforms of the nation's child support enforcement program. Since passage of the House bill, the Senate has made considerable progress in developing its own child support legislation. On May 26, the Senate Finance Committee reported a substitute for H.R. 4. Several provisions under consideration by the Senate are different than those in the House bill. In addition, interested parties have now had time to review and carefully study the many child support provisions in the House bill.

Thus, in preparation for House-Senate conference action on child support, Chairman Shaw would like to conduct an additional hearing on child support to reexamine the numerous child support issues addressed in the House bill, especially those that differ from the Senate bill. These issues include, but are not limited to, financing and state incentive payments, cost recovery in the non-AFDC program, distribution of collections, new hire reporting, privatization, paternity establishment, and automatic data processing.

Although all the issues listed above will receive attention in the hearing, two of the more important child support issues are cost recovery and the distribution of AFDC collections. Based on a 1992 study by the General Accounting Office, the House Budget Committee estimated that non-AFDC costs were equivalent to 15% of non-AFDC collections or about $1 billion per year.

An argument can be made in support of cost recovery in the non-AFDC caseload. The federal government is now spending around $2 billion per year on the IV-D program. Given the emphasis on helping mothers leave welfare, and the widespread feeling that child support from fathers can play a much bigger role in helping mothers achieve financial independence from government benefits, many members of Congress are willing to spend money on helping welfare mothers collect child support. By contrast, some also believe that non-welfare, especially non-poor, parents should be required to pay for child support services. While there seems to be support for taking the money from nonresident parents, some feel that whatever the government takes to cover costs will eventually come out of the child's pocket. The Subcommittee is seeking informed arguments on all sides of this issue.

Another issue the Subcommittee will examine is the distribution of child support collections. A major purpose of the House welfare reform bill is to help mothers leave welfare. Child support can help by providing low-income mothers with a source of income to supplement earnings, food stamps, and the Earned Income Tax Credit. There is general agreement that once a mother leaves welfare, payments on current child support should be given to the mother. However, if the father pays arrearages (amounts above the level of current support), there is disagreement about who should get the money. Under current law, pre-welfare and post-welfare arrears can be treated differently. Pre-welfare arrears are assigned to the state, as are arrears that accrued while the mother was on welfare. For arrears that accrue after the mother leaves welfare, under current law the state has the option to pay the mother first or to retain amounts collected to pay the state first. H.R. 4 changes this rule by eliminating the assignment to the state of pre-welfare arrears and instead assigns both pre- and post-welfare arrears to the mother. Although this approach will impose additional costs on both the Federal government and the states, it does have the benefit of providing mothers with an additional source of income.

In announcing the hearing, Chairman Shaw stated: "Too often, the House and Senate think their work is done when they have passed bills. The House passed a good child support bill in March, but I think it can still be improved when we write the final bill in the House-Senate Conference. Now that everyone has had plenty of time to study our bill, and now that our colleagues in the Senate have developed some good provisions of their own, I want to hear what parents, administrators, and scholars think of the specific provisions in the respective bills."

In addition to child support enforcement, the Subcommittee will examine the suggestion from the House Budget Committee to reduce the $20 exclusion in the Supplemental Security Income program.

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, June 27, 1995, 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 office, 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. If we could come to order, we will start this hearing.

The order that we will follow this afternoon is that I have an opening statement which I will read, Mrs. Kennelly of Connecticut will be giving the opening statement for the minority, and then we are going to take the witnesses from out of town as the first panel because we do know that things are a little unsettled.

This subcommittee will recess at 3:30 because the full committee is continuing a markup, and we have to be there to cast our votes. We no longer can vote by proxy. So we will recess for whatever time it takes; and then we will reconvene, hopefully, to finish the hearing before the end of the day.

I would like to say, first of all, and I think everyone agrees, that this is a good government hearing. Our main purpose is to provide our Members with one last review of the child support issue before we go to conference with the Senate to make final decisions about changing the Nation's child support enforcement laws. We are all aware that we have a historic opportunity to strengthen the Nation's child support system and thereby help millions of families with children.

The House bill has been public record for 3 months, the Senate bill for approximately 3 weeks. Thus, people interested in child support have had ample opportunity to analyze differences between the bills, to compare both bills with the bill introduced by the administration last year, and to figure out which provisions they prefer and why. So today we are providing a forum for a wide range of people interested in child support to share their conclusions with members of the subcommittee.

A second reason for conducting this hearing is to take testimony on the Budget Committee proposal to reform the child support program so that families who are not on welfare but receive services pay part or all of the cost of those services. The Budget Committee estimates about $1 billion per year could be saved through cost recovery of this type.

Since the Budget Committee recommendation was made public, there has been considerable discussion favoring and opposing this proposal. Again, we have invited a broad range of witnesses to address this issue. We have also invited the GAO to tell us about a 1992 report that they published on this important issue.

Finally, the Budget Committee has also suggested that Congress reduce the $20 exclusion in the SSI, supplemental security income, program to $15. We welcome testimony on this proposal from any of our witnesses, and we have invited Dr. Johnetta Marshall, president of the Older Women's League, to speak on the proposal.

I have greatly enjoyed working with my Republican colleagues, with Democrats in the administration, and our colleagues on this subcommittee to formulate the strongest child support bill possible. The House bill would make remarkable improvements in current law, and I am confident that we can make the bill even better. To this end, I have no doubt that we will conduct today's hearings, as well as the House-Senate conference, in the bipartisan spirit that has characterized this issue for two decades.

At this time, I would like to recognize the gentlelady from Connecticut, who has been one of the acknowledged leaders on this whole issue of child support.

STATEMENT OF HON. BARBARA B. KENNELLY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CONNECTICUT

Mrs. KENNELLY. Thank you, Mr. Chairman.

Let me thank you, first, by saying thank you for having this hearing. This is an excellent opportunity for the Members to learn about the difference between the House and Senate bills with respect to child support enforcement. I hope that you plan similar sessions to look at AFDC, aid to families with dependent children, the child welfare, and SSI portions of the pending legislation.

We have agreed on many issues and we have disagreed on issues, but it has been so good that one issue, child support enforcement, has been an area where we have bipartisan agreement and made great progress. I would hope that we could continue to work together.

I would like to take this opportunity to have the minority side have an opportunity to look at the proposal of the House-passed budget as well. We are concerned about the charge to non-AFDC families of a 15-percent collection fee for child support. In other words, any family which is not in poverty and which needs help in collecting court-ordered support would be charged a new 15-percent tax on child support.

Many one-parent families receiving child support already live on very tight budgets. Reducing their child support orders by 15 percent would only make matters worse, and I thank you for having this hearing to look at this situation.

To highlight what is this wrong with this, in my home State of Connecticut, reducing all non-AFDC child support collections made by the State by 15 percent would take $7.8 million a year from Connecticut families and give it to the government. Obviously, this is a transfer of funds, but I think it would be better to do it not by this fashion.

Let me give you four good reasons why a 15-percent tax on child support collections is a bad idea:

No. 1, it would take money directly from children.

No. 2, it would charge families a substantial fee for law enforcement. This is not unlike the police charging a fee for returning stolen property. Like most Americans, non-AFDC families receiving child support already pay for law enforcement through taxes.

No. 3, the tax does not account for the fact that non-AFDC collections save government resources by preventing families from going on welfare.

No. 4, the tax would charge many families more than the cost of collecting their support. This means that it is not a collection fee.

Some have suggested perhaps a tax would be charged to the noncustodial parent. However, I have great concerns that this might still result in less money for the child, because paying the collection fee may reduce the noncustodial parent's ability to pay child support.

I would briefly like to express my concern about two other issues. First, I hope all my colleagues will support a provision on the dis-

tribution of child support arrears that was passed by our full committee and recently by the Senate committee. In short, the provision would require all child support arrears that occurred before or after an individual was receiving public assistance to go to the family, not the State.

There are two issues at stake here: fairness and helping families stay off welfare. Postwelfare arrears will help keep families from going back on welfare by providing extra income. Prewelfare arrears should be given to the family, because the family would have received these payments had they been paid on time. Families should not be penalized merely because the child support is paid late.

Finally, on a slightly different issue, I hope the subcommittee will not reduce the $20 exclusion for the SSI program. The House-passed budget has recommended that the $20 exclusion for other income be reduced to $15.

The net effect of this provision would be to reduce SSI income by $60 a year to 2.7 million low-income seniors. I don't think we should cut assistance to seniors who, in many cases, are already below the poverty line.

Thank you for holding these hearings, and I look forward to working with you in making this bill even better. Thank you.

Chairman SHAW. Thank you very much.

The ranking Democratic member of this subcommittee, Mr. Ford, has a statement which he asked to be placed in the record. So, without objection, it will also appear at the beginning of this hearing.

[The opening statement of Mr. Ford follows:]

OPENING STATEMENT OF REP. HAROLD FORD
June 13, 1995

Mr. Chairman, let me begin by thanking you for scheduling today's hearing. This is an excellent opportunity for the Members to learn about the differences between the House and Senate bills with respect to child support enforcement. I hope that you plan similar sessions to compare the AFDC, child welfare, and SSI portions of the pending legislation. Those sessions would be equally useful.

My own quick look at the Senate Finance Committee bill tells me that the House and Senate bills are substantially the same. The Senate has added a few new enforcement tools and I am eager to learn more about these. But Mrs. Kennelly and her colleagues in the Women's Caucus deserve the credit for assembling a tough, responsible package of reforms that has, so far, survived the Senate's sometimes insatiable desire to "perfect" whatever the House has done. Congratulations, Mrs. Kennelly.

I am troubled, however, by rumors I have heard that this Subcommittee may be asked to come up with further savings -- perhaps as much as 10 billion dollars more -- for the fiscal year 1996 budget. America's poor families have already contributed 68 billion dollars to deficit reduction and -- in the process -- have lost the safety net that this country had built under America's children. Now the House Budget Committee apparently wants more.

My Republican House colleagues have chosen to spend that 68 billion dollars on tax cuts for the wealthy. When Democrats objected, Republicans complained that we were fanning the flames of class warfare. If you take 10 billion more from the elderly poor and from families struggling to leave welfare to make it on their own -- and give it to the wealthy -- you will have thrown gasoline on the fire. My job will be to make certain that the American taxpayer knows exactly what has happened.

Chairman SHAW. Any other Members?

Mr. RANGEL. Mr. Chairman, if you are only taking the out-of-town witnesses, what order do you intend to follow?

Chairman SHAW. Yes. The out-of-town witnesses will be in a panel, and I will ask them to be seated at the table now: Marilyn Ray Smith, president of the National Child Support Enforcement Association; Teresa Kaiser, chief, the Bureau of Child Support Enforcement, Boise, Idaho; Cecelia Burke, director, Child Support Enforcement Division, Office of the Attorney General, Austin, Tex.; and Dr. Johnetta Marshall, who is president of the Older Women's League.

Chairman SHAW. Ms. Smith.

STATEMENT OF MARILYN RAY SMITH, PRESIDENT, NATIONAL CHILD SUPPORT ENFORCEMENT ASSOCIATION, CAMBRIDGE, MASS., AND CHIEF LEGAL COUNSEL AND ASSOCIATE DEPUTY COMMISSIONER, CHILD SUPPORT ENFORCEMENT DIVISION, MASSACHUSETTS DEPARTMENT OF REVENUE

Ms. SMITH. Good afternoon, Mr. Chairman, and members of the subcommittee. My name is Marilyn Ray Smith. Thank you for this opportunity to testify before you this afternoon.

I am the President of the NCSEA, National Child Support Enforcement Association. I am also chief legal counsel at the Child Support Enforcement Division of the child support program in the Department of Revenue in the Commonwealth of Massachusetts.

NCSEA is the "big tent" that brings together all the child support professionals around the country. The child support program in Massachusetts has been a priority for Governor Bill Weld.

Mr. Chairman, I would like to, first, commend you for your leadership and that of this subcommittee for the work that it has done in the child support provisions in H.R. 4. This legislation has many tough provisions on child support enforcement and will move us a long way toward reducing welfare dependency. It provides for new hire reporting, streamlines procedures to make maximum use of automation, makes it easy for parents to establish paternity, and it removes barriers in interstate cases.

As you prepare for further action on child support in the House-Senate conference, I am pleased to have this opportunity to discuss several key provisions in both bills. I will focus most of my remarks on the distribution of child support collections and on proposals to recover program costs by charging fees to one or both parents.

I would also like to comment on several areas where further improvements can be made to H.R. 4 in the House-Senate conference committee as the bill makes its way back from the Senate. Details on all of these issues are in the written testimony.

First, on distribution of collections on child support arrearages. The current Federal rules for distributing money are rigid, complex, outdated, and fail to support the mission of the child support program, which is to keep families off welfare.

H.R. 4, as passed by the House last March, is a major step in the right direction. It gives priorities to families in the collection of past-due support and eliminates the assignment to the State of arrears that accrued before the family sought cash assistance.

Most importantly, it eliminates the $50 pass-through, a program that failed to live up to its promise to encourage parents to cooperate with child support enforcement. Instead, the $50 pass-through has caused extended litigation in several Federal courts around the country and has consumed countless hours of staff time in keeping the records straight.

But before we replace the existing rules with another set of Federal mandates, we need to know more about the effect of various incentives and disincentives that distribution of child support collections has on the families' use of public assistance.

Several States have raised concerns about the potential impact on State budgets of H.R. 4's elimination of the assignment of pre-AFDC arrears. Many States use these collections to fund the welfare program and are concerned that funds available for cash assistance to needy families will be further reduced after the impact of block grants.

Although Massachusetts has already adopted most of the provisions in H.R. 4 without serious negative impact, we nevertheless recommend adding more options to H.R. 4 to give States more flexibility to determine what incentives are effective in moving families toward self-sufficiency. We recommend giving States the option, rather than the requirement, to eliminate the assignment to the State of past-due support that accumulated before the family went on public assistance, while requiring States to give priority to past-due support that accrues after the family leaves public assistance. The latter is currently an option under existing law. In our view, this strikes the necessary balance during this transition period to block grants.

With respect to cost recovery, while we recognize the drive to reduce costs, we recommend proceeding thoughtfully in this area so that we don't create unintended consequences.

One area that has been identified as a source of possible revenue is collecting fees from nonwelfare families receiving child support services from the State. In general, we favor cost reduction over cost recovery, pushing States to operate more efficient programs that maximize automation.

About half the nonwelfare caseload in Massachusetts consists of former welfare families. There are few "Ivanna Trumps" in our caseload. In fact, currently, 70 percent of the AFDC families with new child support orders are moving off welfare within 3 months as child support starts to come in regularly. Moreover, we estimate that 70 percent of our caseload with current orders are families either on public assistance or were formerly on public assistance.

In assessing each possible source of fees or cost recovery, it is important to look at the behavior such fees are likely to elicit from both custodial and noncustodial parents. We also need to look at the administrative costs of the cost recovery program, as well as the amount of money to be collected to ensure that there are no unexpected results.

Application fees, fees for services, billing parents for costs incurred, and charging either parent a percentage of collections, all raise concerns about ease of administration and disincentives to participate in the program. We prefer focusing on interest and late

payment charges to delinquent accounts. These are the cases that drive up costs.

The real impact of interest and penalty charges, however, is probably not in actually collecting the amounts incurred, but in the deterrence factor that encourages other parents to pay on time and in full. Just as with credit cards, mortgages, and parking tickets, people are inspired to pay when they know that there is a certain penalty for nonpayment.

Rather than mandate a specific cost recovery procedure, we recommend, instead, giving States flexibility to choose a type of recovery program that fits the profile of its caseloads.

Finally, there are three areas in the Senate version of H.R. 4 for which we ask your support.

The first is requiring all government entities to participate in quarterly wage reporting. Private employers are required to report information on wages to State agencies. All government entities—Federal, State, and local—should be model employers, particularly since government is often the largest employer in most States.

Second, it is money well spent to authorize FFP, Federal financial participation, for filing voluntary acknowledgments and adjudications of paternity in the State registry of birth records. It is cheaper than setting up a duplicate yet incomplete file in the State child support agency, which current Federal regulations require.

Third, we request your support of a provision in the Senate bill which would permit the State agency to transfer health insurance orders along with the wage assignment when the noncustodial parent changes jobs, without the need for court action unless requested by the custodial parents. This will ensure that health insurance orders keep up with job hoppers.

Finally, I would like to thank you for the opportunity to testify and to assure you that the members of NCSEA and the Massachusetts Department of Revenue are ready to assist you in any way in improving the Nation's child support program. Thank you very much.

[The prepared statement follows:]

UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON HUMAN RESOURCES

HEARING ON CHILD SUPPORT ENFORCEMENT

Statement of

MARILYN RAY SMITH

President

NATIONAL CHILD SUPPORT ENFORCEMENT ASSOCIATION

and

Chief Legal Counsel
Associate Deputy Commissioner

CHILD SUPPORT ENFORCEMENT DIVISION
MASSACHUSETTS DEPARTMENT OF REVENUE

June 13, 1995

Mr. Chairman, distinguished members of the Subcommittee: Good afternoon, and thank you for the opportunity to testify on child support enforcement and the key features of the child support bills now before Congress.

My name is Marilyn Ray Smith. I am Chief Legal Counsel and Associate Deputy Commissioner for the Child Support Enforcement Division of the Massachusetts Department of Revenue, where Governor Bill Weld has made child support a priority. I am also the President of the National Child Support Enforcement Association, a national, non-profit organization of over 2,000 professionals dedicated to the enforcement of children's rights to financial support from their parents.

Mr. Chairman, I would like to commend the leadership of this Committee for its work on the child support provisions of H.R. 4. This legislation has many tough provisions on child support enforcement, and will move us a long way toward reducing welfare dependency. It provides for better access to financial and employment information; it helps States streamline procedures to make maximum use of automation; it makes it easy for parents to establish paternity; and it removes barriers in interstate cases. Finally, H.R. 4 establishes the proper balance between Federal mandates that set standards to push States to improve their programs, while maintaining flexibility for continued innovation at the State level to respond to local needs and to chart new directions.

As you prepare for further action on child support in the House-Senate Conference, I am pleased to have this opportunity to discuss several key provisions in both bills. I will focus my remarks on the distribution of child support collections and proposals to recover program costs by charging fees to one or both parents. I will also comment on several areas where further improvements can be made to H.R. 4 in the House-Conference Committee, as the bill makes its way back from the Senate.

DISTRIBUTING COLLECTIONS ON CHILD SUPPORT ARREARAGES

The heart of the child support program is to collect money from noncustodial parents so that children do not have to turn to public assistance for economic survival. AFDC is, after all, child support paid by the taxpayer.

The child support program for the last twenty years has had a contradictory mission: Is it to pay back welfare, or is it to keep families off welfare? If it is indeed the latter, as we believe it is, then we must re-examine the rules for distributing collections. Having dynamic and aggressive enforcement remedies won't truly help families if we don't get the money to where it is needed most. In addition, in the new era of block grants instead of the highly regulated AFDC program, States need flexibility to develop innovations in the relationship between child support enforcement and public assistance, to determine optimal strategies for moving families toward self-sufficiency.

To set the context for this analysis, I will first identify some characteristics of an ideal distribution system, describe current law, and finally, discuss H.R. 4 in more detail, suggesting issues that members of the Committee may wish to consider.

Essential Characteristics of a Distribution System

Essential characteristics of an ideal system for distribution child support collections would have the following characteristics:

- Reflect the mission of the child support program -- to keep families off welfare;
- Be simple, clear, and equitable;
- Encourage the desired behavior from custodial parents, from noncustodial parents and from State child support agencies; and
- Minimize costs both to parents and to taxpayers.

Current Law

There is no easy way to explain the current system, as the following explanation will demonstrate. And it has few -- if any -- of the essential characteristics noted above.

Assignment of support rights. As a condition of receiving AFDC, applicants for public assistance assign to the State any rights to child support they have on their own behalf or on behalf of any family member for whom they are applying for assistance. They must also assign any arrears that have accrued prior to receiving assistance. Current and past-due child support collected for families receiving AFDC is used to offset the costs of the AFDC program, and are shared between the Federal government and the States in accordance with the Federal matching formula used for the individual State's AFDC program, which ranges from 50 to 83 percent, with an average of 56 percent.

Distribution rules. According to Federal regulations, child support collections in AFDC cases must be distributed as follows:

1. The first $50 of current support collected per month in AFDC cases goes to the family to supplement the AFDC benefit, and is not counted as income to the family.

2. If more than $50 is collected in current support, the State gets reimbursed up to the amount of the monthly AFDC grant for the month in which the support was collected or the next month.

3. If the court order for current support is more than the monthly AFDC grant, any amount of current support collected that exceeds the AFDC grant is distributed to the family. (If the current support exceeds the AFDC grant and is paid regularly, the AFDC case closes.)

4. Any amounts collected above the amount of current support -- that is, payments towards arrears -- go first to State and Federal governments as reimbursement for past assistance payments made to the family for which the State has not been reimbursed. If past assistance payments are greater than the total support obligation owed, the maximum amount the State may retain as reimbursement is the amount of the obligation, unless the collections represent the required support obligation for periods prior to the first month the family received assistance, when arrearages were assigned to the State. In that case, the State may be reimbursed for the difference between the support obligation and the past assistance payments.

5. If there is money remaining after the amount of unreimbursed assistance described above is fully paid, the excess is paid to the family.

Where the family no longer receives public assistance and arrears are owed both to the State and to the family, Federal regulations give States the option either to retain the amounts collected to reimburse the State for AFDC costs, or to send the money to the family to pay off any arrears that accrued after the family left public assistance. To further complicate matters, however, in the case of Federal tax refund intercept, AFDC arrears always take priority over non-AFDC arrears. And except for Federal tax refund intercept which always goes towards arrearages, collections even in a lump sum seizure are always posted first to current support before crediting arrearages.

Post-AFDC arrearages. About half of the States have exercised the option to pay post-assistance arrears before paying AFDC arrears. And about half a dozen States -- Massachusetts among them -- defer to the family collections on the assignment of arrears that accrued before the family went on assistance, collecting AFDC arrearages only for the period that the family received assistance. States also vary in whether they include unreimbursed assistance as a State debt. Some States collect only the amount of support that was owed under a court or administrative order, while others use arrearages to collect up to the amount of assistance paid out.

What's Wrong with the Current Rules

The current Federal rules governing distribution of collections are complex and outdated, and discourage families from becoming self-sufficient. Caseworkers must spend their energy untangling scrambled accounts, and custodial and noncustodial parents alike suffer from a system that appears arbitrary, unintelligible and hostile. The rules are difficult for States to follow, for staff to explain, for parents to understand. They create accounting nightmares for customers, litigation from advocacy groups, headaches for computer programmers, and audit deficiencies for States.

Moreover, the $50 passthrough has not lived up to its promise to encourage parents to cooperate with child support enforcement. Its purpose was to provide an inducement to the custodial parent to provide information on the whereabouts of the noncustodial parent, and to motivate the noncustodial parent to pay child support on time because he could see the family getting a direct benefit from the payment, rather than having the entire amount go to the State. While the passthrough has provided an additional $50 a month to families (totaling $364 million in FY 93), it has caused extended litigation in several Federal courts around the country. In addition, determining whether a case is eligible for the passthrough consumes countless hours of staff time in answering parents' inquiries and in ascertaining if the payment was withheld from the noncustodial parent's wages during the month when due, even though it is received by the State the following month.

The Distribution Rules Proposed in H.R. 4

H.R. 4 addresses many of these issues, providing incentives to encourage families to live independently of public assistance. It changes the existing rules by giving priority to past-due support owed to families. It eliminates the requirement that families assign to the State arrears that accrued before the family went on welfare, requiring applicants for assistance to assign to the State support owed to them only for the period they are on public assistance. It also requires States to give priority to collecting support owed to the family once the family leaves welfare, now only an option under current law. Finally it eliminates the $50 passthrough.

More specifically, H.R. 4 provides as follows:

1. Where the family receives cash assistance, the State has the option either to retain or to distribute to the family the State share of the child support collected on behalf of the family. In either event, the State must pay to the Federal government the Federal share of the amount collected. (The "Federal share" is defined as the greatest Federal medical assistance percentage in effect for the State in fiscal year 1995 or any succeeding fiscal year. The "State share" is defined as 100 percent of collections, minus the Federal share.)

2. For families that formerly received cash assistance, it requires current support to be distributed first to the family (as under current law). To the extent that collections exceed the amount of the current support order, amounts are to be distributed first to the family to satisfy arrears that accrued to the family before or after the family received cash assistance.

3. If no arrears are owed to the family, amounts collected in excess of current support must be retained by the State (with Federal share to the Federal government) to the extent necessary to reimburse amounts paid to the family as cash assistance from the State.

4. Any amounts remaining must be paid to the family.

5. Distribution of tax refund intercepts follows the same distribution rules as for other collections.

Impact of H.R. 4 Distribution Rules on States and Families

Several States have raised concerns about the potential impact on State budgets of the provisions in H.R. 4 that would limit the ability of States to use collections attributable to arrears that accrued to the family prior to receipt of assistance to recoup unreimbursed assistance, and as well as provisions that would give priority to former AFDC families in collections from tax refund intercepts. (The Federal tax refund intercept program is the most effective method of collecting arrearages, totaling in FY 1993 $442 million on behalf of families receiving public assistance and $167 million on behalf of non-welfare families.) Most States favor giving priority to collection of arrears -- other than Federal tax refund intercept -- that accrue to the family after it leaves public assistance, as is already the practice in about half the States. Many States use AFDC collections to fund the AFDC program and are concerned that funds available for cash assistance to needy families will be further reduced after the impact of block grants.

Massachusetts has already adopted much of the approach of H.R. 4 -- except for the rules on tax intercept and the $50 passthrough, which are Federal requirements -- without serious negative impact. In Federal FY 1992, Massachusetts began giving priority to families in collecting past-due support, improving customer satisfaction, reducing account errors, and increasing AFDC case closings. We estimate that in the first two years, AFDC collections were reduced by approximately $2.1 million per year. However, these reductions were more than made up by more aggressive collection efforts in other areas through the use of automated enforcement remedies. AFDC collections went from $67 million in FY91, to $71.8 million in FY92, and to $77.3 million in FY93, even with the change in distribution rules described here. Non-AFDC collections had a more dramatic increase, going from $102.6 million in FY91 to $113.3 in FY92, and up to $118.1 million in FY93. Collections from AFDC arrearages amount to about 39% percent of total AFDC collections, a percentage similar to other States using the traditional approach. Any decrease in AFDC reimbursement has been outweighed by cost avoidance and a more efficient program that collects more money from other sources.

A proper analysis for changing the distribution rules must look not only at possible decreased reimbursement for State and Federal AFDC costs, but also at the dysfunctions of the current system that waste valuable staff time and consume expensive computer resources. And we must recognize that the real benefit from distribution rules that are designed to encourage families to become or remain self-sufficient may be in money saved, not in money collected. The best child support system will never collect all the AFDC paid out. States currently recoup about 12 cents on every dollar of AFDC benefits paid. If they collected all the child support that was owed on those cases, they would still bring in only about 30 cents for each dollar in assistance paid, a reflection of the fact that the child support amount is rarely enough to equal the cost of public assistance.

Moreover, a system that focuses on AFDC collections will inevitably have a perverse incentive for States to keep paying AFDC cases on AFDC. Every time a paying AFDC case closes off welfare, AFDC collections go down. Here is the contradiction of the nation's child support program: its mission is to keep families off welfare, yet the program is measured on AFDC collections. In Massachusetts, for example, in 1994, approximately $25.7 million in child support was collected for 11,000 former AFDC families, collections that would have otherwise gone to the State if the AFDC cases had not closed. However, for those same families, the Commonwealth had an estimated savings of $38.5 million in combined cost avoidance for AFDC benefits, Medicaid, and Food Stamps that would have otherwise been expended for these families. It costs the State less to keep families off public assistance than to provide them with assistance and recoup the assistance later. It is therefore appropriate to look for incentives that encourage families to stay off welfare.

Proposed Amendment to H.R. 4

To accommodate States' concerns about the fiscal impact of the changes that H.R. 4 would bring, however, and still move us in the right direction, an amendment should be made to H.R. 4 to give States flexibility either to pay collections of arrears that accrued prior to receipt of assistance to the family or to retain such collections to offset unreimbursed cash assistance paid by the State, with the appropriate share to the Federal government. The solution is to give States the following option: (1) to eliminate the assignment to the State of past-due support that accrued to the family before going on public assistance, so that families are not punished for trying to make it on their own when child support payments stop, and (2) to distribute payments of child support collections, first to current support and then towards arrears according to the status of the current support order. If the custodial parent receives AFDC, credit payments in excess of current support first to any AFDC arrears until fully paid. If the custodial parent no longer receives AFDC, credit payments in excess of current support to any arrears owed to the family. This is a relatively simple rule -- easy to explain, easy to follow, easy to program.

COST RECOVERY IN THE NON-AFDC PROGRAM

Cost Recovery Versus Cost Reduction

Governments everywhere are looking for ways to cut costs, reengineer operations, and reduce budget deficits. One area that has been identified for possible revenue is collecting fees or recovering costs from non-AFDC cases receiving child support services from the State. The GAO estimated in its 1992 analysis, for example, that retaining 15% of collections in non-AFDC cases would generate approximately $1 billion in cost recovery.

In assessing each possible source of fees or cost recovery, it is important to look at the behavior such fees is likely to elicit from both custodial and noncustodial parents, the administrative and operational costs to the program, and the amount of money to be collected, to ensure that no unexpected results occur that make the fee or cost recovery more trouble than it is worth or that create an unintended, adverse impact on the mission of the program. The challenge is to find an equitable system that puts the cost where it belongs, while still achieving program objectives of preventing welfare dependency. Another approach is to focus on cost reduction, rather than cost recovery, by encouraging States to run more efficient programs.

The non-AFDC caseload has grown by more than 75 percent in the last five years, partly as a result of cases closing off AFDC, partly a result of Federal mandates for wage withholding in all cases, partly a result of the increased awareness in the public of the availability of child support services, and partly a result of a growing need among families in single-parent households for assistance in collecting support as divorce and out-of-wedlock birth rates continue to soar.

The scope of services varies widely among States -- with States such as Michigan, Ohio, and Pennsylvania including virtually all cases in the IV-D system, and other States such as Massachusetts and Connecticut having only about half of the non-AFDC caseload in the IV-D program. In Massachusetts, for example, 60 percent of the families having a current support order are non-AFDC cases, and almost half of those families are families who formerly received public assistance. Thus approximately 70 percent of our cases having current support orders is made up of welfare families (40 percent) or former welfare families (30 percent). There are few if any "Ivana Trumps" in the remaining 30 percent. Indeed, even through the GAO suggested that half of non-AFDC custodial parents had incomes of more than 150 percent of the 1989 poverty level for a family of three, that amounts to only $15,000 per year. The average child support amount collected in 1989 was less than $3,000. A family of three living on less than $20,000 per year does not have much extra cash, even to pay a modest fee for child support services.

The recovery of costs in the non-AFDC program raises another concern. Requiring non-welfare mothers -- who even at 150 percent of the poverty level are only a step away from welfare -- to pay for child support services that are offered without charge to welfare mothers effectively penalizes them for struggling to maintain economic self-sufficiency.

Although we have studied this issue continuously over the last 8 years, Massachusetts has not yet determined it to be cost effective to institute fees or a cost recovery program. Our reasons are similar to those voiced elsewhere, including those identified in the 1992 GAO report -- a desire not to deter families from seeking services, an assessment that administrative costs outweighed possible return, and a recognition that we were still not collecting much of the current and past-due support that is owed by noncustodial parents, leading to a reluctance to increase accounts receivables even further. Instead, at the Department of Revenue we have focused our energies on cost reduction rather than cost recovery -- working to do more, better, faster with less -- to make maximum use of automation and staff resources to reduce costs and increase collections.

As the Committee is interested in hearing from States on this issue, I offer several observations on what we have learned over the years to assist your deliberations.

Application Fees

Massachusetts follows most States in charging a nominal amount for a non-AFDC application -- $1.00, which the State pays. One study showed that charging a one-time application fee of $25.00 was not cost effective. Income at $25.00 per application for 4,700 applications would total $117,500, but was estimated to take approximately three full-time equivalent employees to administer the program through the entire intake, check processing, and billing procedure, for an estimated $112,500, including salaries and fringe benefit costs.

In addition, because the Massachusetts program has focused on families that are likely to be at risk of going on public assistance -- rather than encompassing all families, regardless of income -- there was a desire not to deter needy families because of an application or other fees.

Service Fees

Charging an annual service fee such as $25.00 per year per family has the potential to generate more revenue than a one-time application fee, since it is a recurring charge. There are at present approximately 90,000 families in the non-AFDC caseload, including 14,000 arrears only cases. The concern here is that if families are charged an annual fee, they would then demand the right to pick and choose a particular enforcement remedy, or would demand a refund if enforcement efforts were not successful. Massachusetts makes extensive use of automated enforcement remedies, which depend upon referring all cases for a particular remedy. Setting up a system that allowed parents to participate, for example, in the bank account match program but not the credit reporting program would create administrative and programming nightmares to keep the computer information accurate and responsive to the right select criteria. In addition, we use contempt actions as a last resort -- a costly and often ineffective remedy that is frequently the first choice of custodial parents demanding services. We prefer to retain the flexibility to choose the enforcement remedy that is most cost effective, without creating a possible sense of entitlement among custodial parents seeking to direct action on the case.

Cost Recovery

Massachusetts routinely obtains court orders requiring the noncustodial parent to reimburse the Commonwealth for the cost of genetic tests. This program has not been particularly successful, however, because of difficulty in billing. Unless these fees can be enforced the same as child support arrears through wage assignments and seizures, they are almost impossible to collect through a conventional billing process. Part of the difficulty has been the lack of a sophisticated computer system -- help is on the way with the new certified system soon to be on-line! -- to differentiate among the various charges of current support and AFDC and non-AFDC arrearages. There is simply no room to carry a separate account for fees on the current system.

Moreover, current Federal regulations do not facilitate charging cost recovery for particular services, because they must be based on actual costs. Determining the cost for a contested paternity establishment, for example, requires staffing studies. Difficult cases obviously cost more to process, and are often the very cases with the least ability to pay. Staff then have to keep track of hours spent or actions taken in order to fairly determine the costs. Again, without a sophisticated computer tracking system, this approach has little appeal.

Percentage of Collections

The easiest way to collect from non-AFDC custodial parents is to deduct a percentage from collections. There are several disadvantages, however. Those who pay end up paying for those who don't pay -- whether it is the custodial or noncustodial parent who pays the fees. The easy cases are those on wage assignment. If the noncustodial parent has a steady job, it costs very little to process the case. However, if charged a fee, custodial parents with paying cases may opt out of IV-D services as long as the case is paying, only to return when the noncustodial parent changes jobs and a large arrearage has accrued and the family is ready to turn to public assistance. This is counter to the trend of the program for the last ten years -- which is to set up an enforcement system that is responsive and comprehensive to prevent welfare dependency, not just to recoup welfare costs.

The possible consequence of charging the noncustodial parent a percentage of collections is that the amount of the child support order may be reduced by the court to take into account the extra payment. However, this is preferable to charging the custodial parent directly. At least it will not have the likely effect of discouraging custodial parents from participating in the child support enforcement program.

Interest

States currently have the ability under current Federal law to charge interest. Massachusetts has not done so to date because of the limitations of the current computer system. However, plans are in place to begin to charge interest when the new computer system goes into operation. Interest on arrears owed to the family will be distributed to the family, and interest on arrears owed to the State will be retained and counted as program income with appropriate credit to the Federal government for program costs.

Late Payment Penalties

States currently have the option under Federal regulations to charge a late payment penalty from 3 to 6 percent. In many ways, this is the most attractive option, since it assesses the cases which are the most costly. The self-employed, the under-employed, the unemployed, and the missing to parts unknown are expensive cases to handle, because of the individual staff resources that must be devoted to locating them and their assets and then getting regular payments. The real impact of late payment penalties, however, is probably not in actually collecting the penalties -- since they can only be collected after current support and arrearages are paid -- but in the deterrence factor. Just as with credit cards, parking tickets, and mortgage payments, people are inspired to pay when they know there is a certain penalty for nonpayment. Unlike interest, which usually follows the principle and would be distributed to the non-AFDC custodial parent, penalties can be fully retained by the State to be used to defray the costs of the child support program. With an extended statute of limitations, many of these penalties will be collected -- perhaps later rather than sooner -- and can be reinvested in the program.

Recommendation

In the final analysis, we nevertheless recommend that the child support program focus on cost reduction rather than cost recovery -- and there are many provisions in H.R. 4 that take us in that direction. Application fees, service fees charged to the custodial parent, billing non-custodial parents for costs incurred, and charging either parent a percentage of collections raise concerns regarding ease of administration and disincentives to participate in the program. In our view the most attractive option for cost recovery is to assess interest and late payment fees against all delinquent noncustodial parents -- both AFDC and non-AFDC -- to motivate payment on time and in full.

As for the perspective of the National Child Support Enforcement Association, it has long been the policy of that organization to oppose assessment of fees against custodial parents, as counter to the mission of the organization.

ADDITIONAL PROVISIONS TO STRENGTHEN H.R. 4

There are several revisions which the Senate is currently considering which will strengthen H.R. 4. I would like to briefly comment on a few of these:

Quarterly Wage Reporting by Governmental Entities

The Senate Finance Committee's Reported Substitute to H.R. 4 contains a provision requiring all governmental entities to participate in quarterly wage

reporting, which we urge to House to endorse. Under current law, private employers must report quarterly to a State agency information concerning employees' wages for unemployment, child support, labor trends, and other governmental purposes. Governmental entities are not explicitly required to report, even though they are major employers in every State. Child support agencies are thus hampered in their attempts to locate information about government employees. We therefore request your support of this provision.

Federal Financial Participation for Database Maintained by Birth Records Agencies

To ensure an effective program for the voluntary acknowledgment of paternity, we request that you make Federal matching funds available for filing acknowledgments and adjudications of paternity with State birth records agencies and for matching the database of acknowledgments and adjudications against the State's case registry. Centralizing the records for voluntary acknowledgment of paternity will expedite child support data matches with the State Case Registry, ensuring that child support orders can be obtained on all appropriate cases. Under current Federal regulation, however, FFP is not available for the costs of establishing, maintaining, or operating the entity where copies of paternity acknowledgments are filed or maintained, unless that entity is the IV-D agency. The result is that States are spending more money duplicating efforts, with a less program because not all paternity acknowledgments end up in the IV-D program.

Enforcement of Orders for Health Care Coverage

Finally, we request your support of a provision in the Senate bill which requires States to have procedures to include a provision for health care coverage in each support order, and where the noncustodial parent provides health care coverage to authorize the State agency to transfer the health care coverage to a new employer when the noncustodial parent changes jobs and the new employer provides health care coverage, without court action unless requested by the noncustodial parent. This provision will ensure that health insurance orders keep up with job hoppers without requiring court action on every case, yet will provide the noncustodial parent an opportunity for a court hearing upon request.

CONCLUSION

In conclusion, Mr. Chairman, we support giving States flexibility in taking the assignment of pre-AFDC arrearages and in giving priority to the family in distributing collections on past-due support, without making these provisions a Federal mandate. It is particularly important in this period of transition from the highly regulated AFDC program to the era of block grants to give States plenty of room for experimentation.

If Congress sees fit to require the States to initiate cost recovery programs, we again request flexibility to the States to choose the type of recovery program that fits the profile of the caseload. We do not support a program that would require States to charge fees to custodial parents, preferring instead a program of interest and late payment penalties against delinquent obligors.

Finally, there are many strong additions to H.R. 4 in the bill currently under consideration by the Senate. We look forward to working with you to perfect the details when the exact language is known.

Mr. Chairman, thank you for your gracious invitation to testify before this distinguished Committee. Thank you also for the leadership that you and other members of the Committee have provided during this critical debate on child support enforcement. Your work will have a lasting impact on those American children who live in single parent households.

Chairman SHAW. Thank you.
Ms. Kaiser.

STATEMENT OF TERESA KAISER, CHIEF, BUREAU OF CHILD SUPPORT SERVICES, DEPARTMENT OF HEALTH AND WELFARE, BOISE, IDAHO

Ms. KAISER. I am Teresa Kaiser, chief, Bureau of Child Support Services for the Idaho Department of Health and Welfare.

My comments today will focus on Idaho's cost recovery program, why it is necessary, why it is responsible, why it is equitable, and why we have experienced unexpected benefits to cost recovery.

Before discussing cost recovery, however, I would like to share overall thoughts on child support services. Today, Congress is considering legislation that would free States from the burden of administering a welfare program that has not met the expectation of society, but both the House and Senate bills would inflict numerous new mandates on child support services.

The sweeping and detailed child support mandates contained in both the House and Senate welfare reform bills set the stage for the next 3 to 4 years. In that time, States will scramble to come into compliance with new Federal mandates, millions will be spent on computer upgrades, time and money will be spent passing State legislation, and States will lose the ability to fashion local remedies. We will be too busy complying with Federal mandates to even think about finding creative solutions to our own problems.

Idaho also is concerned about the proposed distribution rules contained in H.R. 4. Idaho recovers 35½ cents in child support for every dollar spent on welfare in our State. This is by far the highest rate in the Nation.

We collect on State arrears before distributing arrears owed the clients. Therefore, the distribution impact to us would be we would lose one-quarter of our AFDC collections if the prewelfare arrears provision is enacted. We would lose a second quarter with a change to the postwelfare arrears provisions.

AFDC collections in Idaho are used to fund future welfare benefits. Therefore, the amount of reduction in AFDC collections, in our case $5 million, reduces the amount of funds available for public assistance in the future. Idaho will lose over half our AFDC collections.

The proposed distribution rules do have merit. They will help people struggling off welfare. But Congress should consider the impact a $5 million loss will have on a State like Idaho. Adding the lost revenue to Idaho's block grants can provide an equitable solution while helping people become self-sufficient.

I would like to turn to the topic of cost recovery and the history of Idaho's successful effort in that area. From 1984 to 1990, all across the Nation nonwelfare child support caseloads grew by 160 percent. In Idaho, the growth pattern was similar. From a mere $0.9 million collected in 1984 from nonwelfare clients, we grew to collect $23 million in 1992.

More than half of our 55,000 cases are on behalf of children who are nonwelfare. What we collect from these cases is three times greater than what we collect on our welfare cases. Yet that growth brought new costs to our department, too.

The Family Support Act of 1988 added new mandates and requirements that States had to meet. More important, we were caught in the middle of two different schools of thought on what the State ought to be doing.

On the one hand, more and more lawyers were referring their clients, even their well-to-do clients, to us for no-cost modifications and other services.

On the other hand, more and more lawyers were criticizing us for unfairly competing with the private sector.

By 1993 Idaho faced an operating deficit in its child support enforcement program. We decided to trigger a 3-year-old State law that gave us authority to impose fees on nonwelfare clients who turn to the State to collect child support. We evaluated many options for recovering costs and looked at what other States were doing.

We considered whether we would charge a percentage of collections per month, a flat administrative fee, or recover the State's expenses in contracting with attorneys. We considered that many cases were virtually work free. We had a wage withholding order in place, and collections were coming in regularly. We looked at charging the person who incurred the cost.

Our final program involves increasing our application fee from $1 to $25, recovering $25 for each tax offset, and recovering the State's legal expenses once collections start coming in. We always ask the court to assess the legal fees against a noncustodial parent, but this action is at the court's discretion. We recover fees at 20 percent per month once collections are coming in.

Legal fees are not imposed up front. If we do not recover child support, the State does not collect for legal expenses. We did not impose a means test, although we excluded applicants who were receiving public assistance or Medicaid. We felt a means test would impose considerable administrative and cost burdens on the department in completing income verification tests.

I brought with me today two examples of criticism Idaho has endured. First, we received a National Heartless Award, and if you will look at this month's Redbook magazine we received an award for the same reason. But, at home, Idaho taxpayers believe cost recovery is fiscally responsible.

The bottom line is this: Should citizens pay to furnish free legal services in child support for those parents who can afford to pay? Should this program be an entitlement for custodial parents?

Idaho's answer is no. Idaho's answer is that parents who can afford to pay should share in the cost of child support enforcement. Both parents are responsible for their children. They are responsible for their own attorney fees as well.

We take personal responsibility seriously. Cost recovery promotes parental responsibility and is equitable for custodial and noncustodial parents who can afford to pay.

Should we curtail services to the poor who need child support so they can achieve self-sufficiency, or should we require those with sufficient income to pay their fair share?

Cost recovery should be encouraged, and in State fiscal year 1995 Idaho recovered $½ million in fees and costs, approximately one-half from custodial parents and one-half from noncustodial parents.

But cost recovery should be a State option. A flat administrative fee would cause Idaho to lose revenues needed to fund the other changes that this program is going to be requiring. Taxpayers should not be expected to pay a parent's bill.

Today's cost recovery is necessary, it is responsible and equitable, and it brings life to the term personal responsibility we hear so much about.

Mr. Chairman and members of the subcommittee, thank you for the opportunity to speak.

[The prepared statement follows:]

Teresa Kaiser
Chief
Bureau of Child Support Services
Department of Health and Welfare
State of Idaho

Testimony to:
Ways and Means Committee
Subcommittee on Human Resources
June 13, 1995

Chairman Shaw, Members of the Committee:

I am Teresa Kaiser, chief of the Bureau of Child Support Services for the Idaho Department of Health and Welfare. My comments today will focus on Idaho's cost-recovery program -- why it is necessary, why it is responsible and equitable, and why we have experienced unexpected benefits to cost recovery.

Before I discuss cost-recovery, however, I would like to share overall thoughts on child support services.

The child support program has made major strides since its creation in 1975. Round after round of legislation has passed Congress trying to make the program more effective. And more money is collected each year. But we still are collecting no more than 40 percent of current child support owed -- and we still have no orders at all in half our cases.

Today, Congress is considering legislation that would free states from the burdens of administering a welfare program that has not met the expectations of society. But both the House and Senate bills would inflict numerous new mandates on child support services.

The sweeping and detailed child support mandates contained in both the House and Senate welfare reform bills set the stage for the next three to four years. In that time, states will scramble to come into compliance with the new federal mandates. Millions will be spent on computer upgrades; time and money will be spent passing state legislation. And states will lose the ability to fashion local remedies. We'll be too busy complying with federal mandates to even think about finding creative solutions to our own problems.

Idaho also is concerned about the proposed distribution rules contained in HR 4. Idaho recovers 35 and a half cents in child support for every $1 spent on collections for clients receiving Aid to Families with Dependent Children. This is by far the highest rate in the nation. We collect on state arrears first before distributing arrears owed the client.

The impact of HR 4:

- We would lose one quarter of our A-F-D-C collections if the pre-welfare arrears is enacted;

- We would lose another quarter with the change to the post A-F-D-C arrears.

AFDC collections in Idaho fund future welfare payments. Therefore, the amount of reduction in AFDC collections -- $5 million -- reduces the amount of state funds available for public assistance. Idaho will lose half of our A-F-D-C collections.

The proposed distribution rules have merit: They will help people struggling off welfare. But Congress should consider the dire impacts a $5 million loss will have in a state like Idaho. Adding the lost revenue to Idaho's block grant can provide an equitable solution while helping people become self-sufficient.

Now I would like to turn your attention to the topic of cost recovery and the history of Idaho's successful effort in that area.

When the child support program was created in 1975, the stated purpose was to reduce the welfare caseload. A large number of welfare recipients either did not have child support orders, or were not receiving the child support ordered by the court. Therefore, the families were eligible for welfare based on deprivation of parental support.

The Child Support Enforcement Amendment of 1984 re-emphasized congressional commitment to the program. It established new child support services. And it was aimed at ensuring that all child support services were available to both welfare and non-welfare families.

In 1984 in Idaho, only $900,000 out of $4.8 million collected was for non-welfare applicants.

From 1984 to 1990 all across the nation, non welfare child support caseloads grew by 160 percent. Collections during the same time increased 200 percent. The average annual service cost per non-welfare case rose from $85 to $133.

In Idaho, the growth pattern was similar. From the $900,000 collected in 1984 from non-welfare clients, we grew to collections of $23 million in 1992. Right now more than half of our 55,000 cases are on behalf of children who are not on welfare -- and what we collect from these cases is three times greater than what we get from welfare cases.

Yet that growth brought new costs for our department, too. The Family Support Act of 1988 added new mandates and requirements that states had to meet. More important, we were caught in the middle of two different schools of thought on what the state ought to be doing. On the one hand, more and more lawyers were referring their clients -- even their well-to-do clients -- to us for no-cost modifications and other services. On the other hand, more and more lawyers were criticizing us for unfairly competing with the private sector. By 1993, Idaho faced an operating deficit in its child support enforcement program. We decided to trigger a 3-year -old state law that gave us authority to impose fees on non-welfare clients who turned to the state to collect child support.
We evaluated many options for recovering costs, and looked at what other states were doing. We considered whether we would charge a percentage of collections per month, a flat administrative fee, or recover the state's expenses in contracting with attorneys. We considered that many cases were virtually work free -- we had a wage withholding order in place and collections were coming in regularly. We looked at charging the person who incurs the costs.

Our final program involves:

- Increasing our application fee from $1 to $25;
- Recovering $25 for each tax offset collection;
- Recovering the state's legal expenses once collections start coming in;

We always ask the court to asses the legal fees against the non-custodial parent, but this action is at the court's discretion. We recover fees at 20 percent per month once collections are coming in. Legal fees are not imposed up front. If we do not recover child support, the state does not collect for the legal expenses.

We did not impose a means test although we excluded applicants who were receiving public assistance or Medicaid. We felt a means test would impose considerable administrative and costs burdens on the Department in completing income verification tests.

Our proposal went out to public hearing and no one testified at those hearings. We then finalized the rules in April of 1993 and notified our clients and the public. Controversy erupted in some circles, but the program was popular with the legislature and other state decision-makers.

I brought with me today two examples of the criticism Idaho has endured. First, we received the national "heartless award" in 1993 and we were featured in this month's Redbook magazine for the same reason. But at home, Idaho taxpayers believe cost-recovery is fiscally responsible.

The bottom line is this: Should citizens pay to furnish free legal services in child support for those parents who can afford to pay? Should this program be an entitlement for custodial parents?

Idaho's answer is "no." Idaho's answer is that parents who can afford to pay should share in the cost of child support enforcement. Both parents are responsible for their children. They are responsible for their own attorney fees as well.

In Idaho, we take "personal responsibility" seriously. Cost recovery promotes parental responsibility and is equitable for custodial and non-custodial parents who can afford to pay.

Our critics maintain that cost-recovery takes money owed to the child. We could pass through all the child support to the child, then bill the custodial parent for legal fees. This would set up an administrative burden, add to the cost of child support services and achieving nothing different in the final analysis.

Child support services have changed so much. It is becoming all things to all people. It is becoming expensive to administer. When costs rise, we are faced with choices.

Should we curtail services to the poor who need child support so they can achieve self-sufficiency? Or, should we requiring those with sufficient income to pay their fair share.

Cost recovery should be encouraged. In state Fiscal Year 1995, Idaho recovered $500,000 in fees and costs -- cost-recovery came half and half from custodial and non-custodial parents.

Idaho also has experienced some interesting and unexpected benefits of cost-recovery.

- First, we used to have a large number of applicants who would open and close their cases frequently. This is labor intensive and frustrating for our staff. When the application fee went to $25, this behavior ended.

- Second, we had been pressured by some clients to take court action almost monthly when we knew such action held slim chances of success. Once the client saw a relationship between the service and the cost, the demands became more reasonable.

- Third, we had many cases where the legal process was drawing to a finish and the client would close the case just before we were able to see success -- such as right before we were going to establish a paternity order. The clients would re-open some months later and want the same service. Once the client was contributing to the attorney fees, this behavior dwindled.

Free child support services -- for those who can afford to pay -- is becoming a thing of the past. Taxpayers do not want to foot the bill for those who could afford private services.

Taxpayers should not be expected to pay a parent's bills. Today, cost recovery is necessary, it is responsible and equitable, and it brings life to the term "personal responsibility" we hear so much about.

Mr. Chairman, members of the committee, that concludes my comments. I will stand for questions.

Chairman SHAW. Thank you, Ms. Kaiser.
Ms. Burke.

STATEMENT OF CECELIA BURKE, DIRECTOR, CHILD SUPPORT ENFORCEMENT DIVISION, OFFICE OF THE ATTORNEY GENERAL, AUSTIN, TEX.

Ms. BURKE. Thank you.

Mr. Chairman and members of the subcommittee, I am Cecelia Burke, child support director for the State of Texas, and I appreciate the opportunity to testify today.

Texas is proud to have one of the most successful IV–D programs in the Nation. Our reports show a continuing record of improvement in effect since we moved the program to the Attorney General's office in 1985. From 1987 to 1994 our child support collections have increased by 500 percent, and our paternity establishments have increased by 4,764 percent. It is because of this success that we are concerned about several provisions in the House and the Senate bill, specifically four issues I wanted to discuss today.

The first is in the area of paternity establishment. In both the House and the Senate bill, it would make the signing of a voluntary paternity acknowledgment a legal finding of paternity. Currently, under Texas law, signing of an acknowledgment is not a legal finding of paternity. What it does is create a rebuttable presumption of paternity.

While paternity establishments have increased by almost 5,000 percent, our legal filings over that same time period have only increased by 173 percent. That means that the majority of our paternities are established either by an agreed order or some by default, thus bypassing the full court hearing process.

We know in Texas that we have established paternity for the real biological father. Our system is working. The bill currently, as written, would force us to change without any gain on our part, and we ask that you don't change a system that is working.

A presumption of paternity is, in Texas, the basis for issuing a temporary support order which outlines all the responsibilities of both parents. So there is then no incentive for delay that exists in the courts. Jury trials, which are a constitutional right in the State of Texas, are not an impediment to this process.

We believe that paternity establishment should be joined with the establishment of an order which lays out all the obligations of both parents and that includes child support, custody, visitation, and any other issues affecting the parent-child relationship.

We believe that Congress should mandate that States use a simple civil process, whatever the State may determine that process to be, which enables parents to accept their responsibilities for their children born out of wedlock, and we would like Congress not to dictate the details to us on that issue.

In the area of genetic testing, it has become an accurate and cost-effective way of establishing paternity. We would ask that States be allowed to order immediate testing in all appropriate cases instead of requiring a sworn statement of facts as the bill requires. We believe that is an unnecessary step.

In addition, the States in-hospital paternity establishment program should be permitted to provide due process under existing State standards without Federal mandates as outlined in the bill.

The second issue I want to address is the State case registry and disbursement unit. We support that concept. However, in Texas, we would like to see States given the option of establishing a State case registry and a disbursement unit in which every single child support case in the State can be brought into this unit and they receive IV–D services unless the parents opt out.

Good collection techniques demand early intervention on delinquencies. We have pilot programs in seven counties in Texas that do that. Even under current law we experience collection rates from 65 to 85 percent in these cases in these counties, and the cost-effectiveness is $24 for every dollar spent.

In the area of distribution of collected child support, we believe that assistance is not a gift; it is a loan secured by the assignment of support rights. The proposed distribution of support in these former AFDC cases is going to leave the State and Federal Government's claim until last, and we believe that it will eliminate the incentive for these people to cooperate with us.

The proposed distribution scheme would literally wreck the financing of the State programs, and it will hurt the Federal financing also. It is going to deny services to thousands of American families that need us. In Texas alone we would lose $1.5 million a month under this proposed scheme.

One thing that I would say about arrears is that we have to remember that once the arrears are paid, that is it. What our goal should be is to ensure that we are collecting current child support and that it comes to that family month after month after month. By reducing the AFDC recovery and, thus, program funding, that would be impossible for us to do.

Also, our proposal for distribution would be to propose that States get reimbursed by the absent parent for either the total of the grant that has actually been paid by the State or the child support amount that was ordered, whichever is less.

With regard to the proposed collection incentives which we support, we ask that they be calculated on collections and not on expenditures. We would like you to reward success in that area.

Finally, I would like to address the issue of surcharge fees for our services in non-AFDC cases. In Texas, two-thirds of this group were previously on welfare and live month to month. Any surcharge, we believe, would probably knock them back onto the welfare rolls.

But I will tell you that we in Texas believe that those who can pay should pay. We need to be careful in crafting a cost recovery system that is free of unnecessary Federal regulations as it is now, and we ought to be able to assess fees against those who can pay perhaps on a sliding scale basis.

In conclusion, I want to thank you for all the work that you have done on child support, and I appreciate the opportunity to visit with you today and would be glad to answer any questions that you may have.

[The prepared statement follows:]

UNITED STATES CONGRESS
HOUSE COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON HUMAN RESOURCES

HEARING ON CHILD SUPPORT ENFORCEMENT
AND SUPPLEMENTAL SECURITY INCOME

Statement of

CECELIA BURKE

Title IV-D Director

OFFICE OF THE ATTORNEY GENERAL OF TEXAS

June 13, 1995

Mr. Chairman and distinguished members of the Committee: thank you for the opportunity to testify about child support enforcement--a critical component of your efforts to reform the nation's welfare system and to assist single-parent households to achieve economic security and self-sufficiency.

I am Cecelia Burke, the Title IV-D director for the State of Texas. In 1985 the Texas Legislature designated the Office of the Attorney General of Texas the Title IV-D agency for the State. Since that time the Texas IV-D program has grown to be one of the most successful child support enforcement programs in the country, being recognized by the Human Resources Subcommittee of the House Ways and Means Committee as the "most improved" IV-D program in the nation in 1989. That improvement has continued, as the chart below shows.

COMPARATIVE STATISTICS FOR OFFICE OF THE ATTORNEY GENERAL
CHILD SUPPORT DIVISION
FFY 1987 VERSES FFY 1994

	FFY 1987	FFY 1994	DIFFERENCE	% CHANGE
AFDC $	$19,703,399	$75,829,720	$56,126,321	285%
NON-AFDC $	$41,480,959	$291,341,238	$249,860,279	602%
TOTAL $	$61,184,358	$367,170,958	$305,986,600	500%
ACTIONS FILED	71,724	195,549	123,825	173%
PATERNITY ESTABLISHED	684	33,269	32,585	4,764%

This progress continues. According to federal reports, Texas in 1993 and 1994 had the largest percentage increase in child support collections among the top ten most populous states. The number of paternity establishments has increased to raise the relative standing of the Texas program from 38th to 3rd among IV-D programs nationally. On average, more than 17,000 new cases open on our caseload each month, and 96 percent of those new cases come with no child support order established.

We are succeeding in the formidable task of securing and enforcing support for the more than 750,000 children of Texas and other states whom we serve because of improving automation, the dedicated efforts of our program workers and effective laws enacted by our legislature. We are, therefore, deeply concerned about provisions in both the House and Senate welfare reform bills which, we believe, will not assist our moving forward, but will, instead, impede that movement.

I want to address three areas of particular concern to us. These are: (1) the proposed procedures for paternity establishment; (2) the function of the proposed state child support case registry and state disbursement unit; and (3) the proposed, new distribution of collected child support. In addition, I want to comment on the proposal that there be a surcharge for IV-D services in non-AFDC cases.

I. Paternity Establishment Procedures

We certainly agree that improvements can be made in this important program area--particularly in the interstate process. However in crafting the child support provisions before you, inadequate attention was paid to the development of new family law standards, such as the Uniform Parentage Act, and to the experience of innovative states such as Texas. As a result, most of the required state procedures relating to paternity establishment proposed in both the House and Senate bills, as well as some that were included in OBRA '93 legislation, would undermine the simple and effective system which has enabled Texas to achieve its impressive record of paternity and support order establishment. We have already requested and received waivers to some of the 1993 legislation. But, instead of requiring states to ask for waivers, the right approach would be to craft required state laws that build upon the progress made over the past twenty years and would enable the states to simplify, streamline and improve upon procedures now in place.

In Texas, over 1000 children per week are born to unwed parents. In Texas the child support program establishes over 500 orders per week determining the support and visitation rights of such children. This is not good enough. But in crafting systems to improve, we must, if we are to be successful, begin with the **FACTS**.

THE FACT IS: THE PARENT OF A CHILD BORN <u>OUT OF WEDLOCK</u> IS JUST AS LIKELY TO SUPPORT THAT CHILD AS THE PARENT OF A CHILD BORN <u>IN WEDLOCK</u>, ONCE AN ORDER DETERMINING THE RIGHTS AND DUTIES OF THAT PARENT IS ESTABLISHED.

It is because of this established fact that we think the many initiatives aimed at creating a presumption of paternity, which do not at the same time advance the process of establishing the rights and duties of the parents are misdirected.

<u>I.a. Paternity Acknowledgments and the Legal Finding of Paternity.</u>

As we understand the intent of the bills, requiring that a signed acknowledgment of paternity must be considered a "legal finding" of paternity is meant to ensure that this voluntary act carries with it the same sorts of parental responsibilities as marriage. We agree with the intent, and Texas has achieved that objective without creating something called a "conclusive presumption" of paternity.

By Texas law, marriage of the mother before the birth of a child creates a presumption of paternity in the husband that can only be rebutted by clear and convincing evidence. In addition to marriage, there are at least four other ways in which a parent can establish the presumption: voluntary acknowledgment, signing the birth certificate, attempted marriage, and simply taking the child into the household and publicly accepting the child as his own. (It may have been easier for Texas to get to this point than it will be for some states, because we have long recognized informal "common law" marriages.)

IN TEXAS, ALL THE PRESUMPTIONS CARRY WITH THEM THE SAME RIGHTS AND RESPONSIBILITIES OF PARENTHOOD. ANY OF THE PRESUMPTIONS WILL SUPPORT A TEMPORARY ORDER DEFINING THE DUTIES OF THE PARTIES WITH RESPECT TO THE CHILD, INCLUDING SUPPORT, EVEN IF ONE OF THE PARENTS MAY DENY THE RELATIONSHIP AND DEMAND GENETIC TESTING. There is, therefore, **NO** incentive to contest the parentage of a child merely to delay the obligation of support.

Both the House and Senate bills require that a signed acknowledgment be considered in and of itself "a legal finding" of paternity. Both would MANDATE this approach as a primary, if not preferred, way of establishing paternity. This would disrupt the processes which we in Texas have put in place over the years and which have served us so well in establishing parentage. Instead of this provision, we propose that States be required only to have in place a simple civil process--whatever that process may be--whereby parents can accept their responsibilities as parents of children born out of wedlock, and that such process create a presumptive relationship **WITH THE SAME RIGHTS AND RESPONSIBILITIES AS IF THE CHILD WERE BORN DURING THE MARRIAGE OF THE PARENTS.** Furthermore, where States choose a verified acknowledgment process for "establishing paternity," they should be allowed to develop and use their own forms for accomplishing this result, not a "one size fits all" mandated form.

Finally, we would like point out that **the birth of a child out of wedlock is the moral and social responsibility of the parents, not the child.** In Texas we have recognized and written into law that the **CHILD** of unwed parents is not responsible for the circumstances of its conception. There is no such thing as a child who is "illegitimate" in Texas--there are simply those children with or without presumed parents. **The critical issue should be to determine the true parents of the child in order to enforce that parental responsibility. SIGNING A PIECE OF PAPER DOES NOT, IN AND OF ITSELF, ESTABLISH BIOLOGICAL PARENTAGE OR A FIRM COMMITMENT TO THE ROLE OF PARENT.**

I.b. Genetic Testing for Paternity.

These bills would undermine and inhibit the use of the most effective tool we have to determine the truth of parentage. The **expanded use of genetic testing** has been a major factor in the dramatic increases in **paternity establishment**, not only in Texas, but across the nation. **Genetic testing is a cost-effective way to determine the truth of parentage**--and it cannot be overlooked that a one-parent test [father and child] can determine non-paternity even if such testing is denied as part of the formal establishment process.

Both the House and Senate bills would require that, **BEFORE TESTING CAN TAKE PLACE**, the requesting party--including presumedly the IV-D agency--swear to a statement of "facts establishing a reasonable possibility" of either the existence or nonexistence of the requisite sexual contact between the man and woman. In Texas, in any contested case genetic testing is **IMMEDIATELY** ordered for the mother, the alleged father, and the child. The parties themselves may agree to have testing before or after any suit is filed, and recent legislation, effective this September, will expand the use of testing in administrative proceedings.

The only cogent argument made against providing genetic testing is cost. However, testing can actually save money if done early in the process. If tests show by clear and convincing evidence that the man is not the biological father, the man is excluded from further consideration. If the tests show that there is a possibility of the man's being the father, then the genetic evidence constitutes a prima facie showing of paternity, and an order for temporary support may be immediately issued.

We have already applied for and received a waiver relating to 1993 amendments which made the admissibility of test results more difficult than Texas law requires. What is required is not the EXCLUSION of parentage test results, but a full and fair opportunity to examine their

accuracy and ensure that no mistake was made which would bear on the essential fact of parentage.

We propose that the states be encouraged to determine through scientific parentage testing the actual identity of the parents of a child in **ALL APPROPRIATE** cases, and that **THE DETERMINATION OF PARENTAGE RESULTING FROM SCIENTIFIC TESTING RESULT IN A PRESUMPTION WHICH WILL SUPPORT ENTRY OF A TEMPORARY OR FINAL SUPPORT ORDER, WHETHER THE TESTING IS DONE BEFORE OR DURING FORMAL ESTABLISHMENT PROCEEDINGS.**

Since genetic testing can provide conclusive evidence of non-paternity there is no compelling need for special provisions for the recision of an acknowledgment by a minor, nor for a 60 day "cooling off" period for revocation in other cases. Minors, as well as adults, should be able to challenge the presumption of paternity by the results of genetic testing, subject to reasonable limitations imposed by state--not federal--law. We would suggest that, as in Texas, such limitations be similar to those imposed upon parents of children born in wedlock.

The importance of using genetic testing is underscored by the fact that **NATIONWIDE ALMOST 30 PERCENT OF PATERNITY TESTS ADMINISTERED RESULT IN EXCLUSIONS.** A recent sample of nearly 1300 Texas cases revealed that even with rigorous screening and investigation by local IV-D offices, 20 percent of the alleged fathers were excluded as the biological father. The fact is that in substantial numbers of cases mothers simply do not know who the father is, and many men who might believe themselves to be fathers find out that they are not.

I.c. Joining Paternity Establishment With Order Establishment.

There are many good reasons to discourage individuals from having children out of wedlock, but merely "establishing paternity" without defining the rights and duties of a parent does nothing to discourage out of wedlock births. The signing of a piece of paper does not, in and of itself ensure the establishment of a parent-child relationship, nor does it necessarily improve the chances of obtaining actual payment of support in the event that the relationship of the parents should cease. **PATERNITY ESTABLISHMENT MUST BE JOINED WITH THE ESTABLISHMENT OF AN ORDER WHICH LAYS OUT THE CHILD SUPPORT OBLIGATION, AS WELL AS THE TERMS OF CUSTODY AND VISITATION.** We believe that a more effective approach is to require a **UNIFIED PROCESS** for establishing both paternity and a support order in the same proceeding.

We propose that **STATES BE FORBIDDEN TO DELAY ESTABLISHMENT OF SUPPORT ORDERS TO RE-EXAMINE THE ISSUE OF PARENTAGE IF A PRESUMPTION OF PATERNITY EXISTS**, but that the due process right to disprove paternity in appropriate circumstances as defined by state law not be foreclosed.

Requiring the availability of temporary support orders will both remove the incentive for delay and make unnecessary the proposed requirement to eliminate jury trial. In Texas, to comply with the proposed mandate to outlaw trial by jury would require an amendment to the state constitution. Our experience has shown that such drastic action is not required. In fact, the few jury trials we have been required to hold since the temporary orders statute passed have made positive contributions to developing the law in this area--particularly in establishing the public acceptance of DNA testing protocols and statistics.

I.d. In-Hospital Due Process

The many requirements throughout the mandated state laws that "due process" be respected are at best surplusage, and at worst add another layer of legal complexity to the process. For example, OCSE in interpreting the 1993 statute has stated that not only must the in-hospital acknowledgment process explain the rights and responsibilities of acknowledging

paternity, but that it must include **"due process safeguards."** This guidance tracks the language of the statute, but that fact does not make it less difficult to comprehend and implement. The right to notice and a reasonable opportunity to be heard are fundamental to the law of this country. It is neither necessary nor appropriate for federal bureaucrats to define due process for the citizens of Texas. We propose that the effort to institute "in-hospital due process" and the other provisions of like import be deleted from this legislation, and that states be permitted to provide due process under state and federal standards that already exist. The federal government should not be in the business of dictating such details of local practice through federal legislative mandates.

II. State Case Registry and State Disbursement Unit

We in Texas enthusiastically support the requirement that a state have both a case registry and a disbursement unit, operating within the IV-D automated system, whether established as a single registry and disbursement unit or by linking of local registries and local disbursement units. Texas law already requires that, except as otherwise specified in an order, all child support payments be paid through a local registry or the IV-D registry within the Office of the Attorney General, thereby creating a record of compliance. Moreover, the Texas Legislature, at its session just concluded, enacted legislation authorizing the Texas IV-D agency to establish an integrated, statewide registry of support orders through the automated linking of county registries.

Our goal is to have **EVERY** child support order rendered in the state recorded in the unified registry system and monitored for compliance. From experience in conducting "delinquency monitoring" projects in seven Texas counties over the past several years, we know that automated monitoring of orders from the time they are rendered--with immediate enforcement action upon delinquency--may be the only way to prevent the accumulation of large arrearage amounts. Collection rates in these projects have been up to 85 percent, more than double the collection rates elsewhere in the State.

The current federal requirement that in non-public assistance cases there must be a written application for IV-D enforcement services causes a significant delay between the onset of delinquency and the time enforcement actions may be taken, making enforcement efforts more difficult and success far less certain. Unfortunately, the provisions in both the House and Senate bills only perpetuate the current situation. Although all cases in the IV-D load and, beginning October 1, 1998, all new and modified orders entered in a state would be recorded in that state's central case registry, actual enforcement of an order not already in the IV-D caseload could not proceed until, and unless, an application were filed. The same would hold true in non-IV-D wage withholding cases. The requirement that payment of support in all wage withholding cases through the proposed central disbursement unit does not ensure that appropriate enforcement actions will take place when delinquencies in payment occur. Only those wage withholding cases which are already in the IV-D caseload will be subject to enforcement upon delinquency.

We believe that only by having **truly universal child support enforcement** will the purposes of a central state case registry be fully realized. Absent an election by the obligee to decline enforcement services, every support order in the registry should be monitored for payment so that there can be an immediate enforcement response to any delinquency. Similarly, payments in all child support orders recorded in the registry ought to be made through the central disbursement unit, unless, as we provide in Texas, a court order specifies otherwise. Only then will there be coherent payment records.

Due to the huge numbers of new orders established by the program, the Texas IV-D system already monitors about half the total number of child support orders in the state according to a recent study. Expansion of the program by connecting existing registries and enforcement resources is therefore possible. Some states may not, however, be able to implement and manage such a universal IV-D registry and enforcement system, and we believe that states should be given the option of choosing to develop either the universal system or the more restricted one currently provided in the House and Senate bills. Inasmuch as state flexibility is one of the

foundational principles of the welfare reform program exhibited in the House and Senate bills, we hope that this principle would extend in some measure to the development and operation of state child support enforcement systems.

Whichever option a state chooses, there should be a clear and firm commitment of federal matching funds for the establishment and maintenance of both the case registry and the disbursement unit within the state IV-D agency's automated system.

III. Distribution of Collected Child Support

While we fully appreciate the intent underlying the provisions in both the House and Senate bills for a "family first" order of distribution, these proposed changes raise at least three sets of issues.

The first has to do with **PUBLIC POLICY** and **FAMILY RESPONSIBILITY**. We believe that since its inception the public and many recipients have viewed the public assistance grant as, in essence, a **LOAN**, not a gift, to the family. That loan is secured by the support rights of the family for the entire period prior to, and during, the time the family is on welfare.

Under the current distribution scheme, aggressive pursuit of the child support arrears assigned to the State results in an early discharge of the "assignment," followed by distribution to the custodial parent of arrears in excess of the public money paid to the family. Custodial parents have an incentive to assist the state IV-D agency in efforts to locate and to rebut defensive claims by obligors. Leaving the state's claim to last would eliminate the incentive of a post-welfare individual to cooperate with the State in child support collection efforts. If, as proposed, all custodial parents were discharged first, then the contest would simply become one between the "State" and the obligor. Some custodial parents might continue to cooperate; many would not.

A second set of issues relates to the **FINANCING** of the state and federal IV-D program and to matters of program logistics. In Texas, all services to individuals in the Title IV-D system (both welfare and non-welfare) are financed from the "State retained" portion of AFDC recovery, plus the federal financial participation (FFP) and incentive payments. **A study of payment and distribution information conducted last year indicated that adoption of a "pay the custodial parent first" approach in cases with assigned child support arrears would cost Texas over 1.5 million dollars per month in AFDC recovery.** The federal government would, of course, also lose its share of such recoveries.

THE OBJECTIVE OF THE CHILD SUPPORT SYSTEM SHOULD BE, ABOVE ALL, TO OBTAIN AND CONTINUE A STEADY STREAM OF CURRENT CHILD SUPPORT FOR ALL CHILDREN. This objective cannot be pursued unless the state and federal governments are able to finance an effective enforcement system. The proposed changes to the distribution of support in former public assistance cases would, paradoxically, have the effect of inflicting the greatest financial damage on-- and thereby undermining the efforts of-- those state programs which are most successful in removing families from the welfare rolls. With diminished means to conduct a fully effective enforcement system, a state IV-D program which currently reinvests retained collections would find itself unable to pursue the kind of aggressive enforcement effort that ensures the timely payment of current support and, hence, the ability of families to leave, and stay off, welfare.

Finally, there is also the issue of the sheer **COMPLEXITY** of the process which would result from the implementation of the proposed, new distribution structure. In order to implement this structure, the child support payment history in each case would have to be reconstructed. No automated system, on either the IV-A or IV-D side, however, has been designed to deal with a process which will require tracking of both the grant and child support payment history of every child on welfare from birth until emancipation. It is unlikely that adequate records exist in any state even to attempt the calculations this proposed distribution

scheme would require for obligated cases. The proposal furthermore provides no guidance at all as to how to handle allocation of support rights for the 96% of cases which come into the system without existing support orders. State and federal law requires that the absent parent be obligated to pay an appropriate amount of support for the time prior to entry of the order. Most single parent families struggle for some time before applying for welfare after abandonment by the absent parent. This situation presents difficulties under the present rules; with the new proposals it will be even more difficult.

We believe that a more effective way to achieve the intent of the proposed changes to the distribution priorities in former public assistance cases is simply to require that the state pay any ***post***-public assistance arrearage to the custodial parent before collecting any amount to reimburse the state and federal government. This would provide an incentive for the states to ensure that additional arrearage does not accrue after a family leaves the welfare rolls.

We further believe that, along with the requirement that states distribute collected support to satisfy any post-public assistance arrearage owed the family, there should be a cap on the amount of money a state may recover in former public assistance cases. Currently, states which provide high public assistance grants may unavoidably cause a grant deficit to accrue while the custodial parent is on welfare: the custodial parent is fully cooperating, the noncustodial parent is current in paying his child support, and yet, public assistance arrears will be owed.

We propose that the amount a state may recover in a post-public assistance case as reimbursement for the assistance paid the family be the **LESSER** of (1) the total amount of public assistance actually paid the family during the effective period of the assignment or (2) the total amount of child support due the family under the applicable guidelines for the period of time of the assignment.

Inasmuch as the House and Senate bills provide states with options with respect to the distribution of support in the case of families currently receiving public assistance, we urge consideration of a similar option with respect to the distribution of support in the case of families formerly receiving public assistance, including the order of refund distribution under the Internal Revenue Code.

IV. Surcharge for IV-D Services in Non-public Assistance Cases

Sixty-seven percent of the approximately 405,000 non-AFDC cases in the Texas IV-D caseload represent former recipients of AFDC who continue to receive IV-D services after losing eligibility for welfare. These are, however, the cases of families who live month-to-month on the edge of public assistance. With average monthly support awards of $253 any drop in, or loss of, a month or two of child support payments could put them back on the welfare rolls.

A surcharge for IV-D services in these marginal cases--whether taxed against the support collection or against the obligor--might, we believe, adversely affect the purpose of the collection effort--to provide families with some degree of financial independence. The obligors in these cases are already paying the maximum amount of child support as determined by mandatory state guidelines, and they do well to make timely and full support payments. It is doubtful that they have the means to pay administrative costs in addition to the ordered child support. If they did have the means, then they would have been ordered to pay more in child support. For the 23% of the cases that never were welfare cases, perhaps a sliding scale fee could be imposed against either parent depending on financial ability.

Chairman SHAW. Thank you.
Dr. Marshall.

STATEMENT OF JOHNETTA MARSHALL, PH.D., PRESIDENT, OLDER WOMEN'S LEAGUE, WASHINGTON, D.C.

Ms. MARSHALL. Mr. Chairman, members of the subcommittee, thank you for providing the OWL, Older Women's League, the opportunity to testify today on this issue of such great importance.

I am Johnetta Marshall. I am the president of the Older Women's League. Founded in 1980, OWL is the first national grass-roots organization to focus exclusively on issues of concern to mid-life and older women. Through education, research, and advocacy we work for public policy changes to reduce the inequities women face as they age.

Each year, the Older Women's League issues a Mother's Day report on the status of mid-life and older women. This year the report, The Path to Poverty, examines the state of women's income in late life. I would like to leave copies of this for the Members.

Unfortunately, I have to report our findings reveal that, for many older women, life is bleak. Many poor older women depend on supplementary security income for the basics of life. In fact, 64 percent of SSI recipients over the age of 65, who are mostly women, receive SSI in addition to their Social Security benefits.

At OWL we frequently hear from older women who are in severe economic straits after years of giving themselves to others. For example, one woman receiving $5,304 from Social Security and $1,176 from SSI is trying to survive in a deteriorated house. She has a leaking roof, requiring her to use pots, pans, and newspapers. Her windowsills are rotten, and her cement stoop is falling down.

She notes:

> As I look back on my younger years, I sometimes feel I should not have had a 100-percent volunteering life in the Veterans of Foreign Wars Auxiliary, a den mother, coleader of Brownie and Girl Scouts, vice president in Volunteer Fire Department Ladies' Auxiliary, volunteer nurse at county hospitals during the nursing shortage, and many more organizations. I cared for everyone because I knew that folks needed me. Today, I am trying to survive in a below-poverty situation.

It must be noted that any changes Congress is considering making to the SSI program will affect older women disproportionately. The $20 exclusion was set at the beginning of the SSI program. It was intended to assure that persons who had previously worked in the labor force would receive somewhat higher monthly income than those who had not. It was believed that the exclusion would most often apply to Social Security benefits.

The amount of the exclusion, however, has never been increased, although the Federal benefit standard has more than tripled. For example, the maximum monthly Federal benefit in 1974, the first year the SSI program operated, was $140 for an individual and $210 for a couple. Today, the maximum monthly Federal benefits are $458 and $687 for individuals and couples respectively.

A few years ago, our organization was represented on the SSI modernization panel which closely examined the SSI program including the $20 income disregard. The experts on this panel believed that the first priority was to raise the Federal benefit stand-

ard to bring SSI recipients up to at least the poverty level. Until that was achieved, the panel recommended a one-time increase in the exclusion to $30, restricting its application to unearned income.

It was a consensus that this would simplify the program and if the restriction of the exclusion to unearned income only was accomplished by an increase in the basic earned income exclusion, the restriction would not cause any recipient to lose SSI benefits. Yet today some Members of Congress are proposing not an increase but a $5 reduction.

We are deeply concerned about the effect this will have on older women. While $5 a month may not sound significant to Members of Congress, it is important to keep in mind that the average, not the maximum, SSI benefit for aged beneficiaries is only $347 a month.

Seventy percent of aged SSI recipients would be affected, about 1 million people, the vast majority of whom are women. In addition, 40 percent of disabled SSI recipients will also be affected—another 2 million individuals.

Reducing the general income disregard by $5 will have the effect of reducing each eligible person's SSI benefit by that same amount. It is not simply the loss of $5 in the SSI check that would cause hardship. It is the loss of SSI eligibility that is so catastrophic for older women. The loss of eligibility also means a loss of Medicaid coverage and access to other essential services of benefits, such as food stamps, which are essential for the individual's well-being.

Medicaid is critical for poor older women. Medicaid pays for Medicare out-of-pocket costs and for some of the prescription drug costs. These women would not only lose their monthly SSI income, but they would suffer a significant increase in their health care out of pocket costs.

The question I pose, how are these people going to survive?

This subcommittee has the jurisdiction over the SSI program, a program that is essential to the survival of 6 million individuals. The proposal to reduce the $20 income exclusion is not a forward step. Instead, it complicates and jeopardizes the lives of many older women.

Mr. Chairman, members of the subcommittee, under most circumstances I would use words such as "recommend" or "urge" or "encourage" in making a suggestion or a request to Members of Congress. However, today I plead with you to reject the proposal to reduce the $20 income reduction in the SSI program.

Thank you.

[The prepared statement follows:]

STATEMENT OF JOHNETTA MARSHALL, PH.D., PRESIDENT OLDER WOMEN'S LEAGUE, WASHINGTON, D.C.

OPENING REMARKS

Thank you for providing the Older Women's League (OWL) the opportunity to testify today on the provision recommended by the House Budget Committee to reduce the $20 disregard on income under the Supplemental Security Income (SSI) program.

My name is Dr. Johnetta Marshall. I am president of the Older Women's League. Founded in 1980, OWL is the first national grassroots membership organization to focus exclusively on issues of concern to midlife and older women. Through education, research, and advocacy, we work for public policy changes to reduce the inequities women face as they age.

ECONOMIC REALITIES FOR OLDER WOMEN

Every year the Older Women's League issues a Mother's Day report on the status of midlife and older women looking at particular issues such as health care, housing, and violence. This year's report, The Path to Poverty, examined the state of women's income in late life.

Unfortunately, I have to report our findings reveal that for many older women, life is bleak. Almost three-fourths of the four million older poor people in the United States are women. In 1993, women comprised 60 percent of all older Americans but 73 percent of poor Americans age 65 or older.

Four of ten older women living alone are poor or near poor, and an additional 16 percent were near poverty.

Older African-American and Hispanic-origin women are especially vulnerable to poverty. In 1993, twenty-eight percent of African-American women and 22 percent of Hispanic women age 65 to 74 lived in poverty--as did 36 percent of African-American and 32 percent of Hispanic origin women over age 75.

Marital status often determines whether older women are poor. We have found that widowhood often leads to poverty. Almost four times more widows live in poverty than do wives the same age. Separated and divorced older women are substantially poorer than widows and unmarried women, and all are poorer than wives.

The future is bleak also for older women of the future. Projections indicate that by the year 2020, poverty will be practically ended for older men and couples, but poverty will remain widespread among older women living alone.

The path to poverty late in life begins with lower wages earlier in life. Fewer older women in the decades to come will have access to a husband's retirement income. Late marriages, higher divorce rates and greater longevity mean that women are spending more of their lives unmarried. During the 1980s, the number of single women grew faster than the number of married women--the population of widows grew nine percent and the number of divorced women increased by 44 percent.

THE SUPPLEMENTAL SECURITY INCOME (SSI) PROGRAM'S IMPORTANCE TO OLDER WOMEN

Twenty-three years ago, the Supplemental Security Income program was created by Congress to help our country's poor aged, blind, and disabled meet their most basic needs. The program was designed to supplement the income of those who do not qualify for Social Security benefits or whose benefits are not adequate for subsistence. SSI has kept many people of all ages, including older women, from destitution. The maximum federal SSI benefit of $458

for an individual represents only 75% of the poverty line and the maximum benefit of $687 for a couple reaches only 90% of the poverty line.

More significantly, the average benefit for aged SSI recipients of $347 brings individuals only up to 59% of the poverty threshold for persons over age 65. Half the states provide additional supplements but not enough to raise recipients' income above the poverty level.

We frequently hear from older women who are in severe economic straits after years of giving of themselves to others. For example, one woman receiving $5,304 from Social Security and $1,176 from SSI for a yearly total of $6,480 is trying to survive in a deteriorated house. She has a leaking roof requiring her to use pots, pans and newspapers, her window sills are rotted and her cement stoop is falling down. She notes:

> "As I look back on my younger years I sometimes feel I should not have had a 100% volunteering life....chaplain in the Veterans of Foreign Wars Aux., den mother, co-leader of Brownies and Girl Scouts, conductress and vice pres. in Vol. Fire Dept. Ladies Aux, volunteer nurse at county hospital during nursing shortage and so many more organizations. I cared for everyone because I knew folks needed me. Today I'm trying to survive in a below poverty situation."

The SSI program is very important to women, particularly older women: one fourth of all SSI recipients are older women, and nearly three-fourths of aged recipients are women. Sixty-four percent of SSI recipients age 65 and over, the majority of whom are women, receive Social Security benefits in addition to their SSI.

However, over one million older women eligible for SSI benefits are not receiving them. For example, one of those who is possibly eligible writes to OWL:

> "I am a widowed lady, who is on Social Security only. Am 71 years of age. Have my own mobile home but rent and utilities are between $550 and $600 a month which doesn't leave much for food and other things one must have to live. I was wondering if you could tell me if there is any help I can get. I am unable to work and under a Dr.'s care."

This woman sought assistance, most do not. The General Accounting Office found that only 28 percent of aged individuals who are eligibile actually receive SSI. SSI outreach must be continued.

Any changes Congress is considering making to the SSI program will affect older women disproportionately.

REDUCTION IN SSI INCOME DISREGARD

I would like to frame my testimony today on reduction in the $20 monthly general income exclusion within a historical context.

The $20 exclusion was set at the beginning of the SSI program. It was intended to assure that persons who had previously worked in the labor force would receive somewhat higher monthly income than those who had not. It was believed that the exclusion would most often apply to Social Security benefits.

The amount of the exclusion, however, has never been increased although the federal benefit standard has more than tripled. For example, the maximum monthly federal benefit in 1974, the first year the SSI program was operating, was $140 for an individual and $210 for a couple. Today, the maximum monthly federal benefits are $458 and $687 for individuals and couples respectively.

A few years ago, our organization was represented on the SSI Modernization Panel, which was chaired over a two year period by former Health, Education and Welfare Secretary Dr. Arthur Flemming. Under Dr. Flemming's leadership and Social Security Administration (SSA) Commissioner Gwendolyn King's interest and commitment, the panel closely examined the SSI program through hearings and site visits, and received recommendations for changes from throughout the country. The panel's report for improving the SSI program was published in 1992.

The experts on this panel also examined the $20 monthly general income exclusion. They believed that the first priority was to raise the federal benefit standard to bring SSI recipients up to at least the poverty level. Until that was achieved, the panel recommended a one-time increase in the exclusion to $30, restricting it's application to unearned income. It was a consensus that this would simplify the program and if the restriction of the exclusion to unearned income only was accompanied by an increase in the basic earned income exclusion, the restriction would not cause any recipient to lose SSI benefits.

Yet some members of Congress are proposing not an increase but a $5 reduction. We are deeply concerned about the affect this will have on older women. While $5 a month may not sound significant to members of Congress and indeed most persons in Washington, it is important to keep in mind that the average--not the maximum--SSI benefit for aged beneficiaries is only $347 a month.

The reduction would affect a little over 3 million aged, blind, or disabled people; this figure represents 48.2 per cent of the SSI eligible population.

Seventy percent of aged SSI recipients would be affected--about 1 million persons--the vast majority of whom are women. In addition, 40 percent of disabled SSI recipients would also be affected--another 2 million individuals.

Reducing the general income disregard by $5 will have the effect of reducing each eligibile person's SSI benefit by that same amount. While the loss of a $5 SSI check, of itself, would not appear to cause hardship, the loss of SSI eligibility certainly would. Where the individual's SSI benefit is $5 or less, the change will result in ineligibility.

DOMINO EFFECT

The loss of SSI eligibility for an aged, blind, or disabled person may also result in the loss of needed Medicaid coverage or eligibility for other programs' services or benefits--such as food stamps--essential for the individual's well being. The food stamp program has been the subject of earlier hearings this year and there are also proposals in Congress for altering that program. Even if there were no other changes in eligibility for the food stamp program, this reduction provision could affect food stamp eligibility.

Medicaid is a primary source of funding for long-term care. The program pays for half of all nursing home care and one-fourth of home care in the United States. It pays for some of the precription drug costs of older Medicaid program participants.

And, very importantly, Medicaid pays for Medicare out-of-pocket costs--premiums, copayments and deductibles--for poor older persons.

Nearly 1.5 million women over age 60 receive food stamps. In 72% of elderly households, the food stamp participants live alone, of which 80 percent are single women. The average monthly benefit for these households is only $45, but again that small amount can make the difference between subsistence and quiet starvation.

As with SSI, women comprise three-fourths of Medicaid beneficiaries over age 65. Over three million older women are Medicaid beneficiaries. Of women over the age of 85, one million depend on Medicaid to meet their health care needs.

The question I would pose to this subcommittee is: "How are these people going to survive?"

CONCLUSION

This subcommittee has jurisdiction over the SSI program, a program that is essential to the survival of six million individuals.

The proposal to reduce the $20 income exclusion is not a forward step. Instead, it complicates and jeopardizes the lives of a large segment of the SSI population--older women.

Mr. Chairman, members of the subcommittee, under most circumstances I would use words such as "recommend" or "urge" or "encourage" in making a suggestion or request of members of Congress. However, today, I plead with you to reject the proposal to reduce the $20 income reduction in the SSI program.

Chairman SHAW. Thank you, Dr. Marshall.

Mr. McCrery will inquire.

Mr. MCCRERY. Thank you, Mr. Chairman. Thank all of you for joining us today. Your testimony has been excellent and informative, and I know that all the members of the subcommittee would join me in saying that we have learned something from listening to you today.

Before I get into some questions concerning child support enforcement, I want to say to Mrs. Marshall that the proposal is simply in the proposed budget, which is not binding on this subcommittee. We are going to be looking at that and a number of other proposals with regard to SSI. So we really appreciate the input that you have provided us today on that question.

Ms. MARSHALL. Thank you.

Mr. MCCRERY. Ms. Burke, does Texas have a cost recovery system right now?

Ms. BURKE. No, sir, not a formal cost recovery system. We primarily recover court costs, service of process fees, and paternity testing fees. We don't do it well.

Mr. MCCRERY. Have you looked at instituting a formal procedure for cost recovery?

Ms. BURKE. We have looked at it. We have never really come to any conclusion on how we could administer it. It is like every idea that we came up with, we would be spending a dollar to collect $0.10. We will be looking at hiring an outside private contractor on a percentage basis to collect attorneys' fees, court costs, filing fees, paternity testing fees, and those types of things.

Mr. MCCRERY. So you are not opposed to some system for at least the non-AFDC caseload that would recover some of those costs if you could figure out a good way to do it?

Ms. BURKE. That is correct.

I have some concerns. The majority of our non-AFDC caseload are former AFDC recipients that are literally living on the edge. We are not very generous with our welfare benefits in Texas, so it is easy for us to get people off welfare by collecting child support. I do believe, though, that those who have never received public assistance would be a target for some sort of fees, whether a registry fee, percentage fee, or whatever. If we could find a very simple way to do it that doesn't require reprogramming a lot of computers, which is a cost to the States and to the Federal Government.

Mr. MCCRERY. Ms. Kaiser, what is your experience in Idaho with respect to the cost of administering the system versus what you collect?

Ms. KAISER. My experience has been that it doesn't cost us any more to recover our costs than to collect child support. If we don't collect any support we get nothing, but we collect from a portion of the support we collect in the future.

Most of the folks who come to us who would incur legal fees who are not on welfare have no collections coming in. That is why we have to go to court, to have either no order—in many cases, it is a paternity or establishment case with no order or they have an order and are getting no collections. We not only need to take legal action, but we need to get money coming in. Having obtained the

money, then it is an easy matter of dividing it between the applicant and ourselves in terms of cost recovery.

Mr. MCCRERY. Do you think that Congress ought to mandate that the States implement a cost recovery system?

Ms. KAISER. I am very opposed to mandates. I think this is a really sensitive area, one that has been left up to the States with good reason. You have to consider the needs of your own citizens, their circumstances. It has to be done with compassion and supported politically.

The remedy we fashioned in Idaho may not work in other States for political or other reasons, and I think each State should have the option to look at this as a method of funding the program without a mandate.

Mr. MCCRERY. Ms. Smith, I assume you would be opposed to a mandate.

Ms. SMITH. Yes, for the same reasons that Ms. Kaiser indicated.

The biggest concern that we have for not imposing costs on nonwelfare families is—particularly on cases that are paying—that the cases that are paying are the ones that don't cost us very much to process. You may have the effect of discouraging parents who have a wage assignment that is in place from staying with the program. They will opt out, and then the noncustodial parent will change jobs, and the money will stop coming in. Then they will come back with a big arrearage, and it will cost a lot of money for us to get the case back up on the system.

We are at a point now where we have high use of automation. We track people when they move from job to job within a few weeks, and we can keep those cases going. The ones that don't pay are costly, and we ought to be focusing on those who do not pay. I know it sounds a little contradictory, but once you catch up with the ones who have built up arrearages and haven't paid, over time that money will come in. But if we are going to have any cost recovery, it ought to be focused on the cases that are costing the system, not the easy cases.

I am very concerned about a percentage of collection approach. It will cause collections to go down, because the easy cases will go elsewhere. We will be stuck with the ones that don't produce and take a lot of work to process.

Mr. MCCRERY. Thank you, Mr. Chairman.

Chairman SHAW. Mrs. Kennelly.

Mrs. KENNELLY. Thank you, Mr. Chairman.

Ms. Burke, I want to ask you, where was the child support enforcement office before it was at the Attorney General?

Ms. BURKE. It was in the Department of Human Resources, which in Texas is our welfare department.

Mrs. KENNELLY. I commend you. For years I have advocated if we could get child support enforcement in some agency that understands what we are talking about and how you have to enforce the law—putting it in the Attorney General's office I think is an excellent idea.

Under present law, it is optional for a non-AFDC family to be charged $25 for the State service for collection for non-AFDC families. Not too many States, in fact, insist on that $25. Would you

look at this differently if we mandated that $25 fee to non-AFDC families?

Ms. BURKE. If you mandated it, we would collect it.

Mrs. KENNELLY. It would be simpler than the suggestion you have.

Ms. BURKE. It would be a lot simpler. You would only be looking at the cases that come into your caseload by application; that is, by choice, rather than people coming to you either because they are on welfare or they were formerly on welfare.

Mrs. KENNELLY. That is a good point.

Mr. Chairman, I would like to put this fact into the record, that about one in two non-AFDC families receiving assistance and collecting child support have family incomes less than $21,700, which is below 200 percent of poverty. I am worried that this recommendation has the possibility of doing exactly what we don't want to do, forcing families into welfare rather than helping them get off.

Ms. BURKE. The average child support payment in Texas is $250 a month. Fifteen percent of that is a considerable reduction in income for a lot of these women who receive child support in Texas, and we have a concern about that.

Mrs. KENNELLY. So do I.

Would anybody else like to comment?

Ms. SMITH. That is our concern as well. Our average order is a little higher for nonwelfare families, but about half our nonwelfare families are former welfare recipients.

We estimate we get about 4,700 new applications a year. If you multiply that by $25, it is over $100,000, not a major chunk of change to make it worth the additional paperwork.

Again, it is partly the way you manage the program. Massachusetts has really focused its efforts on families that are at risk of being on public assistance, unlike States like Ohio or Michigan where virtually every case is required to go through the system regardless of income level and they don't have an option about participating.

The issue of mandatory fees in those States is quite different than mandatory fees in a State like Massachusetts which is quite deliberate in not wanting to have universal services. That is an area where States vary significantly. There is quite a bit of controversy about whether it should be universal, opt in, opt out, and so on. It has to do with defining the mission of the program. It is something that we have struggled with in H.R. 4—is it to keep people off welfare, or is it to recoup welfare costs? With the best of intentions often we do something that has consequences that we didn't expect.

Mrs. KENNELLY. Who is in charge? Where is the child support enforcement office?

Ms. SMITH. It is in the Department of Revenue. The program was transferred from the Department of Public Welfare 8 years ago. It has had extraordinary success by that transfer. It shook up the apple cart, caused people to look at things in a new way. We learned a lot from being in the Tax Department and using automated enforcement remedies in data matches to collect support.

I think a lot of these provisions are reflected in H.R. 4, which is a reason we think it is such a strong bill. It will cause change everywhere, but I think it will be change that will really pay off.

Mrs. KENNELLY. Thank you. I love to hear people who do one thing all day and know all about it.

Chairman SHAW. Mr. Collins.

Mr. COLLINS. Thank you, Mr. Chairman.

Ms. Burke, did I understand you to say that all cases, AFDC and non-AFDC, go through the Attorney General's office unless there is an opt-out agreement?

Ms. BURKE. No, sir. We have pilot projects in seven counties in Texas where we assist the county in monitoring the non-IV–D cases, and those are generally new divorces.

When they go delinquent they are automatically referred to the Attorney General's office. Under current law, we are required to send them an application. If they mail it back, we can take enforcement action. Half of those custodial parents will mail it back to us, and our collection rate in those cases, depending on the county, ranges from 65 percent to 85 percent.

What we are advocating is a system whereby we can bring all child support cases in the State into the IV–D system without requiring an application, let those that want to opt out, opt out. In these cases our cost-effectiveness is $24 collected for a dollar spent, and we believe that by early intervention on these cases there are a lot fewer people in Texas that are going to end up going on welfare because they have been divorced.

Mr. COLLINS. I just misunderstood. That is a program you would like to see rather than one that you have today.

One other question because we have a time restraint. In a case where you have an opt-out agreement and the agreement is violated, what happens then? What would you suggest happening then?

Ms. BURKE. Then I suggest that either parent be able to opt back in by application.

Mr. COLLINS. It would come to you then, and then you would go with a payroll deduction?

Ms. BURKE. Absolutely.

Mr. COLLINS. That is all I have. I believe I have heard that suggestion made before. Thank you.

Chairman SHAW. Mr. English.

Mr. ENGLISH. Thank you, Mr. Chairman.

Dr. Marshall, you mentioned in your testimony that over 1 million older women eligible for SSI benefits are not receiving them. Where does that figure come from?

Ms. MARSHALL. Most of the statistics we obtained came from the Social Security Administration.

Mr. ENGLISH. You also state at one point in your testimony that some individuals have an SSI benefit of, I think, less than $5, meaning that lowering the income exclusion by $5 would make them ineligible for any SSI benefit. Do you know how many people would be removed from SSI eligibility if that particular change were made?

Ms. MARSHALL. I don't have the figures as to how many would actually be removed.

Mr. ENGLISH. Thank you very much.

Thank you, Mr. Chairman.

Chairman SHAW. Mr. Rangel.

Mr. RANGEL. I want to follow that same line of questioning, Dr. Marshall.

There was a time in this great republic that when you were poor, aged, blind, and disabled, this would be the last group in the world that you would want to hurt. As we fight to decrease taxes and cut programs, I would have hoped that the most vulnerable people among us, old folks, would have been given additional protection. Now we are trying to make it worse.

In addition to that, as you responded to Congressman English, even though you may not have the amount, clearly that $5 can make a difference not only in eligibility for SSI but for food stamps and Medicaid, and it can throw people over the brink just because there has to be a cutoff period.

Where are the churches, synagogues, Moslems, Jews, and Christians? If they are not to be heard on this, it is about over. Because from what I understand from colleagues in the Congress, basically, you people should be serviced by charitable organizations anyway. Of course, we have a new bill which will prevent contributions from receiving tax benefits. So it looks like you are in a catch-22 where people are saying you had no right to get old in the first place.

What support do you get? If you're not getting it from your Congress, where do you go?

Ms. MARSHALL. That is true. It fits in with the example of the lady who volunteered all her time and when she needs help she can not get it.

It makes us look at what has happened not only with the older people but with the blind and the disabled if they lose everything and they cannot count on the community resources because they don't have it to give nowadays, as they did before. So we look toward Congress and expect and hope that Congress will do the right thing because these people have no other means of support.

The reduction in SSI and Medicaid eligibility may reduce Medicaid and Medicare costs but it also takes away all the basic things the most vulnerable need to survive, and they have no other place to get it without coming back to Congress for it.

Mr. RANGEL. You have no hope that Congress will take care of the poor, sick, aged, and the disabled do you? Have you seen anything that has happened this year——

Ms. MARSHALL. I have not. It is my hope and the hope of all the seniors that we work with, as well as those who are disabled, that the idea of what they are going to lose would be ameliorated in the fact that Congress understands this is a need and that these are people that have done all they can, they have worked, have earned, and have put their money into Social Security, and are now in need of some help.

Mr. RANGEL. Let me congratulate the Chair for having these type of hearings where the decisions that we are going to make for budget purposes—at least we would know the impact of these cuts and we would never be able to say that we just didn't know what we were doing. I think that the chairman has constantly displayed a sensitivity to this and other issues.

I never thought I would see the day when we were trying to save money that this would be a group that would put their names down, not because we are just a great country and we always provided leadership in this area, but because the issue is just something that has been instilled in us as human beings. That when you are fragile that this is the group you come to first to give help to.

Thank you for hanging in there, and some of us will do all we can to make certain that this fragile group is protected.

Ms. MARSHALL. Thank you. We have material to share with you if you need some.

Mr. RANGEL. Thank you, Mr. Chairman.

Chairman SHAW. Ms. Dunn.

Ms. DUNN. Thank you, Mr. Chairman.

Ms. Smith, I wanted to ask you a question. During our hearings, as we were developing the child support portion of H.R. 4, we heard several times from people from your State, from your Governor and others, and were impressed with what we heard. We came to the conclusion that Massachusetts has one of the best child support systems in the Nation.

I wanted to ask you a question about paternity establishment because that was important to us in making sure we streamlined the whole process. It is very important to establish who the parent is so that we can establish the supporter of the child. What is your percentage now of establishment of paternity in the State of Massachusetts?

Ms. SMITH. With respect to children born out of wedlock, the newborns, we started our in-hospital paternity program about 1 year ago, in implementing OBRA 1993 somewhat in advance of its effective date. We set our program up differently from other States in that we worked very cooperatively from the beginning with the Department of Public Health and the Registry of Vital Records.

At this point, we have 54 percent of the parents in the hospital signing the voluntary acknowledgment of paternity and another 10 percent signing the acknowledgment within a few weeks after they leave the hospital.

The average around the country for these programs is about 45 percent, even for programs that have been in operation for several years. The reason we think that we get such a good response is because the father can't put his name on the birth certificate unless he also signs a voluntary acknowledgment of paternity.

Most parents want the father's name on the birth certificate. The parents are together at the time of birth, and that is a strong incentive to sign the acknowledgment.

Once the acknowledgment is signed, under current law it is a rebuttable presumption for 1 year. Either parent has an opportunity to come in and request a blood test and to set aside the acknowledgment. At the end of the year it becomes a conclusive presumption and is the equivalent of a court order.

We are very supportive of the provision in H.R. 4 that would take that period from 1 year down to 60 days because we think it is important for people to make those decisions and for the process to be able to go forward.

The important thing is that we are picking up paternity establishments outside the child support enforcement context, so it separates paternity establishment from the so-called "welfare cop" and the kind of tough enforcement image that the Department of Revenue has which might discourage parents from signing up if they think the Department of Revenue is going to be on their trail as they walk out of the hospital.

We think that has made a big difference in getting people to be cooperative. Because they see it through the medical records process. They see it through the registry of birth records process.

That is one of the reasons I mentioned earlier that it is important for us to be able to work with these registries and provide some Federal funding for the databases, so that when people go on welfare later on we will already have the record available.

As soon as the case comes from the welfare department, we will know. Paternity establishment has been done. We will have the name and Social Security number, and we won't have to establish paternity through the court process. The court process will just be used for establishing a support order, and most of that can happen through voluntary agreement because of guidelines.

So we are very enthusiastic about H.R. 4 provisions of paternity.

Recognizing what Ms. Burke is saying about the prescriptive nature of H.R. 4, it seems to me that that is an area where it is so important to get uniformity nationally and to have a very tough stance, that we cannot afford to let these kids go without paternity being established.

Ms. DUNN. When do you think that Massachusetts will be able to reach that 90 percent standard?

Ms. SMITH. We are working now on setting our goal. I think it will take a few years. We are trying next year to hit 75 percent. Every time you add a percentage point, the marginal difficulty increases. This is just a guess—within 5 years. We haven't started an extensive outreach program yet, but it seems to me that that is something that we should be striving for.

I think it will be very hard. It will take a lot of public awareness, a lot more effort than just child support enforcement agencies. It will take the involvement of Governors in every State. It will take the involvement of public health officials both at HHS and at the State level to change the culture, similar to the way we have done with smoking and drunk driving. I think that is what it will take.

If we are going to have that kind of ambitious goal, which is moving in the right direction, we have to put a ton of resources behind it. You can't just leave us on our own. We will never make it by ourselves.

Ms. DUNN. I think that is a very useful comment. Thank you.

Chairman SHAW. Do either of the remaining two Members have questions?

Thank you.

I would like to thank this panel. These are two very important subjects. Mixing them is awkward, but I think we got through it very well. I wanted to be sure that we had a chance to hear the views of all of you.

Ms. Smith, it is nice to have you back. You and the Governor were a tremendous help.

Ms. SMITH. We are very pleased with the work that you have done and are very enthusiastic about seeing this act go into effect.

Chairman SHAW. Thank you.

We have an in-town witness with an out-of-town commitment, an old friend of this subcommittee, Mary Jo Bane. You have to leave at 3:30, and this subcommittee has to leave at 3:30.

STATEMENT OF HON. MARY JO BANE, ASSISTANT SECRETARY FOR CHILDREN AND FAMILIES, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS); ACCOMPANIED BY PAUL LEGLER, ATTORNEY ADVISOR TO THE ASSISTANT SECRETARY FOR PLANNING AND EVALUATION

Ms. BANE. Thank you, Mr. Chairman. It is a pleasure to be here again. With me is Paul Legler, the attorney advisor to the Assistant Secretary for Planning and Evaluation. He has been significantly involved in the child support enforcement effort.

I appreciate your invitation to talk about the extensive reforms under consideration in both the House and the Senate. The administration considers child support enforcement to be an integral part of welfare reform, and we were delighted that both the House and the Senate have incorporated the major child support system reforms that the administration proposed last year in the Work and Responsibility Act.

I think we are all in agreement that child support is a critical component in ensuring economic security for millions of single-parent families and that, despite ongoing improvements, fundamental changes are still needed. We also appear to agree on what many of those changes should be, and that is terrific. There are important differences, however.

I would like to speak to three issues today: cooperation requirements for families receiving assistance, child support disregard and distribution policies, and cost recovery policies. We have some more technical issues and concerns that we would be pleased to discuss at another point, or in writing, whenever it is convenient.

Currently, cooperating in the establishment of paternity is a condition of eligibility for aid to families with dependent children and for most Medicaid recipients. Current procedures on cooperation contain some significant weaknesses. They are vague. There are often unenforced cooperation requirements. Each of the reform proposals tries to address some of these concerns.

The administration's proposal, the Work and Responsibility Act, clearly defined both parental responsibilities and State responsibilities for paternity establishment. Under that bill, we would say to mothers, "Help us identify and locate the father of your child or you can't get public aid." At the same time our proposals would have held State child support agencies accountable for having programs that get paternity established in a timely manner.

The Senate bill takes a similar approach to that of the administration with the exception that determination is not required prior to the receipt of benefits. Also, in our view, the Senate bill is not completely clear on the responsibilities of the mother.

H.R. 4 takes an approach that we believe penalizes AFDC families with children for whom paternity has not been legally established by reducing AFDC benefits until paternity is established.

This provision would subject approximately 3.2 million children to a reduction in AFDC benefits, including cases where the mother fully cooperated in establishing paternity. In effect it punishes the child because of the action or inaction of the State child support agency, and we think that is unfair.

Additionally, the escrow scheme in the bill sets up a perverse incentive for the States by allowing States to financially benefit by failing to establish paternity before a family leaves welfare.

Ideally, we think the paternity provisions that we have proposed in the Work and Responsibility Act should be enacted. Comparing the House and Senate versions together, we believe that the Senate approach is more sensible and fair.

Next, I would like to discuss the disregard of child support and the distribution of collections. Under current law, AFDC recipients assign their child support rights to the State, but they receive the first $50 of current child support paid that is then disregarded in determining AFDC eligibility. This provides an incentive for noncustodial parents to pay child support and for custodial parents to assist the States in collecting support, while at the same time providing a direct income support for children.

H.R. 4 effectively eliminates the $50 pass-through by prohibiting the disregard of any child support paid to the family.

The Senate bill we believe is somewhat better but problematic because, while it allows the States the option to provide the pass-through, it holds them independently responsible for the cost. The administration supports the current policy on the $50 pass-through and favors giving States wide flexibility in disregarding child support above that amount.

From the broader perspective on distribution, we note that both the Senate and the House bills change child support assignment and distribution policies by putting families first. I would like to reiterate the administration's strong support for retaining those welfare prevention measures.

Let me turn to the issue of recovering the costs of the child support program.

As we understand it, the House Budget Committee report suggests that a potential $1 billion a year savings could be achieved by charging a 15-percent fee on all non-AFDC child support collections. The administration has serious reservations about imposing such a fee on single-parent families. A mandatory percentage fee on child support collections would simply reduce the amount of child support paid to the children, the vast majority of whom live in low- or moderate-income households.

Charging fees, we believe, would also make it more difficult for welfare recipients to make the transition to work and self-sufficiency, since welfare recipients are often economically vulnerable when they make the transition off welfare.

It may also affect the welfare recidivism rate. Low-income single-parent families not on welfare would have less income and might be more likely to apply or come back onto assistance.

Finally, we note that, while States have the flexibility now to charge percentage collection fees, few States prefer to do so. While we are willing to work with the subcommittee on possible alternatives, we are concerned that a percentage fee on all collections

as raised in the Budget Committee report would place what is the equivalent of a new $1 billion tax on low- and middle-class working single-parent families.

Mr. Chairman, like the other witnesses, I want to congratulate you for the outstanding work that this subcommittee and your staff have done on child support enforcement. With a few modifications, we could pass child support provisions that will have real impact on improving the lives of millions of parents and children.

We will be pleased to answer any questions that you have.

[The prepared statement follows:]

STATEMENT OF HON. MARY JO BANE
ASSISTANT SECRETARY FOR CHILDREN AND FAMILIES
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Good afternoon, Mr. Chairman and members of the Subcommittee. Thank you for your invitation to appear today to talk about the extensive child support enforcement reforms that are under consideration in the House and Senate. As you know, the Clinton Administration considers child support enforcement to be an integral part of welfare reform and we are very pleased that both the House and the Senate have included an overhaul of the child support system as a component of welfare reform legislation.

We all are in agreement that child support is a critical component in ensuring economic security for millions of single-parent families and that despite ongoing program improvements, fundamental changes are needed to reform the system. Census data shows that in 1991, of the over 11 million men and women potentially eligible for child support, 46 percent did not even have an award, and another 13 percent had an award, but actually received nothing.

We have come a long way toward addressing these issues in the bills before the House and Senate. While there appears to be agreement on the major child support enforcement provisions among the Administration's proposal and the House and Senate bills, there are some important differences that I would like to address today. Also, while not included in any pending legislation, you requested our comments on cost recovery since the House Budget Committee Report recommended an expanded cost recovery system. Finally, we have a number of more technical concerns that we would be pleased to discuss with you or the Committee staff at your earliest convenience.

Child Support Administrative Reform

The Clinton Administration has made collection of child support a top priority. This is demonstrated both by the legislative and administrative actions we have advanced, not the least of which is an annual expansion in resources for the program. As a result of this investment, state child support agencies are collecting more support -- a record $10 billion from noncustodial parents in 1994.

Some of the highlights of these administrative actions include:

- With President Clinton's leadership, Congress passed a requirement in 1993 for states to establish hospital based paternity establishment programs. Already, this measure is rapidly increasing the number of paternities established voluntarily.

- Under Justice Department leadership, cases involving delinquent parents who cross state lines in order to avoid paying child support are being aggressively investigated and prosecuted.

- On February 27 of this year, President Clinton signed an executive order to make the federal government a model employer in the area of child support enforcement. That order requires all federal agencies, including the Armed Forces, to cooperate fully in efforts to establish paternity, and to ensure that children of federal employees are provided the support to which they are legally entitled.

One of the most exciting things we are doing is building a true partnership with the states in strategic planning under our Government Performance and Results Act pilot, or GPRA. Under GPRA, agencies are to develop long term strategic plans and annual performance plans and to set goals and objectives for programs and measure and report on the results. On February 28, 1995, we reached consensus with the states on a child support enforcement strategic plan for FY 1995-1999. Also in this context, child support agencies are developing laboratories of reform through State demonstration projects. The Office of Child Support Enforcement asked states to submit requests for such demonstrations with the hope of approving six projects. However, states were so enthusiastic about this new partnership--30 states submitted proposals for demonstrating creative ways to increase child support collections and paternity establishments--and all have been approved. For example, Florida is talking with us about piloting a new system to identify Social Security numbers. Seattle, Washington is testing a Pro Se Family Resource Center that provides "do it yourself" assistance in preparing and filing many kinds of child support actions. While most of these projects are individual state or local efforts, several of our regions are working in new partnership with their states to combine energies for greater impact. In New England they are developing an interstate compact where they will act as if there are no State boundaries for the purposes of collecting child support on interstate cases. They will be able to quickly share information about parents and their potential income and resources.

The pending child support legislation also embraces this new performance and results driven focus on the program. The President's model for child support reform included a performance driven incentive system for the child support enforcement program that we are very pleased to see incorporated in both the House and Senate versions of the measure.

Child Support Legislation

We believe these administrative steps will serve to complement the larger reforms on the horizon. Five major child support enforcement provisions were included in President Clinton's welfare reform proposal that would make a particular difference in increasing child support collections: streamlined paternity establishment, new hire reporting, license revocation, uniform interstate child support laws and increased use of computers and automation in state collections. These five improvements would increase child support collections by $24 billion in the next ten years and reduce federal welfare costs by $4 billion over the same period.

The Administration proposal was developed in close consultation with State and local child support directors, business organizations, and advocates. It was based heavily on the recommendations of the U.S. Commission on Interstate Child Support Enforcement, a commission established by Congress as part of the Family Support Act of 1988, and it incorporated the best state practices from around the country that have already proven successful. The Administration proposal was used as a model for all of the major child support bills introduced in Congress this year. Indeed, most of the major child support provisions were

incorporated by this Subcommittee in its welfare reform bill, H.R. 4. License revocation was added as an amendment on the House floor at the urging of the Administration. The child support enforcement provisions in the Senate Finance Committee bill are very similar to H.R. 4, although there are some differences that will need to be resolved. In our view, improvements can be made to both of these bills, and while most are technical in nature, we believe that a few have important ramifications for children and families.

I would like to limit my testimony to what we view as the most important differences in the House and Senate bills--cooperation requirements for families receiving assistance and child support disregard and distribution policy. I will also deal with cost recovery, as requested in your letter. I will be happy to answer any questions you may have on any remaining issues following my statement.

"Cooperation" and Paternity Establishment

Currently, cooperating with the establishment of paternity is a condition of eligibility for Aid to Families with Dependent Children (AFDC) and Medicaid recipients. If an AFDC parent does not cooperate with the child support agency, the public assistance agency has a responsibility to impose a sanction (loss of the parent's share of the AFDC grant), unless the parent is determined to have a "good cause" for her action. The AFDC agency currently has the responsibility to make the cooperation determination and impose a sanction if the mother fails to cooperate.

Because a number of problems with the current rules and procedures have been identified (such as, delayed interviews, vague and often unenforced cooperation requirements, poor AFDC and Child Support Agency communication and a slow, labor intensive process for paternity establishment), each of the three proposals for reform address the cooperation issue.

The Work and Responsibility Act clearly defined the responsibility for paternity establishment. We would say to mothers, "Help us identify and locate the father, or you cannot get public aid, because parents have the primary responsibility for supporting their children." But at the same time, we would hold the state child support agencies accountable for having programs that get paternity established in a timely manner. We would require an up-front determination of cooperation, prior to receipt of benefits, and clearly specify both the responsibility of the IV-D agency to determine cooperation and the responsibility of the mother to cooperate under a strict definition of cooperation. The legal process for establishing paternity would be streamlined. The Senate bill takes a similar approach to that of the Administration (with the exception that it doesn't require the determination to be made prior to receipt of benefits and it is not as clear about the responsibility of the mother).

H.R. 4, however, takes a different and troubling approach that ignores the complexity of establishing paternity. Put simply, it penalizes AFDC families with children for whom paternity has not been legally established by reducing AFDC benefits until paternity was established. The penalty would either be $50 or 15 percent of the child's portion of the monthly benefit, whichever the state elects. Once paternity was established, the monies withheld as a penalty would be remitted to the family.

This provision would subject approximately 3.2 million children to a reduction in benefits. These children would have their benefits reduced **even if** the mother fully cooperated in establishing paternity. Although the bill does contain the

streamlined processes for establishing paternity, paternity establishment will still require a legal determination that will take time and the children would be subject to the reduced benefit for that entire period of time. In effect, the children would be punished because of the action or inaction of the state child support agency. This would be compounded in cases in which the father lives in another state. That is unfair. Children should not be punished when the state is at fault for not quickly establishing paternity.

Additionally, this escrow scheme sets up a perverse incentive. Since the money held in escrow would presumably revert back to the state if the mother left welfare and paternity was still not established, states could financially benefit from failing to establish paternity.

Ideally, child support enforcement reform should contain all of the paternity establishment provisions provided in the Work and Responsibility Act. In comparing the House and Senate versions, the Senate approach is closer to that of the Administration and is much more sensible and fair.

Pass-through and Disregard Policy

Under current law, AFDC recipients assign their rights to child support payments to the state as a condition of receipt of AFDC benefits, but they are entitled to receive a pass-through of the first $50 of child support paid for the month that is disregarded in eligibility determinations. This disregard is intended to provide an incentive for noncustodial parents to pay child support and custodial parents to assist states in collecting support. For low income fathers, whose children are on AFDC, this is their only direct financial contribution that reaches the family. In addition, it provides direct income support for the child. For example, in a low benefit state that may only pay $150 per month for a mother and two children, an extra $50 per month can mean the difference between the children having a new pair of shoes for school or going without.

H.R. 4 effectively eliminates the $50 pass-through by prohibiting as a condition of a state's block grant payment the disregard of any child support paid to the family. This not only eliminates state flexibility to maintain the current $50 pass-through but also eliminates current state flexibility to maintain various other disregard and pass-through policies that several states are now using under welfare reform waivers. The Senate bill is somewhat better, but still is problematic. While it technically allows a disregard of child support, the state would be penalized because it would have to pick up the full cost of the disregarded amount, rather than sharing the cost with the Federal government, as under current law.

The Administration supports the current policy on the $50 pass-through and favors giving states wide flexibility in their disregard policies. At a minimum, the language should be clarified to provide a state option to maintain current pass-through and disregard policy.

From a broader distribution perspective, and consistent with the Administration's proposal, we note that both the House and Senate bills change child support assignment and distribution policy by putting families first. The bills make two changes to accomplish this--first, families would no longer assign to the state child support owed to them for periods when they were not receiving AFDC benefits; and, second, when families leave welfare they would be paid any arrearages owed to them before the state could recover AFDC benefit costs. I understand that these changes are being questioned at this time, and I wanted to reiterate the Administration's strong support for retaining both of these

provisions. These changes in assignment and distribution policy serve as a welfare prevention measure because they provide financial support to those who have left welfare for work. In addition, they serve as an incentive for the non-custodial parent to pay arrears because the family would directly benefit.

In summary, the Senate Finance Committee bill made some improvements over the House passed version. The Senate Finance Committee bill added some provisions, such as passport restrictions, rights to notifications and hearings, and a child support guidelines commission, which we support. A number of changes of a technical nature also were made. These changes as well as the technical changes I referenced earlier should be included in the final bill. We look forward to working with you on these issues over the next several weeks.

Cost-Recovery

I would like to turn now to an issue that does not originate in the welfare debate per se but was included in the House Budget Committee Report -- the issue of recovering the costs of the child support program. As we understand it, the Committee Report suggests that a potential $1 billion per year savings could be achieved by charging a 15 percent fee on all non-AFDC child support collections. This fee would be imposed in <u>every</u> case off the top of collections where the family is not on AFDC.

The Administration has serious reservations about imposing such a fee on single parent families. A mandatory percentage fee on child support collections would reduce the amount of child support paid to the children for whom the support is ordered. The vast majority of persons who receive child support enforcement services have low or moderate incomes. In fact, of those requesting help in 1991, fully 73 percent had income below $32,580.

Charging fees could make it more difficult for welfare recipients to make the transition to work and self-sufficiency. Welfare recipients are often economically vulnerable when they make the transition off welfare and charging them with a fee on their child support as soon as they go off welfare, may make the transition more difficult. It may also affect the welfare recidivism rate; low income single parents not on welfare would have less income and might be more likely to apply or reapply for assistance.

We would note that states have flexibility to charge percentage collection fees now. Experience shows that almost all states prefer not to do so however, recognizing that either the fees will be uncollectible, given the existing requirement that child support must be paid before fees are retained, or that they will effectively reduce the support available to the family. Currently only 15 states charge some type of cost recovery fee and, of those, 4 collect solely from the individual owing the support.

The Administration does not oppose fees in general. In some cases, it is entirely appropriate to charge fees, interest, or penalties on noncustodial parents who are capable of paying child support but fail to do so, and so long as those fees are not passed on to the custodial parent. We are willing to work with this Subcommittee on possible alternatives. We are concerned, however, that a percentage fee on all collections would place a new billion dollar tax on single parent families. This would hurt millions of low and middle class families. We believe that states should retain the option of determining whether a cost recovery policy meets their program philosophy and to design the scheme that would best fit the states' need.

Conclusion

Once again, Mr. Chairman, I want to congratulate you for the outstanding work that this Subcommittee and your staff has done on child support enforcement. With a few additional modifications we could pass child support provisions that will have real impact on improving the lives of millions of parents and children. We in the Administration look forward to working with you further on this issue. I would be pleased to answer any questions that you may have at this time.

Chairman SHAW. Thank you. I would also like to thank you and the administration as to this one portion of the bill. I think we had some great cooperation.

Mr. Collins

Mr. COLLINS. No questions.

Chairman SHAW. Mrs. Kennelly.

Mrs. KENNELLY. Madam Secretary, how long would you think it would take the average recipient of child support to reimburse the State for that collection of the 15-percent fee? How do you perceive it as you see it written out?

Ms. BANE. The 15-percent fee, as I understand the proposal, would be a 15-percent fee all the time; it is not related to the cost of actual collections.

One of the previous witnesses made the point that the collection fee would take 15 percent away from everybody for all time, irrespective of how much was actually collected. It could be very unfair to people whose costs were very low.

Mrs. KENNELLY. It could be higher than the administrative costs were——

Ms. BANE. Absolutely.

Mrs. KENNELLY. When you say that so quickly, in many cases it would be higher?

Ms. BANE. Yes.

Mrs. KENNELLY. That is why you say that rather than calling this a fee you look at it as a tax?

Ms. BANE. Yes.

Mrs. KENNELLY. Thank you.

Chairman SHAW. Mr. McCrery.

Mr. MCCRERY. Thank you, Mr. Chairman.

Ms. Bane, in the establishment of the paternity question, in the Senate bill or in the administration's proposal, how is cooperation determined? Is there some objective standard to determine whether the applicant is cooperating?

Ms. BANE. We tried to say more clearly what cooperation involves. It involves giving the name of the absent parent and giving a couple of pieces of identifying information. We spelled out some options in our bill last year.

Paul.

Mr. LEGLER. Beside the name, you would have to give information such as place of employment, school the person attended, Social Security number, things that the agency could use to track the person to serve them with the necessary papers to start a paternity action.

Mr. MCCRERY. So if the person were to say "I don't know the name of the person," is that deemed not cooperative?

Ms. BANE. Yes.

Mr. MCCRERY. So, in that instance, we could hold up payments?

Ms. BANE. Yes.

Mr. MCCRERY. Talking about cost recovery, I understand that the Budget Committee in its list of things we might do to achieve their numbers didn't intend for us to assess a 15-percent fee against every collection. It was their estimate that we might get 15 percent of collections through some means. Is it your position that

we ought not even assess some fee for recovery for middle-income families or——

Ms. BANE. It is complicated, as the previous witnesses testified. Our position is that it is a good policy to have the child support system serve a wide range of people, and it should be easy for people to come into the child support system because it is better for them to be receiving child support than to be on welfare. This is our general position.

Our own bill said that there shouldn't be application fees, that there could be some cost recovery assessed against the noncustodial parent in cases where that was appropriate. But we do think that, in general, it is better to make the system as cheap and easy as we can for folks.

Mr. MCCRERY. But, in principle, you are not opposed to recovering some costs?

Ms. BANE. That is correct.

Chairman SHAW. Mr. Nussle.

Mr. NUSSLE. Thank you.

I had a question about that. Because in reading the language out of the budget, it didn't seem to go along with what you were saying. There is certainly nothing mandatory in there. It was for middle income, I think was the intent, as well as it also indicated that the application fees are administrative nightmares, and this service fee would ensure that families are only charged when the service has been successfully performed. So I don't think it is a tax. It is a cost recovery, at the very most.

The other thing I wanted to ask you about was there has been some confusion about the amount of money that is going to be necessary in order to implement the automated data processing service through the States.

It is my understanding that the administration proposed $260 million. We pretty much adopted that as the figure. We now hear from the CBO, Congressional Budget Office, that they are suggesting that it may take upward of $400 million to implement this process.

This is, obviously, one of the more important facets of success, so we want to make sure it is done correctly. Is the $260 million earmark for the data processing enough? Is that—how are you going to be able to successfully spread that through the States so that we have a successful program?

Ms. BANE. I think we probably want to relook at that number. The $260 million was our best estimate at the time that we submitted our bill of what it would take for the additional computer requirements that were in our bill.

The bills that the Senate and the House have now passed contain some additional requirements on the States, particularly the new hire registries, which in your bill is at the State level rather than at the Federal level, and some other things as well. Our sense is that there are some new costs to the States that would be involved above and beyond what we had estimated.

I think it would probably be worthwhile to do more work on the estimates, because I believe everyone agrees that automation is a key to successful child support enforcement. We don't want to be penny wise and pound foolish here.

Mr. NUSSLE. Do you have a new estimate? The thing that concerns all of us is that that is almost double the amount. So we want to make sure that everybody gets the right information. We want it to be successful. It is not something that we are trying to underfund right off the bat.

Ms. BANE. We don't have an estimate that is done at this time. I think we are working on one.

Mr. LEGLER. The Senate bill came out of committee very recently, but we will certainly work on an estimate.

Mr. NUSSLE. Assuming that we can arrive at an agreeable and feasible number, have you thought it through at all—there is a concern on the part of the States that they get their fair share so that this is done correctly. Do you have any ideas yet on how distribution to the States will be made so that they can get their data processing services up and running?

Ms. BANE. We would have to look very carefully at when the legislation was going into effect, where the States were, and what the add-on costs would be. Devising allocation formulas is pretty difficult because you are balancing various dimensions of fairness. In our own bill we didn't specify an allocation formula. We said that the Secretary would examine all the factors that were in place. We can certainly work on this for you.

Mr. NUSSLE. Last was a similar question that Ms. Dunn asked with regard to the paternity establishment standard of 90 percent over a period of years. Based on your contact with the States, is that something that is feasible based on conversations that you have had? We have been encouraged but, just to close the loop, what have you been hearing?

Ms. BANE. Very few States are close or anywhere in that vicinity.

I think it was interesting that the child support official, Ms. Smith from Massachusetts, said that even with paternity establishment in the hospital, which you would expect to be a high percentage, they were achieving 64 percent. She noted, that is much higher than any other State.

Our own bill left the goal at 75 percent, and I think that will be a stretch for the States.

Mr. NUSSLE. Thank you.

Chairman SHAW. To follow up, Ms. Kaiser and Ms. Burke both raised the question of the possibility that we could be getting into an unfunded mandate, and we have to be cautious. We don't want this to break down because of that. So any information that you could give to the Senate would be helpful.

Ms. BANE. On paternity establishment?

Chairman SHAW. That and the computer system. We want to be sure this is costed out so we don't fall into that trap.

Mr. Rangel.

Mr. RANGEL. Dr. Bane, do you have any idea how many of these fathers are teenagers? I thought a lot more than actually——

Ms. BANE. Actually, it is quite a small percentage. The percentage of moms who are teen moms is relatively small, and the fathers tend to be older than the moms, so it is actually a very small percentage. I don't know the exact number. We can get that for you.

[The following was subsequently received:]

State vital statistics agencies report birth registration data to the Public Health Service's National Center for Health Statistics (NCHS). While information on the age of unmarried mothers is routinely gathered, states have different rules concerning recordation of information about the father for children born out-of-wedlock. Thus for the most recent year available, 1992, NCHS can only report the age of the father for 42 percent of the children born in that year to unwed teenage mothers.

In 1992, 365,039 children were born to unmarried teenage mothers. For the 153,866 births where the fathers' age was reported, only 40 percent of the fathers were also teenagers. The following table shows the percentage distribution by age of the father for children born to unmarried mothers under age 20.

BIRTHS TO UNMARRIED MOTHERS UNDER AGE TWENTY - 1992

		Fathers age							
Mothers age	TOTAL AGE SPECIFIED	under 15	15-17	18-19	20-21	22-24	25-29	30+	age not specified
under 15	2,876	115	1,235	819	394	219	75	19	8,285
15	8,737	88	2,978	2,966	1,540	768	326	71	16,722
16	19,226	58	4,614	7,101	4,063	2,249	893	248	29,795
17	31,312	35	4,506	10,687	8,361	4,948	2,175	600	42,791
18	42,605	19	3,212	12,444	12,484	8,865	4,236	1,345	53,404
19	49,110	10	1,720	9,746	14,881	13,227	7,113	2,413	60,176
Total under 20	153,866	325	18,265	43,763	41,723	30,276	14,818	4,696	211,173
Percent Distribution	100.0%	0.2%	11.9%	28.4%	27.1%	19.7%	9.6%	3.1%	

Source: National Center for Health Statistics, unpublished data

Mr. RANGEL. There should be other tools in terms of child molesting. Is that a factor in this estimate, where adults are taking advantage of younger children?

Ms. BANE. There have been recent studies of teen pregnancy that were certainly a surprise to me in that they suggest at least for the younger teenagers, a quite large proportion of pregnancies had resulted from——

Mr. RANGEL. Could you direct me to that study?

Ms. BANE. Yes.

Mr. RANGEL. President Clinton signed an executive order requiring all Federal agencies to facilitate the payment of child support. What does it do and how does it work?

Ms. BANE. Basically, it tries to make the Federal Government a model employer. It says that the Federal Government, as we expect other employers to do, should comply with child support enforcement actions relating to its employees, it should attach their wages, if necessary, and so on. I think it is a very important order. We are well on the way to putting it in place and making sure that we act like a model employer. We are working very hard with DOD and other departments who are cooperating in making sure that we do put these procedures in place.

Mr. RANGEL. Thank you.

Chairman SHAW. Ms. Dunn.

Ms. DUNN. Thank you, Mr. Chairman.

I was interested in Mr. Nussle's questions regarding paternity, and you heard Ms. Smith's answer earlier. I liked her answer better than I liked yours.

So I would like to encourage you and—if this 90 percent figure stays in H.R. 4 and is signed by the President—to join with us and with the States. I think 90 percent and pushing for that goal is far better than 75 percent which was your answer and which Mrs. Smith says she will achieve in her State by next year. I would like to invite you to join with us.

I want to make this into a huge educational campaign. If we put together the sort of public relations campaign that was put together by private industry and by government on, as Ms. Smith said, the whole issue of youth smoking, maybe we could get the stigma back into paternity and the creation of unwed children, which is the problem for all of us and what we are trying to solve. I hope you would look favorably toward that.

Mrs. KENNELLY. Would the gentlelady yield?

Ms. DUNN. Yes.

Mrs. KENNELLY. I want to add that, having worked with Dr. Bane over the years, I don't know anyone more dedicated to solving this problem and eliminating it completely.

I think what has happened is Dr. Bane has just become very realistic, and it would be like heaven if she could get to 75 percent, but she is very realistic that sometimes you cannot find out who the father is for a number of reasons that are fact-of-life type things. But I think she would love the 90 percent.

Ms. BANE. I certainly would.

Ms. DUNN. It is a great goal, if we could achieve that, looking at Massachusetts, within 5 years.

Ms. BANE. Absolutely. I am pleased both bills, as current law does, recognize that States need time to get to 75 percent or to 90 percent. It gives them improvement standards which I think is the real key here. This is an area where we want continuous improvement toward the highest achievable goal.

Mr. LEGLER. I might note that the national average right now is 45 percent, so we have quite a ways to go just to get to 75 percent.

Ms. DUNN. But I think with proper methods and focus that we ought to be able to get there.

Mr. LEGLER. I agree.

Chairman SHAW. Dr. Ensign.

Mr. ENSIGN. You mentioned in your testimony that there were financial incentives for the State to take advantage of their people. They would be rewarded for not giving as many services.

Implied in your testimony—and maybe this is where I was misreading it—do you feel that the States care less about their people than the Federal Government so that they would care about that money more than they would care about their people?

Ms. BANE. Of course not. My statement was about the relatively narrow cooperation proposal, the proposal that benefits be reduced, that the money be put in escrow, and then under certain circumstances that money reverts to the State.

I think what is important in establishing paternity and support orders is that we make sure everybody has a really strong incentive to do everything they can, that both the parents have every incentive to cooperate, and that the State has every incentive to invest the resources and the effort to make sure that they do their part in establishing paternity. I don't think it makes sense to have incentives in place that don't push in those directions.

Mr. ENSIGN. Thank you.

Chairman SHAW. Mr. Collins.

Mr. COLLINS. Thank you, Mr. Chairman.

I am pleased to hear both you Ms. Bane and some of my colleagues talk about the equipment, the database, as well as the hardware and software, and providing it for the States. I argued that point until I was blue in the face in some of our deliberations, the fact that we should—if we are going to require and participate in child support recovery, we should provide the equipment and the database.

The incentive here on our part is the fact that we in the past have walked into this quicksand because we, with the entitlement program called welfare, were trying to recoup some of those benefits that we were putting out.

What would be your position if we are going to provide the database, hardware and software, and the Federal registry and means of cross-checking registries to help locate, a greater incentive being that the State could keep all funds that they collected if they recovered the cost in AFDC cases?

Ms. BANE. It would certainly cost the Federal Government money.

Mr. COLLINS. Would that not be an incentive for the States to collect those funds, being we are block granting down then?

Ms. BANE. I understand. I would have to think through that proposal.

The Federal Government now, and under both bills that are being considered, pays the majority of the costs of the child support system—it is two-thirds plus incentives in your bill——

Mr. COLLINS. It gets very complex.

Ms. BANE. I think it is important that the States pay a share of that cost. This is part of what makes the system cost effective. But, obviously, we think that it is good policy for the Federal Government to pay a substantial share of the cost. There are various ways to structure incentives, such as the structure that is in the bill now where the Federal Government pays a percentage of the costs. Another is performance incentives for the States, which we very much support.

Mr. COLLINS. I can appreciate that, but I think the best performance incentive would be for the States to be able to maintain and keep all funds that they were able to recoup through collections. Thank you.

Chairman SHAW. Dr. Bane, as usual we appreciate your taking the time to visit with us and the good information that you were able to give to us.

The full committee, as we speak, has reconvened on the tax bill markup that we are engaged in, so we are going to recess this subcommittee.

We have been told that it is expected that we might finish up in the full committee room at 4:30, so those of you that are interested in listening to the other witnesses—along with the other witnesses, if you could check back here by 4:30; and if we are not ready to go, we could give a progress report.

[Recess.]

Chairman SHAW. I am going to wait just a moment and let more Members return to the hearing room, but in the meantime, if the panel could come up and seat themselves at the table. We have Nancy Ebb, a senior staff attorney at the Children's Defense Fund here in Washington; Ronald K. Henry, a partner of Kaye, Scholer, Fierman, Hays & Handler, Washington, D.C.; Harry Wiggins, vice president, Child Support Services for Lockheed Martin IMS, here in Washington; and Jane Ross, who is the director, Income Security Issues, the U.S. General Accounting Office, here in Washington.

I will hold the testimony for one or two more moments because I want to be sure somebody from the minority side is here to represent them on the questioning. We will only wait for just another few more moments.

I am going to go ahead and start the hearing. We have your written testimony so any Members that are not here can review that and bring themselves up to date.

Ms. Ebb.

STATEMENT OF NANCY EBB, SENIOR STAFF ATTORNEY, CHILDREN'S DEFENSE FUND, WASHINGTON, D.C.

Ms. EBB. Thank you for the opportunity to testify, Mr. Chairman. The CDF, Children's Defense Fund, works intensively on child support, and we believe very strongly it is a key building block toward family self-sufficiency.

I would like to focus our oral remarks on two important issues for conference, the first being distribution. We strongly support the

steps that the House took putting children first in the distribution of arrears. We think this is one of the strongest provisions in the House bill to assist families toward self-sufficiency and leaving welfare, and we hope that it will be retained in conference.

Letting children keep child support before the State is one small way of helping make up for the hardships they face when child support is not paid. Many families that don't receive child support delay going on welfare, trying to get by, using up family resources and savings and trying to avoid going on the welfare rolls. A number of them ask for child support help during this time but don't get it.

Nationally, we know that of nonwelfare families seeking support from agencies, of those with child support orders where child support should be readily collected, in nearly 6 out of 10 cases, child support is not collected. So for many of the families who are trying to delay going on welfare seeking child support services, the precipitating event for going on welfare may be the inability to get child support help in the first place.

By the time families go on welfare, many have exhausted resources. The irony of the current distribution system is that the families who have struggled longest trying not to go on welfare are the biggest losers if arrears are collected. The longer they delay going on welfare, the larger the pre-AFDC arrears and the larger the windfall for the State if the State comes first in the distribution of arrearages. Such a policy really sends all the wrong signals. If we are really trying to urge families to stay off welfare and to succeed once they leave the welfare rolls, these are the very families we should be putting first.

Children suffer when they don't get child support. This is a story from a New York teenager who was on welfare. She says:

> My parents were divorced when my twin sister and I were 4. Right after the divorce, our father visited and paid support for about 6 months. Then he stopped paying. In order to survive, our family was forced to accept welfare because without the child support payments, our mom could not earn enough to support us.
>
> To get off welfare, my mother began working two and three jobs to support us. My sister and I never really got to spend much time with our mom because she was working so many jobs. My father is angry that my mother is trying to collect child support. The child support enforcement system has let my father get away with breaking the law. It has allowed him to abandon Heather and me.
>
> My mother has always been the one that had to say no to us; no, we could not have nicer clothes, no, we could not go to the dentist, we could not go to the doctor unless it was really an emergency. The money that we should have received from my father could have paid for the basics such as food, clothing, and medical care.

It just seems fair that children like this should benefit from child support paid when they were trying to keep off welfare, but it is an investment in self-sufficiency too. We know when families go off welfare they are often very poor and particularly with time-limited welfare, it is important to help them succeed when they go off welfare for work.

We know there is a demonstrable link between the collection of child support, the decision to take a job, and the ability to stay off welfare. The best thing for those families would be regular, reliable, current support. But failing that, at least allowing them to keep the back support provides them with a very important economic cushion to help them through hard times when they are off welfare and to ensure that they will succeed.

To turn briefly toward paternity, we strongly support encouraging paternity establishment in every possible case where a child is born out of wedlock. Both the House and the Senate bills take strong measures toward that, totally denying welfare to families that do not cooperate with efforts to establish paternity. The House bill goes one step further, reducing welfare benefits even to families that are cooperating if legal paternity is not established.

We think that goes too far. It doesn't make sense if a child's family has done everything possible to cooperate with paternity establishment but it hasn't happened yet, and unfortunately, in many instances, the system just doesn't perform for children. Even when parents provide the necessary information, the system doesn't respond or responds agonizingly slowly.

An Arizona study looked at cases in which the State agency had the names and addresses of 159 alleged fathers. It also had the Social Security numbers of 109 of those men. That should be enough information to meaningfully work those cases. But 2 years later, paternity was only established in 10 cases and there are similar process studies from other cases showing long delays. Given those kinds of delays, we really have serious concerns about a policy that reduces benefits to children when there has already been a determination at the time of application that the family is cooperating.

So we hope that you revisit the issue in preparation for conference. We appreciate the work that you have done on this important issue and look forward to working with you.

[The prepared statement follows:]

STATEMENT OF NANCY EBB, SENIOR STAFF ATTORNEY
CHILDREN'S DEFENSE FUND, WASHINGTON, D.C.

The Children's Defense Fund ("CDF") appreciates the opportunity to testify about differences between House and Senate child support legislation that may arise at conference, as well as cost recovery measures proposed by the House Committee on the Budget. CDF is a privately supported charity that advocates for the interests of low income children. We work intensively on the issue of child support, a key building block in family self-sufficiency. CDF has worked hard on the House and Senate child support provisions.

We have strongly advocated for many provisions contained in the House and Senate child support bills, which we hope will be retained in conference: distribution rules that can help families succeed when they leave welfare; strengthened enforcement techniques (such as new hire reporting and centralized monitoring and collections) that build on successful state experience; and improved techniques for establishing paternity on behalf of children born out of wedlock. We are troubled, however, by proposals that penalize children -- unrealistically high cost recovery provisions proposed by the Committee on the Budget; penalties for failure to establish paternity imposed on families that are cooperating; and the elimination of the $50 passthrough for welfare children on whose behalf child support payments are made. We welcome the opportunity to express both our congratulations and our concerns.

Distribution

The provision governing when back child support owed to a family takes priority over child support owed to the state is one of the most important child support improvements made by the House -- and included in the Senate Finance Committee's markup -- to increase the likelihood of a family's success in leaving welfare. It is crucial that it be retained.

When families leave welfare to work, many of them remain very poor, and very vulnerable to a return to welfare. Child support can be a critical factor in helping families stabilize employment. The House distribution provision helps families by providing that former welfare families can keep not only current support paid on their behalf, but also back support that came due before the family went on the rolls, or after the family left the rolls.[1]

We know that many former welfare families remain vulnerable: research by David Ellwood suggests that nearly half of mothers who received AFDC returned after their first welfare "spell" ended. Many of these mothers remain very poor when they leave welfare:

- A 1995 study by Gary Burtless concluded that even full-time employment would not remove an important minority of AFDC recipients from poverty, in large part because their educational attainment and skills give them access only to very low wage jobs.

- Similarly, a study by the Institute for Women's Policy Research found that welfare parents who go to work find jobs in the lowest-wage occupations, earning an average hourly wage of $4.29 (1990 dollars).

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[1]Under current law, when a family applies for AFDC, it assigns to the state the right to collect current support, as well as any support that was owed before the family applied for welfare. Except for the first $50 of current support paid in a month, the state keeps child support collected while the family is on AFDC to offset the cost of welfare (except if the support payment is higher than the welfare payment). When the family leaves AFDC, the family gets back the right to receive current support. The state keeps the right to keep pre-AFDC support that was owed to help offset the cost of providing welfare to the family. If post-AFDC support also is due to a family, the state has an **option** about how to distribute collections of back support: the state can choose to distribute post-AFDC arrears to the family before it retains pre-AFDC arrears to offset the cost of welfare help, or it can keep pre-AFDC arrears to pay off the cost of AFDC before it distributes any post-AFDC arrears to the family. **According to the U. S. Department of Health and Human Services, nineteen states now give back support owed to the family priority over back support owed to the state.**

We know, too, that reliable child support can play a pivotal role in the decision to work and the ability to stabilize employment when a family leaves welfare:

- A 1995 study by Peter David Brandon found that the rate of return to welfare is greater among former AFDC mothers who experience highly variable spells of child support. The ability to secure quickly a steady stream of income is one of the most significant predictors of whether a family will return to welfare.

- The Institute for Women's Policy Research used Census Bureau data to conclude that welfare mothers who receive child support are significantly more likely to work than mothers who do not receive child support.

Given how vulnerable these families are, the House provision allowing them to keep back child support paid on their behalf just plain makes sense. Allowing children to benefit from support payments that help keep them off welfare is particularly important in a world of time-limited welfare, when child support payments can be the boost families need to stay off the welfare rolls and avoid bumping up against a lifetime limit on welfare.

It's especially fair that children should benefit from back child support collections because children are the ones who suffer when child support is not paid: a 1992 survey of 300 single parents in Oregon, New York, Georgia, and Ohio found that during the first year after the parent left the home, more than half the families surveyed faced a serious housing crisis. Over a third of custodial parents reported that children went without medical care when they were sick; nearly a third reported that children went hungry at some point during the year; and over a third reported their children lacked appropriate clothing, such as a winter coat.

Many of the families that do not receive child support delay going on welfare. They use up family savings and lose family resources in the effort to get by without child support and without asking for help from the state. By the time they **do** ask for welfare help, they often have exhausted the resources that could help them stabilize employment and succeed once they get back on their feet and leave welfare.

If back child support is collected that covers this difficult pre-welfare time, it just makes sense that it should go to the family. It will help them rebuild the economic cushion that sustains their post-welfare work effort and to make up for the harm the family underwent when it could not get child support and was struggling to get by without welfare.

The irony is that if states are allowed to keep pre-welfare arrears, the families that tried the hardest to avoid welfare are the biggest losers: the longer the family tried to get by without child support and without asking for welfare, the greater the pre-welfare arrears owed to them, and the greater their loss if the state rather than the family gets to keep those arrears once they are collected. Such a policy sends all the wrong signals. If families have worked hard to get by without welfare, they are the very ones we should sustain by our child support policy.

Finally, it makes sense to give arrears to families before the state because in a number of cases the family has vigorously sought child support help before going on welfare. The existence of pre-welfare arrears may reflect the failure of the child support system to perform the way it should on behalf of non-welfare families.

While states have worked hard to improve their performance for these families, the numbers show that prospects for many of them are still bleak. According to the most recent federal data, some collection is made in only 31.3 percent of all non-AFDC child support cases that have an outstanding child support order -- less than one out of every three cases.

When states have failed so dismally to help non-welfare families, they should not be rewarded by a later windfall -- the right to keep pre-welfare arrears -- if the family goes on

welfare and the state collects arrears that built up before the family went on welfare and did not get effective help from the state in collecting current support. Indeed, allowing states to keep pre-welfare arrears gives them a perverse incentive: the less effective states are in collecting current support for non-welfare families, the greater the possible benefit to the state if those families subsequently go on welfare and the state collects support owed to them before they went on the rolls.

Recommendation:

The House distribution provision should be retained.

Cost Recovery

The Committee on the Budget proposes to harvest $1 billion in savings from children by charging a 15 percent service charge for non-welfare children whose support is collected by state child support agencies. We understand the importance of recovering government funds when services are provided to individuals or businesses that can reasonably be expected to pay for them. **We strongly believe that the method of cost recovery proposed by the Budget Committee, however, saddles our most vulnerable children with a form of tax for government services that is beyond their means, contrary to the purposes of the program, and without any relationship to the value of services provided to them.**

We oppose the proposed cut for the following reasons:

- Requiring savings of this magnitude from child support slashes federal expenditures by far more than has been proposed in virtually any program. In FY 1993, the federal share of child support enforcement spending (for welfare and non-welfare families) was $1.5 billion. The proposal would reduce federal spending by $1 billion -- an unprecedented reduction in a federal program that plays such a prominent and important place in pending welfare reform proposals.

- Requiring a 15 percent cost recovery from every collection made on behalf of a non-AFDC child effectively taxes a small minority of low-income children for the costs of services provided -- often unsuccessfully or ineffectively -- to a larger group of non-welfare children. The Budget Committee proposes that this Subcommittee recover 15 percent from collections on behalf of non-welfare children because that percentage offsets the **total cost** of services provided to **all** non-welfare clients, including those where the state does not succeed in making any collection. Because only slightly more than one out of every four non-welfare children (26.1 percent) served by state agencies actually had **any** child support collected on their behalf, this means that a small group of children will be held responsible for services provided to a far larger population.

- The fifteen percent figure proposed is thus especially unfair because it bears no relationship of the actual services provided to a child on whose behalf a collection is made. There is no evidence to show that fifteen percent is a fair rate of recovery based on what the government has actually expended on this important service. Instead, the evidence is quite to the contrary. Because GAO and the Budget Committee arrived at that figure by looking at **total** expenditures for non-AFDC enforcement (including enforcement in cases in which no collection is made), it is quite clear that services to the much smaller number of non-welfare cases in which some collection is made cost far less than the proposed fifteen percent recovery charge.

- The unfairness of holding a small group of children responsible for services provided to a far larger group is even more troubling because many of these children are quite low income. According to Census Bureau data provided by the U. S. Department of Health and Human Services, nearly one out of every

two non-welfare children served by states has non-child support family income of $21,720 or less (200 percent of the federal poverty guideline for a family of three). Three out of every ten non-welfare children has family income of $16,290 or less (150 percent of the federal poverty guideline). These families are often just a paycheck away from welfare. Taking such a huge chunk of child support recoveries to offset the costs of services provided to **other** families as well as to them doesn't make any sense, and jeopardizes their hard work to stay off welfare.

- Instituting mandatory fee recovery policies of this magnitude also takes away state flexibility they have under current law to decide whether fee recovery makes sense. Current law allows states to decide the amount of the application fee (if any) they will collect from non-welfare families that ask for help, as well as whether they should recover fees or costs from either the custodial or non-custodial parent. According to a study by the GAO, most states charge only the most minimal application fee (31 states charge $1 or less) - apparently because they do not want to discourage non-welfare families from asking for help. Only 15 states now charge some type of cost recovery fee, and four of those collect only from the non-custodial parent.

- Finally, collecting such imposing fees may have the unintended, but serious, effect of discouraging low income parents from using the child support system because they cannot afford the fee and gamble that they do not need help with enforcement. They may leave the child support system when payments are regular, only to come back in when payments fall apart. This "revolving door" effect can drive up administrative costs -- as cases must be opened and closed on a revolving basis, and as cases become harder to work because the agency has not been monitoring them and responding promptly when problems arise. It also can have great personal costs to the family, since many of the non-welfare families served by the child support system are barely scraping by, and may experience real crisis when child support payments are not monitored and fall behind.

We recognize the legitimacy of the argument that consumers of government services who can afford to pay should be asked to do so. Applying this concept in the child support arena, however, involves a difficult balancing of competing factors: the likelihood that cost recovery will be counterbalanced by administrative burden; the prospect that cost recovery may backfire, hurting vulnerable children in the process; and the possibility that the "good actors" -- custodial or non-custodial parents who take their responsibilities seriously -- may be asked to shoulder an unfair burden.

If this Subcommittee does wish to institute any form of cost recovery from child support, there are some important criteria to apply in deciding what form of recovery is appropriate:

- **Cost recovery should not hold the good actors responsible for costs created by bad actors.** The form of cost recovery proposed by the Budget Committee -- a flat fifteen percent fee to recover from collections the costs of enforcement for **all** non-welfare cases (including those with no collections) -- makes children and custodial parents who have aggressively and successfully sought to hold non-custodial parents to their responsibility responsible for paying the cost of the entire system. Similarly, proposals which have been floated to add a large collection fee onto routine payments by non-custodial parents have the similar effect of penalizing the non-custodial parents who are living up to their responsibilities.

- **Cost recovery *should* hold the bad actors responsible for costs they create.** When system costs are driven up because parents fail to pay without good reason, it is fair to ask them to contribute towards the cost of holding them accountable. States currently have the option of charging late fees (3 - 6

percent of the overdue amount), though few states do so.

- **Cost recovery should be commensurate with a family's ability to pay.** Some users of the IV-D system -- both custodial and non-custodial parents -- can afford to pay for child support services. But Ivana Trump does not frequent the IV-D waiting room. Many IV-D parents are relatively low income, with roughly half of the non-welfare parents at or below 200 percent of federal poverty. Charging them high fees significantly undercuts their ability to provide children with the most basic protections -- reliable rent, food on the table, and enough money for clothes, child care, and medical services. Fees charged to both custodial and non-custodial parents should reflect ability to pay.

- **Cost recovery should not be applied to the most vulnerable families.** Given all the investment and energy directed towards moving families towards self-sufficiency, it does not make sense to jeopardize their success by burdening vulnerable families with high child support costs. These costs create barriers to crucial child support services that help families maximize income and increase the likelihood that they will succeed in their effort to leave public assistance. Cost recovery should not be imposed on families that are former welfare recipients, or that are currently receiving subsistence benefits such as Food Stamps or Medicaid.

- **Cost recovery should not directly or indirectly reduce payments to a child below the bare minimum a state has determined is appropriate based on family income.** In 1984, and again in 1988, Congress delegated to states responsibility for setting state guidelines that reflect the amount a child needs for support based on the child's needs and the family's income. If fees are charged that significantly reduce the child support amount below state guidelines, then this determination by the state is undermined by federal intervention.

  Similarly, if a high fee is added to the obligation of the non-custodial parent, the state's determination of what that parent can afford to pay is undermined. Moreover -- as a paper prepared for HHS notes -- "[s]tates with cost recovery fee systems report that judges are reluctant to impose substantial costs on non-custodial parents in addition to the child support owed. If it is charged, it is difficult to collect." One very real risk is that judges concerned about the inequity of high fees will respond by setting the child support order lower than it otherwise should be, thereby reducing the amount state guidelines dictate is right for a given child.

- **The cost recovery mechanism should not be so burdensome to administer that it has the unintended effect of creating new child support costs by creating more paperwork.** As the HHS paper points out, the "payoff of fees is not always readily apparent. Some fees systems are expensive to maintain." In the past, some states have been reluctant to institute cost recovery because of their concerns that the cost of setting up and operating such a program outweighs the benefits of cost recovery.

Recommendation:

Because the Ways and Means Committee is not bound by the Budget Committee's recommendations, we urge that fee recoveries from other, wealthier consumers of government resources -- such as large corporations -- be used to accomplish the proposed savings. At a minimum, the savings accomplished through cost recovery from child support enforcement should be sharply reduced from those unrealistically high levels proposed by the Budget Committee.

If the Subcommittee does adopt some form of cost recovery, we urge that it respond

to the criteria we have outlined. Based on these criteria, CDF recommends that the Subcommittee not adopt the approach recommended by the Budget Committee. Fairer approaches could include:

- requiring states to collect interest and/or late fees from non-custodial parents when they owe back child support, and requiring that this income be re-invested in the child support program; or

- requiring states to collect modest fees from non-custodial parents participating in wage withholding (for example, $2 - 4 per collection or $25 per year), but exempting very low income parents (for example, those whose income is below 150 - 200 percent of federal poverty). Because states have access to the income of the non-custodial parent at the time they establish the child support order, making a determination about whether the non-custodial parent should be exempt from cost recovery does not impose the same administrative burden as is posed when states are asked to make the same determination about custodial parents.

Paternity Establishment

For children born out of wedlock, establishing paternity is the gateway to child support. CDF has strongly supported efforts to improve paternity establishment performance for these children. Both the House and Senate bills contain provisions intended to obtain greater cooperation from parents. They part ways, however, on the issue of what should be done once a determination has been made that a parent is genuinely cooperating, but paternity has not yet been established.

The House bill provides that in this case, a family must be penalized by having its aid reduced by 15 percent (or $50, at state option). These funds must be placed in escrow, and returned to the family if the family is still receiving welfare at the time paternity is established. The Senate Finance Committee bill does not contain a similar provision.

We are deeply concerned about the House provision. It blurs the distinction between the expectation that families cooperate with efforts to establish paternity and the ability of the child support system to respond quickly and successfully when a family has cooperated. The House and Senate bills already have a tough penalty for failure to cooperate -- an absolute denial of welfare benefits. The House bill adds on a further penalty for children whose parents **are** cooperating but on whose behalf paternity has not yet been established.

We believe it is unfair to reduce help to a child until paternity is established if that child's family has done everything within its power to cooperate. It penalizes a child for delays that are often wholly beyond the control of the child and custodial parent.

While there have been improvements in paternity establishment, the system still responds poorly. and slowly, in many instances where families cooperate and even aggressively seek help with establishing paternity:

- Even when welfare parents provide detailed information, some state agencies often fail to act. For example, an Arizona study examined cases in which **the state agency had the name and address of 159 alleged fathers.** The agency also had the Social Security numbers of 109 of the men. Over two years, the agency located 140 putative fathers, contacted 19, and **established paternity in only 10 cases.**

- A Wisconsin process study found it took an average of 18 months to establish paternity. A 1990 Nebraska process study by Policy Studies Inc. found it took an average of 17.5 months to get paternity established. These studies support the findings from the Arizona study that establishing paternity is often a very slow process, even when ultimately successful.

It seems unfair to penalize a child for delays in establishing paternity that neither the child nor the mother can solve.

The provision that funds be held in escrow until paternity is established, moreover, seems both burdensome and unrealistic. If states must separately keep track of funds held in escrow, a significant administrative burden is imposed on them for the dubious purpose of penalizing children who do not have paternity established but whose parents have already been found to be cooperating (a determination that must be made before the family is found eligible for welfare help). And if children have left the welfare rolls by the time that paternity is established, under the terms of the House provision they are apparently ineligible for funds that have been placed in escrow on their behalf. This provision creates a perverse incentive for states to delay establishing paternity until children have left welfare (thereby saving for the state funds that have been put in escrow while the child receives welfare and paternity has not yet been established).

Recommendation:

We strongly urge that at conference the House recede to the Senate on this issue.

Central Collections and Case Monitoring

Having a central state system for collecting support is an important feature of child support reform. It simplifies child support withholding for employers, allows states to monitor cases and to respond quickly when payments fall behind, and saves scarce resources by enabling states to do highly automated matches between child support records and other information systems that may yield important information about where noncustodial parents are working or have assets.

Some states have county-based rather than state-based systems. Where these systems work just as well as a central state system, there is no sense in disturbing them. Where they operate at greater cost, or with less effectiveness, however, they do not make sense.

The House and Senate bills contain similar provisions on central case collections that differ in one technical, but important, respect. Both allow states to substitute a county-based system for a central state system if they can demonstrate that a county-based system will not require more time or greater cost to get up and running. **Only the Senate bill, however, provides that these local systems are permissible only if once set up they *perform* as efficiently and cost-effectively as a central system. This Senate provision is key**. If a county-based system operates at greater cost, or more slowly than a central system, it potentially hurts families, employers, and the federal government.

Recommendation:

The Senate provision should be accepted at conference.

Child Support Benefits for Welfare Families

We are concerned about both House and Senate provisions that undermine the benefit of child support for welfare children. Under current law, the first $50 of **current** support received on behalf of a welfare family is "passed through" to the family without lowering their welfare grant. This provision is important because children get a direct benefit from child support paid on their behalf, and **may** also be important as an incentive for custodial parents to seek support and noncustodial parents to pay it.

Particularly in states with very low welfare grants, this $50 child support payment can make a huge difference in a child's well-being, adding as much as a third more income for a family of three. In FY 1993, welfare children got a total benefit of $364 million from this provision. Doing away with it is a significant loss for children.

The House bill essentially eliminates the $50 passthrough. Although states may pay child support directly to families, **all** child support is considered income for purposes of calculating their eligibility and grant. The Senate bill appears to give states an option of disregarding some portion of child support, but only if the disregard is wholly funded with state dollars (as opposed to joint federal-state dollars under current law).

Both the House and Senate provisions are a serious disservice to children -- the House provision because it wholly eliminates the disregard and the Senate provision because states cannot afford to fund it without federal cost-sharing. Particularly in a time-limited welfare system, when families should be encouraged to pursue child support because they will shortly be off the rolls and must maximize all sources of income, it is a mistake to eliminate an incentive for welfare families to routinize child support. Research about the jobseeking behavior of welfare recipients cited earlier in this testimony underscores the importance of having families see a benefit from child support: welfare parents are more likely to obtain jobs while on welfare if they have other sources of income, including child support.

State opposition to the provision generally has focused not on its incentive effect, but rather on the administrative burden states report experiencing when they try to document whether a support payment is "current" and therefore eligible for the $50 passthrough. We agree that the current federal regulations are cumbersome, and impose unnecessary burdens on states. This problem, however, can be resolved by streamlining the system for deciding when payments are received (and therefore whether they are considered current support). There is no need to eliminate an important benefit for children when administrative burdens can be eased in other ways that address state concerns without hurting children. We would be happy to pursue with staff how to address reasonable state concerns about determining when payments are timely.

Recommendation:

Because the $50 passthrough provision is important, we urge that conferees adopt a fair alternative to the House and Senate versions. We hope that conferees will follow the Senate approach by giving states the flexibility to decide whether to give welfare families a $50 incentive when current support is paid on their behalf. Like current law, we hope that a final version will give states a meaningful choice of this option by sharing its cost between the state and federal governments.

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The Children's Defense Fund appreciates the opportunity to present testimony at this timely hearing. We are grateful to the Subcommittee for all its important work on child support, and its effort to thoughtfully prepare for conference. We look forward to working with you and your staff on this issue.

Chairman SHAW. Thank you.
Mr. Henry.

STATEMENT OF RONALD K. HENRY, PARTNER, KAYE, SCHOLER, FIERMAN, HAYS & HANDLER, WASHINGTON, D.C.

Mr. HENRY. Thank you, Mr. Chairman, and subcommittee members. I am something of a specialist in analyzing the unintended consequences of well-intentioned policies.

I work with the American Law Institute on its family law project, the National Commissioners on Uniform State Laws, and the ABA. We are working to try to get through some of the difficulties and tangles that have been created for the States, created sometimes at the Federal level. I want to salute the subcommittee for the fine work that it has done in trying to untangle some of those Gordian knots, to return the power to the States, to give the States the opportunity to work things out since they are the frontline defense, and to innovate and let a thousand flowers bloom.

I want to speak about three specific issues: No. 1, cost recovery. The suggestion that there ought to be a surcharge on non-AFDC cases, to a great extent, gets the cart before the horse. Most of this child support is going to be paid anyway on a voluntary basis. One of the problems we have in child support right now is that States are encouraged to create a massive bureaucracy, and force all sorts of cases to go through the conduit to justify their own existence. Much of this represents money that had been paid voluntarily before the bureaucracy got involved.

I suggest that we ought to be looking at whether some of the existing services for non-AFDC cases are already counterproductive rather than finding ways to make them more profitable for the bureaucracy. The 15-percent surcharge that has been proposed actually reduces the resources available to the child and increases the complexity of getting money into the child's hands.

No. 2, the question of distribution of arrearages. I think that the key issues that need to be addressed are: How do we get money into the children's hands, how do we reconnect the noncustodial parent with the child, how do we show the parent and child that the money coming from the noncustodial parent is intended for the child and that the government does not need to be a pass-through?

The parent and child can be linked together. I suggest that rather than limiting yourself solely to the pass-through of arrearages, you should recognize that currently we are handling the whole process of noncustodial payments backward. Why should money go through the State followed by a calculation of how much welfare to give to the custodial parent? Wouldn't it be better to let the child support be paid directly to the child? Once we have seen how much child support has been paid and available to the child, how much parental resources are available, only then do we need to calculate the possibility of a supplement through welfare.

I submit that if you allow the money to go first to the child, you will reconnect parent to child and you will reduce welfare dependency. Then you will only be asked to make welfare payments for the shortfall rather than for the entire amount up front, followed by costly efforts to obtain reimbursement later.

No. 3, the question of escrow until paternity is established gets the cart before the horse. If you look at State law in most jurisdictions, you will find that a child is born automatically into the joint custody of both parents. If you simply allow one parent to walk down to the welfare office and say, pay me, you are disregarding State law with respect to the custody of that child; you are disregarding the fact that the other parent may already have joint custody or may, in some cases, even have sole custody, and you are putting one parent on welfare, often perhaps unnecessarily.

The question of whether you escrow those funds is one that is highly appropriate and I think can be a beneficial step toward expediting both parties efforts in addressing the needs of the child, to look at where does custody of this child actually reside. Studies have indicated that fathers of unwed children have an average income approaching $20,000 a year. That is not enough for them to support two households, they can't take care of themselves and transfer enough money to the mother to get her out of poverty, but they do have enough money to care for the child themselves.

By getting the cart before the horse, by allowing one parent to go in and claim welfare dependency before you even look at the question of who ought to have custody of the child increases dramatically and unnecessarily welfare dependency. We need to allow the States to resolve custody, find out whether the child even needs to go into welfare, before we start talking about how best to maximize welfare payments.

Mr. Chairman, that gets to my fundamental point, which is that you have done a brilliant job with AFDC and many other social programs by untying the hands of the States. You have given them the freedom to experiment, the freedom to work with the problems that they understand best. I suggest that you give similar freedom to the child support enforcement apparatus. It doesn't require one more dollar.

You can give a great deal of freedom to the States, you can allow them to serve children's needs more broadly and more effectively by simply giving them fewer restrictions on how they spend the existing money. For example, each couple that gets married and forms a family is a child support enforcement success story. You don't need a paternity order, a custody order, a support order, or an enforcement apparatus. You have that child taken care of because you assisted family formation.

Each couple that is kept together is a child support enforcement success story. In divorce, each couple that works out a joint parenting agreement so that they care for the child voluntarily is a child support enforcement success story. My suggestion is, give the States the freedom to use the existing child support enforcement budget to encourage family formation and family preservation, not just the entry of more orders, because fundamentally the Federal Government's interest is a simple one.

The Federal goal is to maximize the number of children who are supported by their own parents, not merely the number of child support orders. If you give States the freedom to take care of children through family formation and family preservation, you will serve a great many more children than by simply coming up with more coercions to process more cases through the courts. The

States we can find more ways to avoid the courts and can move more expeditiously in serving children's needs if we allow more freedom in their use of existing funds.

Thank you, sir.

[The prepared statement and attachments follow:]

**TESTIMONY OF RONALD K. HENRY, ATTORNEY-AT-LAW,
BEFORE THE SUBCOMMITTEE ON HUMAN RESOURCES,
COMMITTEE ON WAYS AND MEANS,
UNITED STATES HOUSE OF REPRESENTATIVES, JUNE 13, 1995**

Introduction

Just as the bills pending before both Houses of Congress recognize the importance of giving States broad flexibility in the administration of welfare programs, so too must the States receive broad flexibility in the administration of child support enforcement programs. The goal of the federal government should be to maximize the number of children who are supported by their own parents, not simply the number of children who have court-ordered child support awards.

Each couple that is brought together in marriage is a child support enforcement success story. Each couple that remains together in marriage is a child support enforcement success story. Each couple that agrees to shared parenting after an unavoidable divorce is a child support enforcement success story. To achieve the federal goal of maximizing the number of children who are supported by their own parents, we must broaden the definition of permissible State activities under child support enforcement programs.

We must also change the measures of program performance. For example, instead of measuring simply the volume of child support dollars flowing through a government conduit, we must begin to measure such factors as the State's success in avoiding the need for bureaucratic intervention, by reducing unwed births and encouraging family stability.

The immediately following sections summarize the necessary actions. Subsequent text more fully describes each recommendation.

Summary of Recommendations

1. Broaden the range of permissible child support enforcement activities to include non-adversarial initiatives.

2. Alter performance measurements to reward State's success in family formation, family stability, and voluntary arrangements rather than simply the volume of cash flowing through the government as a conduit.

3. Mandate paternity establishment or good faith compliance with paternity establishment efforts in all cases as a condition for welfare eligibility.

4. Assign the federal income tax dependent exemption to the parent providing more than 50% of the financial support under the State's child support guidelines.

5. Require employer notification of both new hires and terminations for processing by State child support enforcement officials as a material change of circumstances.

6. Require reimbursement of the adult's portion of AFDC benefits (AFDC to an adult should be a loan, not a grant).

7. Modify the Bradley Amendment regarding the retroactive modification of support arrearages to acknowledge that some arrearages are truly uncollectible and that the child is injured when the obligor goes underground (See Washington Post article on June 10, 1995).

8. Require proof of custody as a condition for welfare eligibility. Currently, welfare offices typically assume that the mother has custody without examining court records and State laws conferring sole or joint custody upon the father.

9. Require assessment of the availability of kinship care as an alternative to welfare and as a precondition to welfare eligibility.

10. Recognize that minors are the responsibility of their own parents in all 50 States and that the birth of a child to a minor should not create welfare eligibility.

11. Require effective sanctions for fraud (in the District of Columbia, for example, a convicted welfare cheat is required only to make restitution which is paid out of future welfare benefits).

12. As a condition for federal funds eligibility, require that State statutes include a provision recognizing the detrimental effect of welfare dependency as a factor to be considered in determining the best interests of the child in child custody and foster care placements.

Description of Recommendations

WELFARE REFORM: CHILD SUPPORT ENFORCEMENT

Federal involvement in family policy is massive and pervasive. The theory behind block grants is that the federal government has taken over too many state functions and micro-managed too many areas for which it is not competent to provide leadership. This micro-management has led to unintended consequences under, for example, the Mondale Act which immunizes abusive bureaucratic behavior and the Bradley Amendment which causes the buildup of uncollectible, unmodifiable child support arrearages by unemployed obligors.

Before we can speak seriously of federal efforts to help children, we must first obey the physician's creed of "do no harm." Current federal restrictions and mandates drive the states in unproductive and, even, damaging directions.

Child support enforcement is a good example of the unintended consequences of micro-management. We spend approximately 2 billion dollars per year on child support enforcement but place so many restrictions upon the states that failure is assured. Although research demonstrates that the three best predictors of child support compliance are (1) establishment or modification of a fair order; (2) enforcement of access to the child; and (3) employment stability, current federal rules largely limit expenditures to punitive measures to collect arrearages rather than measures to prevent the buildup of arrearages. Without spending any more money, the federal government can dramatically improve child support compliance by simply broadening the permissible uses of the current funds. Parenting training, mediation, access enforcement, job counseling, neutral drop-off sites, and similar programs improve parental responsibility, enhance employment stability, and have been shown to improve support compliance in demonstration projects.

Since the federal goal is to assure that children are supported by their parents, the states should not be limited to tools which are designed simply to collect child support arrearages. Each unwed couple that marries is a child support success story. Each married couple that avoids divorce is a child support success story. Each shared parenting agreement that keeps both parents involved physically and emotionally in the child's life is a child support success story.

Downward adjustment of an unfair order is enforcement; job training is enforcement; mediation of access disputes is enforcement; encouraging family formation is enforcement; marriage counseling is enforcement; reducing the need for income transfer and the sense of estrangement after divorce through thoughtfully developed plans for shared parenting is enforcement. To succeed with non-custodial parents, we must begin to hear them and respond to their concerns and parents and as human beings. Children are born with, want, love and need two parents. Family formation, family preservation and respect for non-custodial parents as parents offer the greatest hopes for major improvements in child support compliance.

We don't need to spend more money; we can make progress simply by giving states the freedom to use the existing funds more flexibly. Rather than the mountains of regulations currently in place, w should judge the states on their ability to reduce the need for child support orders (family formation and family preservation) and on the percentage of child support obligors who are in compliance (establishment and modification of fair orders, job counseling and training, enforcement of access, etc.).

LEGISLATIVE LANGUAGE

Section _____. The purpose of this title is to increase the number of children who are supported by their own parents.

Section _____. The funds appropriated under this title shall be available for state programs which encourage two-parent family formation, two-parent family preservation, and the active involvement of both parents in the life of the child where two-parent family formation or preservation have not occurred.

WELFARE REFORM: STATE CHILD SUPPORT ENFORCEMENT PERFORMANCE MEASUREMENT

The activities undertaken by the states in child support enforcement programs are in large measure dictated by the performance measurements established by the federal government for determining reimbursement eligibility and amount. To date, performance measurements have been narrowly addressed to only a small part of the child support enforcement problem and, in fact, drive the states in counterproductive directions.

For example, if the state establishes a child support order, collects $200 per month in accordance with the child support guideline, and pays welfare benefits for the rest of the child's needs, the state achieves a perfect score on current quantitative standards which are geared to maximize the number of dollars that flow through the enforcement bureaucracy. If, instead, the state offers mediation and counseling which causes the couple to marry and leave the welfare roles entirely, federal reimbursement is unavailable under the current quantitative measures which do not even record this family formation success. Since the federal goal is to increase the number of children who are supported by their parents rather than to merely increase the number of child support orders, performance measurements need to be properly focused. Current quantitative measurements, however, focus exclusively upon each state's success in increasing the size of the bureaucracy (number of orders entered, number of dollars passed through the bureaucracy) rather than on the state's success in reducing the need for bureaucracy (family formation and family preservation).

Since all organizations shape their behavior to respond to the measurements of success which have been defined for them, it is essential to design more sophisticated and appropriate measures of success for child support enforcement. Recognizing that the federal goal is to increase the number of children who are supported by their parents rather than to simply increase the number of support orders allows at least the following reforms:

1. Measure changes in the ratio of marital to unwed births. Programs which encourage family formation increase the number of children who are supported directly by their parents without the need for bureaucratic intervention.

2. Measure changes in the number of children experiencing divorce. Each couple that avoids divorce is a child support success story. Child support enforcement is simply not an issue for cohabiting couples and marriage is the best anti-poverty program, vastly reducing the probability of recourse to welfare.

3. Measure post-birth family formation. Current measurements fixate on the establishment in collection of child support for non-marital children. The greatest child support success, however, is found in those couples which come together as a family and eliminate the need for government intervention.

4. Measure compliance rates rather than gross collections. Current measurements drive the states to establish uncollectibly high support levels and many states flatly refuse to process downward modifications for obligors whose earnings have declined. The problem is in the measurement system which rewards states for gross collections (even when abusively high orders become a basis for civil disobedience) rather than measuring rates of compliance with fairly established orders. The current measurement system leads to absurdities like the Virginia Ten Most Wanted list attached. All are blue collar workers, all have impossibly high arrearages, none can afford a lawyer to go back into court and the state refuses to process downward modifications. No one can be surprised that such people have gone underground with the result that the children receive no support rather than a fair amount of support. Changing the measurement system to acknowledge the percentage of child support orders that are paid on time rather than gross receipts causes the states to review and establish orders that are, in fact, collectible.

LEGISLATIVE LANGUAGE

Section _____. In determining eligibility for the funds made available under this title, the Department of Health & Human Services shall establish performance standards based upon the following factors:

(a) Reductions in the number of children awaiting the establishment of a child support order. Reductions in the number of unwed births, reductions in the number of children of divorce, and increases in the rate of post-birth family formation shall each be separately identified and considered in determining the number of children remaining who are in need of establishment of a child support order.

(b) The percentage of existing child support orders which are paid on time and in compliance with their terms.

Look at Virginia's "Most Wanted" List -- All are blue collar workers, all have hopelessly high, uncollectible arrearages; none can afford a lawyer to petition for a modification of the support order; the state bureaucracy refuses to obey the federal law requiring it to process administrative petitions for downward modifications; Can anyone honestly be surprised that they have gone underground?

TEN MOST WANTED LIST RELEASED

1. JAMES LUTHER ADAMS, JR.
Owes: $12,826
Born: 5/6/43 Height: 6'1" Weight: 175 lbs.
Last Known Address: Red Bank, Tennessee
→ Occupation: Food Service/Restaurants
Children: Three

2. SAUNDERS WILLIE BIBBINS
Owes: $42,235
Born: 3/22/52 Height: 5'7" Weight: 230 lbs.
Last Known Address: Parksley, Virginia
→ Occupation: Poultry Catcher
Children: Six

3. ALONZO ROSS BOWDEN, SR.
Owes: $22,230
Born: 4/19/55 Height: 5'7" Weight: 155 lbs.
Last Known Address: Portsmouth, Virginia
→ Occupation: Laborer
Children: One

4. RONALD CARL CLINE
Owes: $21,458
Born: 11/25/33 Height: 5'11" Weight: 185 lbs.
Last Known Address: Unknown
→ Occupation: Construction
Children: One

5. PURCELL LEE FORD, JR.
Owes: $20,868
Born: 12/19/50 Height: 5'7" Weight: 180 lbs.
Last Known Address: Arlington, Virginia
→ Occupation: Salesman
Children: Two

6. JAMES DENNIS MURPHY, JR.
Owes: $10,609
Born: 7/18/45 Height: 5/10" Weight: 180 lbs.
Last Known Address: Summerfield, Florida
→ Occupation: Works with Dogs
Children: One

7. STEPHAN RANDALL SMITH
Owes: $11,450
Born: 7/23/58 Height: 5'11" Weight: 180 lbs.
Last Known Address: Longwood, Florida
→ Occupation: Construction/Sales
Children: One

8. ROMLANDO VIRGILIO SPENCER
Owes: $9,027
Born: 8/30/54 Height: 6' Weight: 175 lbs.
Last Known Address: Fairmount Hts, Maryland
→ Occupation: Truck Driver
Children: One

9. WILLIAM ROBERT VANDYKE
Owes: $33,268
Born: 4/13/48 Height: 6'2" Weight: 190 lbs.
Last Known Address: Cedar Bluff, Virginia
→ Occupation: Truck Driver
Children: One

10. DAVID THOMAS WILLIAMS
Owes: $15,043
Born: 10/2/56 Height: 6'2" Weight: 260 lbs.
Last Known Address: Norcross, Georgia
→ Occupation: Construction
Children: Two

The SUPPORT Report

Published monthly by the
Virginia Department of Social Services, Division of Child Support Enforcement
730 East Broad Street, Richmond, Virginia 23219
Telephone (804) 692-1827
An Equal Opportunity Agency

The SUPPORT Report staff invites articles, artwork and comments. To request copies, comment or submit material, write to the editor at the above address.

Bob Osburn, Editor
Michael Harvey, Assistant Commissioner
Carol A. Brunty, Commissioner

WELFARE REFORM: PATERNITY

LEGISLATIVE LANGUAGE

Section _____. No funds shall be made available under this chapter unless:

(a) paternity has been established for the child for whom assistance is sought; or

(b) the state certifies that it is actively pursuing diligent efforts and has the full cooperation of the mother in seeking to establish paternity.

Eligibility based upon the certification in subparagraph (b) above shall terminate after three (3) months and can be renewed for periods not to exceed three months each after review and approval of the state's ongoing efforts to establish such child's paternity by the Department of Health and Human Services.

Acknowledgement of Parentage – In Hospital Establishment

Laurie A Casey
Senior Policy Analyst, The Children's Rights Council - Vermont Chapter

Introduction

If our children are to be successful in experiencing their heritage firsthand they must be united with both parents. A union that includes the much needed financial and emotional support of a family orientated environment.

Today, with welfare reform looming, political heat has been placed on the financial support of one's children. If for no other reason, this gives us hope that the equally important issue of "emotional support" will become a recognized factor involved in the healthy development of today's children.

Why In-Hospital Acknowledgement of Parentage

It has become a necessity of the times to search out and to locate the parents of children born today. The statistics alone speak of the epidemic upon our society and the grave childhoods many of our children face. Out of wedlock childbirth continues to soar. In 1993 it had reached another "all time high" of some 34%. Inner city rates reach upwards of 90% of children born out of wedlock.

This is not only a crisis for our country, it is a personal barricade for many children, who are raised without any knowledge of their fathers.

This represents the lessening of "family values" and "family support networks". It is the direct byproduct of today's great welfare system and all it has to offer.

It is necessary therefore, to develop, implement, and ensure, that each child born is afforded every effort to locate and identify his or her parents. To do this the cooperation of the mother is essential. For, it is this individual who can shed the brightest light on the trail to this child's heritage.

It is not merely for financial support for which we should search. Any program must encompass emotional and physical support issues as well. We all know that a monthly child support check can not comfort a child deprived of one parent. The level of intensity placed on financial support issues by our state and federal government must be matched with an equal importance of emotional support issues of both parents.

Recommendations Include:

- Increase awareness that a child, a father, and a mother constitute a family.
- Introduce non-gender biased language, replace "paternity establishment with "acknowledgement of Parentage"
- Nurture an environment for teamwork, encourage parents to act responsibly and together to promote an end result that is beneficial to the child, and finally,
- Uphold the Fifth and Fourteenth Amendment Rights of the United States Constitution which guarantees all citizens EQUAL PROTECTION AND DUE PROCESS UNDER THE LAW.

Rights and Responsibilities of Parents and Their Children

These issues are both financial and emotional. 45 CFR 466(a)(5)(E) cites the requirement of States to "have laws and procedures under which the voluntary acknowledgement of paternity must be recognized as a basis for seeking a [financial] support order without first requiring any further proceedings to establishing paternity". If 45 CFR is to benefit the children allowances must be made to recognize the emotional needs and rights of these children.

Currently, State and Local laws allow for Judges and non-legal magistrates to decide on emotional support issues, i.e.: parenting plans and parenting time, with only a stipulation for modification or a motion for the establishment of financial child support. This current process allows family courts and district courts to enter decisions on non-financial support issues without the knowledge of the non-custodial parent. The unsettling fact lay before us, Judges and Magistrates are deciding the fate of our children without the full knowledge and understanding of their parents. This is case enough to include in any legislation full disclosure on the rights and responsibilities of parents to their children and vise versa.

The results of these procedures are evident in our overburdened court systems. These procedures rise to increasing numbers of adversarial cases which pit one parent against another while leaving the child awaiting a decision which will be beneficial to the family. Yet, as we consistently witness, it is not a beneficial outcome to the family, but more litigation, more court time, and less paternal involvement due to the acceptance of biased and discriminatory action and reaction by an unrelenting, misinformed system which discourages instead of encourages family for-

mation and preservation within our society.

Recommendations include the following:

• Encourage family formation and preservation by requiring legislation to guarantee "due process" and to include written documentation procedures and written acknowledgement by the parents regarding "rights and "responsibilities" of parentage.

• Written documentation procedures would incorporate three forms. 1) Voluntary Acknowledgement of Parentage. 2) Voluntary Agreement - Parenting Plan, and 3) Voluntary Access/Parenting Time Agreement. (see examples)

• Requirements would include the above mentioned forms as an inclusive need before any action be taken by a State's Family or District Court pertaining to the financial and emotional support order.

• Require the registration of birth certificates to include both parent's names when parentage is acknowledged and upheld by the appropriate jurisdiction. and finally,

• Amend any current or proposed legislation which would allow for a conclusive presumption without genetic testing of parentage to restrict this presumption to only an ongoing financial and emotional support network. It must be made very clear that this presumption would not be applicable to adoption and/or SRS intervention processes.

Summary of Recommendations

Proposed rules and regulations must include clear definitions of "rights and responsibilities" and "due process". Currently, the States rely on the interpretation of Federal Regulation to guard them from fully implementing fair and equitable solutions.

The Federal Government, electing to be involved in family formation and preservation from a mere financial standpoint is not adequate in alleviating the problems of poverty and out-of-wedlock childbirth. Nor, it is providing for the necessity of parental involvement in our children's lives. Hence, the Federal Government has created a system that, in itself, has discouraged family formation and further implemented emotional poverty onto our children.

In order for our children to prosper, the Government must act responsibly by recognizing that "rights and responsibilities" include emotional support issues. Furthermore, Federal Regulations must impose upon the States to document, in writing, the information and the receipt of information pertaining to these rights and responsibilities by the parents involved. And if the Federal directive is lacking, then it is the responsibility of the States' to ensure a child's right to both parents.

Legislation must require that, at a minimum, any process of voluntary acknowledgment of parentage include the three main ingredients of parenthood, ie: financial support, emotional support, and parenting time. This can be accomplished by including the recommended forms as previously suggested. (see examples) This requirement would ensure that the rights of each parent is duly noted and accepted as part of any judicial procedure where any of the foregoing is considered by a Judge or Magistrate and where a Judge or Magistrate is to be given the power to pass judgement.

Above all, since the Federal Government has initiated a process by which the States are required to adhere, it is imperative that any Federal mandate/directive explicitly acknowledge and define the scope of its intent without leaving room for mis-interpretation which will ultimately result in the discrimination of an individual or individuals and where due process will not be afforded in a manner consistent with the Constitution of the United States.

Conclusion

Approaching issues relative to children and their parents from a non-gender biased position is the responsibility of all individuals involved. The United States prides itself on the freedom it affords its citizens. Yet, it continues to overlook the moral and legal implications of using terms such as "paternity establishment".

In order for our children to achieve financial and emotional security, we must first acknowledge that the parents of these children and the children themselves are to be treated equal under the law. This requires acknowledging that there exists an equal obligation to provide emotional support as well as financial support and that accountability is equal.

Legislators must engage upon a campaign that incorporates these rights and responsibilities with the inclusion of family formation and preservation.

By redirecting the energies of current policy to a broad based approach incorporating a panoramic view of children and their parents, these individuals will be leading the way to a financially and emotionally prosperous future for our children.

Until we focus our efforts upon the family unit, i.e.: a child, a father, and a mother, as a whole, the introduction of consistently gender biased regulations and punitive mandates will result in a continued decline in family values and family formation practices. It will also continue to encourage the underground economy of the non-custodial parent and the underground railroading of a child's right to both parents.

It is time to take notice of the growing population who continue to ask " Who is Caring for Our Children?".

WELFARE REFORM: PARENTAGE FORMS

Section _____. Each state, as a condition for eligibility for the funds provided under this title, shall establish an in-hospital parentage identification program. The parentage identification program shall, as a minimum, provide for the identification of the mother and the father, explain the custodial and support rights, responsibilities, and options available to the parents and provide a mechanism for unwed and non-cohabitating parents to identify and record any voluntary agreement respecting the custody and support of the child. Such voluntary agreement shall be admissible as a rebuttable presumption in any subsequent court proceeding to modify the custody or support of the child.

WELFARE ELIGIBILITY: PROOF OF CUSTODY

Children are born with two parents. Any child for whom welfare eligibility is sought may be in the custody of the mother, the father or both jointly. One source of fraud in the current welfare system is that the bureaucracy fails to determine whether the parent seeking welfare coverage actually has custody of the child. If one parent presents a child for welfare eligibility while the other parent (or the parents jointly) actually have legal custody of the child, a fraud has been committed. For example, children born to married couples in all states are deemed to be in the joint custody of both parents unless and until a court order is entered restricting the custodial rights of one of the parents. This joint custody status remains in effect even if the parents separate and one of the parents uses the child as a basis for a welfare application. The joint custody status of children born out of wedlock differs among the states.

If one parent uses the child to apply for welfare but the child is actually in the sole or joint custody of the other parent who does not need or seek welfare assistance, welfare should not be provided. Accordingly, a parent seeking to use a child to claim welfare benefits should be required to submit proof of sole custody under the law of the state in which benefits are sought. If the parent seeking welfare benefits does not have sole custody of the child, benefits should be denied unless it is found that the parent actually having sole or joint custody is also eligible for benefits under the program.

LEGISLATIVE LANGUAGE

Section ____. No funds shall be available under this title for payment to a parent on behalf of a child unless the parent seeking eligibility has sole custody of the child or, in cases of joint custody, the parents apply jointly for benefits.

CHILD SUPPORT AND WELFARE REFORM

Child custody and child support reform have implications for welfare reform. In a typical welfare case, the custodial parent welfare recipient has zero income while the non-custodial parent has, perhaps, $20,000 income. The parent with $20,000 income has sufficient resources to support the child in his or her own home but not sufficient resources to support two households. Accordingly, child support payments will not raise the second household out of poverty and the demand for welfare assistance continues. As between two fit and loving parents involved in a custody dispute, why was a state court permitted to ignore the parents' resources in entering a custody order that resulted in the creation of a federal welfare payment obligation? As a condition to the receipt of federal funds, states should be required to consider the probability of welfare dependency as one factor in determining the "best interests" of the child in custody proceedings.

CHILD SUPPORT REFORM

The federal government currently spends approximately $2 billion dollars per year on child support enforcement. The enforcement bureaucracy and custodial parent advocacy groups are demanding yet another increase in enforcement efforts but continue to evade the question of why past enforcement efforts have failed. As with so many other federal programs, the call to spend more money, the demand to push harder in the wrong direction, is not the solution.

Everyone is familiar with the Census Bureau figures on child support non-compliance but no one has investigated the reasons for the non-compliance. How many of these obligors are unemployed, disabled, supporting second families, engaged in civil disobedience because they have been denied access to their children, imprisoned, or even dead? Incredibly, all of these categories, even the dead, the ultimate "deadbeats", were lumped together as "non-compliance" by the Census Bureau. This occurred despite the fact that the Census Bureau's own data showed that 66% of custodial mothers reported the reason for non-compliance as "father unable to pay."

The image of the deadbeat in the Mercedes is false and has distorted our handling of child support cases. Look at Virginia's "Most Wanted" list (see reverse side). All are blue collar workers. All have hopelessly high, uncollectible arrearages. None can afford a lawyer to petition for modification of the support order. The state enforcement bureaucracy refuses to obey existing federal law requiring it to process administrative petitions for downward modifications. Can anyone honestly be surprised that these people have gone underground?

As to those parents who have income, our policies have been no less misguided. We know that the support of children during marriage is not a problem, the children are supported. A change occurs during the divorce process and "deadbeats" emerge. Since the same parent who once supported the children now does not, we must ask why, what changed? The change is the intervention of a court order that bifurcates rights (custody) and responsibilities (child support). Look at the compliance rates for different types of court orders. According to the Census Bureau:

- 90.2% of child support is paid in cases of joint custody;
- 79.1% of child support is paid where visitation with the child is protected by court order; and
- Only 44.5% of child support is paid where neither joint custody nor visitation are protected.

When the parent-child relationship is severed by a winner-take-all custody order, when one parent is disenfranchised or restricted in access to the child needing support, no one can be surprised that civil disobedience results. Add to this the fact that the gender bias commissions in each state whose report has been published to date have found systematic gender bias against fathers in child custody and support proceedings. Is it either wise or just for the federal government to spend $2 billion dollars per year enforcing gender biased orders?

Child support reform is needed but that reform must recognize obligors as citizens and as parents, not as anonymous beasts to be herded more efficiently. We know that the three best predictors for child support compliance are (1) the fairness of the original order, (2) the obligor's access to the child, and (3) the obligor's work stability. Improvement in child support compliance must be addressed to these factors and not to old myths and stereotypes.

"MAKING WORK PAY" - RHETORIC AND REALITY

Work always pays. Our problem is that we have established a parallel system under which non-work often pays better. Most law abiding citizens work 40 - 45 years to qualify for a social security benefit that is smaller than a teenager's welfare package. Many welfare recipients are not unemployed as much as they are prematurely retired. We have long recognized that Social Security rules discourage paid employment among welfare recipients. The cornerstone of welfare reform must be a fundamental respect for the importance and dignity of work. Except for the small number of people who are genuinely unable to make any contribution to their own needs, welfare must be a supplement, not a substitute, for work.

Welfare reform requires attention to four areas: responsibility, paternity, accountability, and eligibility.

1. Responsibility

Responsibility should be immediate, mandatory and universal. Beginning immediately with entry into any welfare program, every recipient should be required to devote 40 hours per week to some combination of job search, training and work, with a strong emphasis on work. Actual work experience is generally the best qualification for entry or reentry into the workforce. An immediate, universal responsibility requirement also eliminates the "no job" option and encourages serious search efforts for the best available job.

The responsibility requirement can be satisfied by private employment or by unpaid public service in exchange for receipt of the welfare benefit. Work programs should not discriminate against the non-welfare working poor. Vouchers and other special incentives to hire welfare recipients create the risk of displacing other workers. We should not support programs that have the unintended consequence of encouraging people to enter welfare as the path to job preferences. Community service jobs (e.g. assignment to charitable organizations) provide benefits to the community and training to the transitioning recipient at little or no government cost. Many of the current, unmet needs of communities can be satisfied by this readily available pool of labor as a supplement to, rather than a substitute for, current employees.

All programs must support the goal of ending the current discrimination against two-parent families. In two parent families, at least one parent must satisfy the 40 hour requirement.

Welfare reform should also begin the process of examining barriers to entry-level job creation. Many worthy tasks in society are not performed because the total cost of obtaining labor, including regulatory and record keeping burdens, exceeds the value of the service. We must examine the extent to which willing workers have been priced out of the market by government mandates.

Child care may be less of a problem than some suggest. Most working parents utilize a no-cost, or low-cost combination of kinship (family) care, friends and school to satisfy day care needs. As discrimination against two parent households is eliminated, a greater number of children will have access to child care from both parents.

Finally, a portion of the community service assignments can be made to child care organizations in order to increase the available supply with little or no incremental cost increase. The Head Start Program already utilizes large numbers of low income parents who begin as unpaid interns and progress to paid staff and supervisory positions.

2. Paternity

Current policy fails to distinguish between "runaway" and "thrown-away" or "driven-away" parents. The federal government spends approximately two billion dollars per year on child support enforcement but purposefully and consciously excludes fathers from all parent-child programs. Under current Aid to Families with Dependent Children (AFDC) rules, the low income father who wishes to be a physical and emotional asset to his children also becomes a financial liability by disqualifying them from most assistance. Research conducted by Health and Human Services (HHS) itself confirms that both mothers and fathers distrust the bureaucracy and work

jointly to conceal paternity. We cannot be surprised by low income parents who separate or conceal paternity when our policies make such behavior the economically rational course. A work requirement for single parents and an end to discrimination against two-parent households will change the dynamics of paternity establishment.

Eligibility for all federal programs should require establishment of paternity, beginning with eligibility for the Women, Infants, and Children (WIC) program. That program itself must be revised to develop and encourage the roles of fathers in children's lives.

In-hospital paternity establishment forms should encourage the parties to voluntarily establish custody and visitation as well as financial support. Avoidance of poverty and welfare dependence are directly linked to the involvement of both parents. Voluntary child support compliance exceeds 90 percent in joint custody families. Child poverty and welfare dependency rates are much lower in father-custody and father-involved families than in mother custody. Women's work force participation, economic security, and freedom are increased in joint-custody and father-custody families. Two parent families allow relief from the constant stress and pressure on the single parent trapped in welfare.

3. Accountability

AFDC and other programs are intended for the benefit of the dependent children. Adults receive the benefits and are expected to participate in the programs in support of the children's needs. Failure or refusal to participate in required programs or to spend the cash payments for the benefit of the children should be seen as evidence of child neglect or abuse. Such evidence should weigh heavily in determining whether it is in the best interest of the child to transfer custody to a more responsible relative or to consider alternative care placement. Prior efforts at reform have been reluctant to impose sanctions upon uncooperative and irresponsible adults because of a fear of "punishing the child." The reality is that current policies allow children to be held hostage to guarantee continued subsidy of adult irresponsibility. Irresponsible, if not criminal behavior, always has deleterious effects on children.

All recipients should be required to reimburse the value of benefits received. Currently, child support paid by non-custodial parents is used for reimbursement after a $50 per month waiver. The custodial parent should have the obligation to reimburse one-half of the welfare payments made on behalf of the child and each adult should have the obligation to reimburse benefits paid on behalf of that adult. Many welfare recipients require only short-term assistance and that assistance can fairly be treated as a loan or a line of credit rather than as a grant. A uniform reimbursement requirement also encourages all recipients to minimize the period of dependency, take no more benefits than are required, and resume paid employment at the earliest possible date. Community service should be counted toward the reimbursement obligation but should be valued at a level that does not compete with the attractiveness of paid employment.

4. Eligibility

Under the law of each state, parents have an obligation of financial responsibility for their minor children. If the minor children themselves become parents, the minor parents should continue to be the obligation of their own adult parents. Accordingly, the birth of a child to minor

parents may create a requirement for welfare assistance to the new infant but does not create a requirement for assistance to the minor parent unless their own parents are unable to supply the required support. Minor parents must live with or at the expense of their own adult parents. Payments on behalf of the new infant, if needed, should be made directly to the adult parents of the minor parents as their guardians, not directly to the minor parents.

Welfare payments should be limited to citizens and to immigrants with refugee status.

Income-based eligibility standards should consider both the income of the parents and any resources that are voluntarily available from the kinship network.

5. Fraud

Fraud must be addressed as a serious matter. Welfare benefits are based on the applicant's self-reporting of available income. If welfare fraud has concealed additional income, welfare eligibility must be recalculated, at a minimum, to include the demonstrated capacity for self-support. Other fraud reduction mechanisms including electronic transfer tracking and improved identification verification must be adopted.

6. EITC

The Earned Income Tax Credit (EITC) must be modified to reduce the incentive and opportunity for strategies such as over-reporting of income to maximize benefits and to reduce discrimination against two-parent families. Currently, many working-class couples are ineligible for EITC but, by simply splitting into two dysfunctional fragments, both become eligible.

WELFARE REFORM THROUGH KINSHIP CARE

There is much discussion about alternatives to allowing children to be raised in a perpetual and cyclical welfare environment. Kinship care (the practice of looking to a capable and willing family member as a care provider for children living on the welfare dole) is a positive step toward breaking the cycle of dependency and reducing the economic burden of providing benefits where family care is available. Kinship care reduces the necessity of placing children in either welfare or charity situations while strengthening the child's chances for economic and emotional success through immediate and extended family bonding. Kinship care is the most practical and ethical means of reducing economic and emotional poverty for children without government intrusion into family life. This idea is based upon the assumption that the Federal bureaucracy can not, and should not, replace a child's family.

There is broad consensus that welfare dependency is not in the best interests of children. Recent legislative initiatives have begun to examine structural flaws in existing welfare programs. One of the best opportunities for reducing welfare dependency is to be found in the development of more thoughtful eligibility criteria to better identify which children are actually in need of welfare assistance

Most welfare programs only look at the cash income of the custodial single parent without regard to the availability of voluntary kinship or extended family assistance. The attached proposal provides that welfare eligibility should be determined by examining all resources that are available voluntarily through the child's kinship network.

The use of kinship care does not relieve the child's parents of their obligations nor does it impose new obligations on other relatives. Only voluntary kinship assistance is considered.

Examples:

- Brother is willing to care for child of drug abuser with or without a change of custody/guardianship. Welfare dependence is not in the best interests of the child and eligibility should be denied based upon available and willing kinship care.

- Father of child is willing to provide child care with or without a change of custody while mother works. Welfare dependency is not in the best interests of the child and eligibility should be denied based upon available and willing kinship care.

- Adolescent mother lives with her parents. The adult parents have a legal obligation to support their adolescent daughter and are willing to care for grandchild while daughter completes school or works. Welfare dependency is not in the best interests of the child and eligibility should be denied based upon available and willing kinship care.

CHILDREN'S WELFARE REFORM THROUGH KINSHIP CARE ACT OF 1995

Bill No._____

Section One

Findings and Purposes

The Congress of the United States of America hereby resolves that:

Welfare programs are intended to provide temporary economic sustenance for individuals while they seek to enter the work force and eventually extricate themselves, and their dependents, from poverty.

Welfare programs have fallen short of this goal, as individuals receiving assistance are usually unable to find and retain jobs.

The inability to find and retain jobs often is caused by the duties of caring for dependent children.

The failure to escape poverty persists through the generations, as children of welfare families go onto welfare rolls as adults, resulting in a needless waste of human potential as well as economic and other costs to society.

A primary cause of intergenerational welfare dependency is the adverse impact of the welfare environment upon children.

To break intergenerational welfare dependency requires, where possible, the separation of children from the welfare environment and their placement into family situations that will be conducive to rejection of the welfare career.

Current welfare provisions lack measures that would assist in the elimination of intergenerational welfare dependency and, indeed, actually encourage such dependency by ignoring the availability of non-welfare alternatives for dependent children.

It is therefore in the public interest to amend the welfare laws to eliminate the encouragement of intergenerational welfare dependency and to promote the placement of children in non-welfare environments more conducive to an economically and socially productive adulthood.

Section Two

Amendment to Public Law No. _____Section _____ of Public Law No. _____ is hereby amended to add a new subsection ___ as follows:

No person shall be eligible to receive benefits under this program by reason of the need of that person to support one or more dependents under the age of 18 unless the administrator [or agency or other appropriate official] has certified, after undertaking diligent efforts, that there are no relatives of such child who are fit and willing to provide for the needs of the child [or assume custody} without resorting to welfare dependency. Such certification shall be required prior to initial entry into the program and, thereafter, upon periodic annual reviews of eligibility. An applicant's preference for welfare payments rather than family assistance shall not be a basis for granting welfare eligibility unless the administrator [or agency or other appropriate official] has certified, after making diligent investigation, that family assistance will be detrimental to the safety of the child.

TEENAGE PARENTS - WELFARE ELIGIBILITY

Under the law of every state, parents have an obligation of financial responsibility for their own minor children. If the minor children themselves become parents, these minor parents should continue to be the obligation of their own adult parents.

Current welfare eligibility rules subvert this basic rule of parental responsibility and create perverse incentives for teenage child-bearing. Simply by having a child, federal programs give the teenager an independent income source and relieve the teenager's parents of the obligations imposed by state law.

Under state law, a minor must live with or at the expense of his or her own parents. The birth of a child to that minor should not be a basis for the federal government to override state law. The federal government should not subsidize the establishment of independent households by minors and abrogate familial rights and responsibilities.

If the parents of the minor are already on public assistance, their payments should be governed by the rules applicable to other families experiencing the birth of an additional dependent. If the parents of the minor are a danger to the minor or grandchild, the case should be processed under the normal rules of guardianship used by the state. Again, there is no justification for a federal program which automatically establishes all minors as independent households upon the birth of a baby.

DIVORCED FAMILIES - DEPENDENT TAX EXEMPTION

Prior law provided that the dependent exemption for a child of divorced parents was available to the parent providing greater than 50% of the child's support. At that time, it was difficult to determine which parent provided greater than 50% of the support and the law was changed in 1984 to create a presumption that the exemption would be given to the custodial parent. The current law has created some new problems and has not kept pace with federally imposed changes in the establishment of child support orders.

Most divorce litigants do not have lawyers and, even with lawyers, most divorce decrees fail to address the allocation of the dependent tax exemption. Some courts have taken the position that they do not have the authority to allocate the exemption to the non-custodial parent, even in cases where the custodial parent is unemployed and it is clear that the non-custodian is providing 100% of the child's financial support. Allocating the dependent exemption to a household with no income does not help the child and, in fact, reduces the after-tax income available to support the child.

Recent federal legislation governing the establishment of child support orders has eliminated the uncertainty which motivated the 1984 law regarding allocation of the dependent exemption. In the past, child support orders were subjective, ad hoc determinations that did not identify each parent's share of the child's financial costs. Federal law now requires that each state have a presumptive, mathematical guideline for the establishment of child support. Under the "income shares" model used by most states, the state determines a child's costs and then allocates these costs in proportion to each parent's income. The child support computation formula thus establishes unambiguously which parent provides more than 50% of the child's financial support.

The law should be revised to provide that the dependent exemption shall be allocated to the parent who bears more than 50% of the child's financial support as established by the applicable child support order. To avoid ambiguity and dispute, the taxpayer claiming the exemption could be required to submit a copy of the court order as an attachment to the tax return. Most child support orders are now generated by computers using the state's child support formula and are set forth in a one page computer printout.

RESPONDING TO WELFARE FRAUD

In the District of Columbia and in most states, welfare fraud is a no-risk adventure.

If caught, the standard guilty plea merely requires restitution (sometimes only partial) which is paid out of future welfare benefits! Welfare is a disastrously anti-family program in which the government offers itself as a substitute for responsible two-parent family behavior. Welfare fraud multiplies the problem by making welfare more lucrative.

Welfare benefits are predicated on the assumption that the welfare recipient cannot earn outside income and that a government subsidy is required for basic needs. Initially, we accept the applicant's unilateral assertion of this inability to earn an income. In the case of the welfare cheat, however, behavior proves that an income can be earned and the receipt of welfare benefits is simply a theft of benefits that are not needed. Having proved that an income can be earned, the welfare cheat should be disqualified from receiving benefits in the future at least to the extent of the earnings potential that has been demonstrated.

Past enforcement efforts have been backward. The welfare cheat is permitted to quit the unreported job and go back to the dole. The reverse should be true. Having demonstrated earning capacity, the welfare cheat should be disqualified from again asserting an inability to earn income.

In the current economic crisis of budget deficits and soaring welfare rolls, it may finally be possible to impose serious sanctions upon welfare cheaters. The following legislative suggestions are offered:

1. The presence of unreported income means that the welfare cheater either does not need or has less need for welfare. Accordingly, the law should provide that welfare benefits will be reduced or eliminated on a forward-going basis to reflect the income that was being earned during the fraud and thus can be earned in the future.

2. State laws providing for mandatory jail terms of not less than 30 days for all persons convicted of welfare fraud should be required as a condition for a state's receipt of federal funds.

3. State laws providing that conviction for welfare fraud is a sufficient basis to support a judicial finding that it is in the best interests of the child for custody to be placed with another relative should be required as a condition for a state's receipt of federal funds.

4. State laws providing that conviction for welfare fraud is a sufficient basis to support a judicial finding of neglect or abuse so that the child may be placed in foster care should be required as a condition for a state's receipt of federal funds

Recommendations for Action

1. Assure that non-custodians and their advocates are adequately represented in the policy process. The importance of non-custodians as human beings and as parents is sometimes lost in the closed world of the child support enforcement bureaucracy. Each issue of the HHS Child Support Report lists a dozen or more child support enforcement conferences at which the presence of even a single non-custodial parent would be accidental. This insularity dehumanizes obligors as a class to be acted upon rather than as parents with whom we should communicate and cooperate. Every conference, meeting, or policy making session which is supported by direct or indirect federal funding should be required to include non-custodial parents and their advocates in equal proportion to the representation of custodial parents and enforcement officials.

2. Implement programs recognizing that child support enforcement is more than the mere invention of new coercions. Downward adjustment of an unfair order is enforcement; job training is enforcement; mediation of access disputes is enforcement; encouraging family formation is enforcement; marriage counseling is enforcement; reducing the need for income transfer and the sense of estrangement after divorce through thoughtfully developed plans for shared parenting is enforcement. Consider the popular movie, Mrs. Doubtfire. We should devote ourselves to maximizing the involvement of both parents before jumping to the conclusion that child support guidelines must contain an allowance for third-party child care.

3. Enforce the principle that the bureaucracy must represent all of the citizens. Federal law requires state enforcement agencies to process downward support modifications as well as upward modifications. A number of states refuse to obey this requirement because Federal regulations only provide reimbursement incentives for "more is better" collection efforts and no state offers equal access to services for custodial and non-custodial parents.

4. Require completion of the 1984 Congressional mandate to study and report on the "intricately intertwined" issues of custody, visitation and child support.

5. Give non-custodial parents the same access to federal services as custodial parents. For example, the Federal Parent Locator Service is currently unavailable to non-custodial parents even when the child's whereabouts have been concealed by the custodian and enforcement of child support continues through government agencies.

6. Authorize research into the gender bias in court determinations of custody and support orders.

7. Authorize research into the marginal costs of rearing children for purposes of providing assistance in the development of child support guidelines.

8. Authorize research to further measure the effect of joint custody and shared parenting upon child support compliance.

9. Authorize and fund permanent programs like those recently demonstrated under federal grants to encourage non-litigated resolution of access and support disputes through mediation, counseling and other conciliation services.

10. Mandate accountability for the expenditure of child support funds received by the custodian as is currently done for Social Security benefits received on behalf of a child.

Conclusion

For the past decade, child support policy at the federal and state level has been driven by the simplistic doctrine that "more is better." More dollars per month, more coercive enforcement, more is better. We need to acknowledge that "fair is better." When law-abiding citizens, who gladly supported their children during the marriage, become outlaws after going through the divorce process, it is appropriate to question whether the system rather than the people should bear the blame.

How many obligors are simply unable to meet the burden that has been imposed upon them by a chivalrous, high-income judge? How many of the "deadbeats" are unemployed, underemployed, disabled, imprisoned, or supporting two families to the best of their ability? How many are engaged in civil disobedience because they have been denied the opportunity to be real parents or even to have access to their children? Why has the Department of Health and Human Services, with all its billions of dollars, failed to carry out the 1984 Congressional mandate to study the "intricately intertwined" issues of custody, visitation and child support? Why did Wayne Stanton kill the Survey of Absent Parents? Why did the Department of Health and Human Services under the previous administration selectively report from the Census Bureau data and omit the fact that mothers themselves explain two-thirds of the non-compliance as "inability to pay"? Why did the Department of Health and Human Services absorb the negative stereotypes so fully that it was surprised to learn that non-custodial parents do care about their children?

Over the years, policymakers have developed an ability to discern the self-interest, self-aggrandizement, and instinct for self-perpetuation that afflicts the military-industrial complex and other bureaucracy/special-interest group alignments. The time has come to apply the same wisdom to the child support industry. There is no basis for further enforcement initiatives until the distortions of past stereotypes and the concealment of data have been corrected.

Chairman SHAW. Thank you.
Mr. Wiggins.

STATEMENT OF HARRY WIGGINS, VICE PRESIDENT, CHILD SUPPORT SERVICES, LOCKHEED MARTIN IMS, WASHINGTON, D.C.

Mr. WIGGINS. Thank you for the opportunity to testify today. I am Harry Wiggins, vice president, Child Support Services, Lockheed Martin IMS. Before joining Lockheed Martin in 1992, I served as the State child support director in Virginia for 5 years. Prior to that, I was State director in New Jersey for 8 years.

Lockheed Martin IMS currently operates 21 child support contracts in 17 States across the country. We process centralized payments in New York and Massachusetts, we have child support collection contracts and locate contracts in Georgia and several other States, and we also develop automated systems.

Lockheed Martin IMS is also part of a coalition of private companies that was put together about 2 years ago called the Human Services Information Technology Advisory Group that really serves as, essentially, free consultants to States and to Federal agencies to improve the delivery of human services through information technology. My testimony today reflects the position of that coalition.

Mr. Chairman, you asked me to address two items, and I will do that. The first is the child support enforcement automated data processing provisions in the legislation that particularly asks about the adequacy of the $260 million ceiling to pay for the additional automated technology. The second issue was the access to IRS data for the purposes of child support enforcement. I have several others I would like to discuss.

First, I would like to go on record in strong support of the child support enforcement provisions of H.R. 4 and the Senate Finance Committee version of the legislation. A number of folks were critical in putting that legislation together. You heard from Paul Legler from the administration who worked and put together the Work and Responsibility Act of 1994, Congresswoman Kennelly, Johnson, Morella, Schroeder, Congressman Ford, and your staff person Ron Haskins. The subcommittee should be congratulated for this effort.

Information technology will be a major factor in pushing forth the provisions of the act and we are concerned that, at least in the child support piece with a $260 million limit over 5 years, it is insufficient to bring forth those systems and those modifications to those systems.

We currently have contracts with six States to implement statewide systems. We have done a lot of work with our clients in the last couple of months looking at provisions of the act and what we think is going to be needed to bring the provisions of the act to fruition. We talked a lot within the Human Services Information Technology Advisory Group about the same issues, and our analysis tells us that something in the range of $400 million is going to be needed to do that work and that $260 million is not going to be adequate to achieve the requirements put forth in the legislation.

The second thing I would like to mention around automation is the October 1, 1995, date for achieving the automated systems re-

quirements of the 1988 act. A number of States are struggling to meet that date, and it is clear to me that probably 38 to 40 States will not meet that date. I am concerned that States are making serious mistakes in trying to achieve that date, making shortcuts, and we are going to end up with systems that are not rich enough to do the job. I would urge, and of course the Senate Finance Committee version extends the date to October 1, 1997—I would urge the subcommittee in conference to do the same thing.

Last, I would like to mention access to IRS data. We operate two child support offices in Virginia, full service offices, from intake through enforcement and location. We act, just as the State does in those offices, in terms of providing all services. We are concerned that access to IRS data, which the IRS routinely provides to States for enforcement of child support is limited, and that data provided to State and county child support agencies, it is not provided to private contractors—essentially acting as agents for the State.

We need to see that legislation changed, the IRS Code changed if the subcommittee is interested in having the private sector involved in child support. We believe that we make a significant contribution and make significant improvements in the program. So we ask the subcommittee to look at those provisions that make those changes.

I want to mention State case registries and centralized collection disbursement units. The subcommittee and the country will realize tremendously improved services to clients by centralized payment processing where an employer can send a check to a central unit in a State and have it distributed the very next day to a client.

We fully support State case registries in that regard and think that, based on the things that we do now in States where we do centralized payment processing, New York, Colorado, Massachusetts, and several others where we have realized a 40-percent reduction in costs to those States based on our doing the work as opposed to the States doing the work. So we bring tremendous technology to that effort.

Again, I would like to congratulate the subcommittee for putting forth some outstanding legislation and again urge the subcommittee to make some minor modifications to the legislation when it gets to conference.

Thank you.

[The prepared statement follows:]

UNITED STATES HOUSE OF REPRESENTATIVES

WAYS AND MEANS SUBCOMMITTEE ON HUMAN RESOURCES

HEARING ON CHILD SUPPORT ENFORCEMENT
JUNE 13, 1995

Statement of
HARRY WIGGINS
Vice President, Child Support Services
LOCKHEED MARTIN IMS
and representing the
HUMAN SERVICES INFORMATION TECHNOLOGY ADVISORY GROUP

Chairman Shaw and distinguished members of the Subcommittee, thank you for this opportunity to testify before you concerning the child support enforcement provisions of H.R. 4, the welfare reform bill passed by the House in March, and the child support enforcement provisions included in the welfare reform bill reported by the Senate Finance Committee several weeks ago. I am Harry Wiggins, Vice President of Child Support Services for Lockheed Martin Information Management Services. Before joining Lockheed Martin IMS in 1992, I served in public sector child support agencies for more than 20 years including serving as the state child support enforcement director in both New Jersey and Virginia.

Lockheed Martin IMS currently operates twenty-one child support contracts in seventeen states across the nation. Our services range from full privatization, to privatizing certain functions such as payment processing, location of nonresident parents, collection of child support payments, and automated systems development.[1]

Lockheed Martin IMS is also an active member of a coalition of private companies working with state and local governments in the human services arena. The Human Services Information Technology Advisory Group (HSITAG)[2] was formed more than two years ago to serve as a source of knowledge about the ability of modern management methods and information technology to improve the delivery of human service programs and to provide an information technology industry perspective on issues related to the delivery of these services to the nation's human service agencies. Many of these companies, as well as others, are also engaged in providing services for state and local child support enforcement agencies. My testimony today reflects the positions of this coalition.

Chairman Shaw, you asked that I specifically address two issues: 1) the child support enforcement automated data processing provisions of the legislation, particularly the adequacy of the $260 million provided in the bills to pay for information technology; and 2) the issue of access to IRS data for the purposes of child support enforcement. There are also several other issues that I would like to bring to the attention of the Subcommittee including centralized registries and payment processing, privatization, and the critical need for information technology

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[1] Lockheed Martin IMS child support enforcement projects include: Georgia, location of nonresident parents; Connecticut, statewide collections; New York, statewide centralized payment processing; Pennsylvania, statewide automated system; and Texas, statewide location and collections. In addition, Florida has issued a request for statewide locations and collections.

[2] The following companies are members of the Human Services Information Technology Advisory Group (HSITAG): American Management Systems, Inc.; Andersen Consulting; BDM Technologies; Deloitte & Touche; Digital Equipment Corp.; EDS Corp.; Integrated Systems Solutions Corp.; Lockheed Martin IMS; Loral Federal Systems; Maximus; National Comprehensive Services Corp.; Network Six, Inc.; SHL Systemhouse, Inc.; Software AG; Sun Microsystems; and Unisys Corp.

in child support enforcement and other human services programs.

First, I want to go on record in strong support of the child support enforcement provisions of both H.R. 4 and the Senate Finance Committee's version of the legislation. When enacted, these provisions will dramatically strengthen the program to both reduce welfare dependency and improve the lives of children to whom child support is owed. As we all know, however, most legislation can be improved and your efforts to this end are to be commended. I realize the difficulties faced by this Subcommittee and Congress to craft these provisions in such a short period of time and greatly appreciate your recognition that further improvements can be made. I also want to take this opportunity to recognize the efforts of the many people who have contributed to this excellent legislation including the members and staff of the former U.S. Commission on Interstate Child Support Enforcement; Paul Legler and other members of the Administration who drafted many of the provisions of the legislation that were originally included in the Work and Responsibility Act of 1994; Congresswomen Kennelly, Johnson, Morella, and Schroeder and Congressman Ford who tirelessly campaigned to include child support enforcement improvements in the welfare reform legislation; Ron Haskins and the other staff of the Subcommittee who met with and discussed the various provisions with all segments of the child support enforcement community; and to you, Chairman Shaw, for leading the effort. I am particularly pleased that you continue to seek improvements in the legislation as the process moves forward as exemplified by today's hearing.

Information Technology

As you are well aware, H.R. 4 calls for a massive reengineering of the nation's welfare system. When enacted, the legislation will dramatically change how human service programs are operated and services delivered at all levels of government. Critical to the success of this effort and these programs is information technology. Unfortunately, the need for automation and information technology in these programs is most often not in the forefront of the debate and is usually given only passing thought and minimal resources. The question of "how" these programs will best be implemented is largely left to program administrators at all levels and is usually not the primary concern of policy-makers when crafting legislation. Lockheed Martin IMS, the other members of the Human Services Information Technology Advisory Group, as well as the state and local agencies who will be implementing these programs are once again concerned that information technology needs are not being adequately addressed in the current welfare reform debate.

This is not a small concern. I believe that meeting the goals of this legislation will require the greatest use of automation and information technology at all levels of government. Just a few examples of the program changes required by H.R. 4 make the need clear. The legislation would limit the provision of benefits to an individual recipient for no more than five years. This will require a tracking system and data base for all individuals who have received benefits over an unlimited period of time, across state lines on a nationwide basis. Limiting benefits to an individual who gives birth to a child while receiving assistance and to teenaged mothers who give birth out-of-wedlock will also require similar tracking and data requirements. The bill also requires states to collect data and report to the federal government a variety of program outcome and participant data, much of which is not being collected today. And, Congress will also want to know the bottom-line answer to the question of how states are spending their share of federal dollars.

Human service programs including the current Aid to Families with Dependent Children (AFDC) program, the envisioned state-based Temporary Assistance Program Block Grant, child protection programs, and the child support enforcement program are all dependent on good and timely data and information management systems if they are to be successful. They are needed not only to chart program operations and performance outcomes but to improve program efficiencies and reduce fraud. Block grants, as envisioned by the legislation will make these programs even more needful of good data and the information technology required. Most importantly for Congress to consider, I believe, is the question, "How will we know whether H.R. 4 is achieving its goals?" To even begin to answer that question will require good data and the information technology needed not only to collect the data but to actually implement and operate

these programs.

H.R. 4 does include a provision which requires the Department of Health and Human Services to conduct a study of and submit a report on the status of automated data processing systems in the states and on what would be required to produce a system capable of tracking participants over time. The report would also include a plan for building on current automated systems to perform these and other functions as well as the estimate of time and cost required to put such a system in place. While I believe such a study and report is beneficial, I also believe that a stronger commitment of federal resources--both funding and personnel-- is immediately needed to help to assure that the goals of welfare reform are achieved. As you know, experience shows that states cannot undertake these essential information technology initiatives without federal support.

As you continue to explore ways to improve the current welfare reform legislation, I urge you to thoughtfully consider the information technology and automation needs of these programs and to include adequate and appropriate federal resources for developing and implementing these critical systems. Without these systems in place, I fear that the goals of welfare reform will be extremely difficult to achieve.

Child Support Enforcement Automated Data Processing Requirements

Chairman Shaw, you asked that I specifically address the adequacy of the $260 million provided in the legislation for child support enforcement data processing. First, let me point out that the $260 million provided over five years for child support data processing and information technology requirements first appeared in the Administration's welfare reform bill in 1994. It is well known that the figure was determined in a purely arbitrary fashion and ignored the best estimates of the true cost of such technology needs developed within the Administration and the Congressional Budget Office. The $260 million figure has since resurfaced in a number of bills including H.R. 4 and the Senate Finance Committee's welfare reform bill.

The $260 million for automated data processing is clearly and woefully inadequate to meet not only the new requirements placed on states by H.R. 4, but also the continuing system development currently underway in the states to meet the requirements of the Family Support Act of 1988 and the 1993 OBRA legislation. The inadequacy of this funding level is recognized nearly universally. In fact, I personally know of no one who can legitimately support this level of funding.

Congress viewed it necessary--and this legislation continues to rightfully support--a strong federal role and requirements for state child support enforcement programs. This legislation also correctly supports the concept that the more automation and information technology available to state child support programs, the more successful these programs will be. As I noted previously regarding Congressional treatment of human service technology needs, in this case funding for these technology needs are treated somewhat as an afterthought.

Lockheed Martin IMS, the Human Services Information Technology Advisory Group, state child support enforcement officials, and others have long advocated for adequate funding without arbitrary funding caps to support the reengineering, planning, design, and development of new automated systems in order to actually accomplish the program improvements envisioned by this legislation. The fiscal reality and political common sense tell us all, however, that funding for these information technology improvements will likely be limited by a funding ceiling. The question then is: where should that funding level be set? Lockheed Martin IMS has discussed this issue with program experts at all levels and believe that a funding level of at least $400 million over five years is much more realistic. I therefore recommend that as you continue to refine this legislation you raise the funding limit for child support enforcement automated data processing to at least the $400 million level. Further, I recommend that you retain the provision in the legislation to require the Department to study and report on the ongoing information technology needs and costs such systems and to continue to provide oversight and attention to the information technology needs of the child support enforcement and other human service programs within your jurisdiction.

Deadline for Current Automated Systems

The Family Support Act of 1988 mandated implementation and certification of statewide comprehensive child support enforcement automated data processing systems by October 1, 1995. Enhanced federal funding at the rate of 90% is provided for this system development. Unfortunately, the late issuance of final federal regulations and certification requirements and other factors have resulted in most states running out of time to complete their automated systems by the current deadline. Lockheed Martin IMS and other member companies of the Human Services Information Technology Advisory Group are working with a number of states to implement these systems and know first hand the difficulties most states are having in implementing such complex systems within the current deadline. The concern is not only the fact that states face the loss of federal funds to administer the child support enforcement program if they fail to implement automated systems that meet certification requirements by the deadline, but also that many states are now "reaching for the deadline" and are sacrificing quality simply to meet the deadline. The last thing states, their private sector contractors, the federal Office of Child Support Enforcement, and hopefully Congress would want, is to rush these complex projects to completion and find that they can't do the job they were designed to do. This is especially critical since the child support enforcement provisions envisioned in the current welfare reform legislation will require a solid automated data processing foundation on which to build the new information technology requirements such as state registries and centralized collection and disbursement units.

The Senate Finance Committee's version of H.R 4 addresses this problem by extending the current system development deadline until October 1, 1997--one day for each day the final regulations were delayed. The bill would also continue to provide enhanced funding for system development at the 90% rate, but limited to the amount approved in each state's advance planning document submitted before May 1, 1995. It appears, however, that some states had been instructed to delay submission of advance planning documents updates due to uncertainty about the deadline. While we understand the desire of Congress to not substantially increase costs of current system development, I believe it may be wise to allow some flexibility in this date by granting the Secretary some discretion to approve additional costs based on ojective factors such as caseload growth which are beyond the control of the states. I strongly recommend that the Senate provision with greater flexibility be included in the final version of the welfare reform legislation.

Access to IRS Data

Chairman Shaw, I appreciate your interest in the issue of private contractor access to IRS data and am pleased to address this concern. One of the most serious issues facing states in their efforts to improve their child support enforcement programs through the use of privatization of various functions, is private sector access to information already provided to the states by the Internal Revenue Service. IRS data is one of the most powerful weapons in the arsenal of state and local child support agencies for locating nonresident parents and their assets through wage and tax information, for obtaining collections through the IRS tax refund offset program, and ultimately to payment processing and actual payments of collected wages and tax intercepts to custodial parents and their children.

Authority to use IRS data for these purposes is extended in the Internal Revenue Code, Sections 6103 (l)(6)(A) and (B), which allow disclosure of IRS data to Federal, State, and local child support enforcement agencies for the purposes of establishing and collecting child support, and Section 6103(1)(10), which allows disclosure to agencies requesting a reduction.

Many states and localities currently contract with private agents such as Lockheed Martin IMS for activities such as location, collection, payment processing, distribution of payments and fully privatized offices which inherently rely on IRS data. Some states also utilize non-state or local child support agency personnel such as Clerks of Courts for similar functions.

Although the aforementioned sections of the IRS Code allow disclosure of this data to state and local child support enforcement agencies, the IRS has recently been taking the position

that these provisions do not allow disclosure to private companies contracted to state or local child support enforcement agencies or to other non-state or local child support enforcement personnel because they are not specifically authorized for receipt of data under the code.

Frankly, I believe we all understand the need for privacy of IRS data. It does not seem unreasonable, however, that state and local child support agencies that choose to contract services with the private sector or with non-state or local child support agency personnel also be allowed to grant access to this information under the same safeguards, privacy and disclosure restrictions on the use of such data--and the same penalties for misuse of data--as are already spelled out in the code for child support enforcement agencies.

In fact, this is what is currently being done in every state where private companies as well as non-state and local child support enforcement agency personnel are under contract to provide services Every contractual arrangement clearly stipulates that access to IRS data is provided under the same rules and restrictions as the public agencies themselves and I am aware of no instances where this has created any problems. I can honestly say that Lockheed Martin IMS as well as the other private companies engaged in child support enforcement activities are extremely conscientious about handling this information because we are fully aware that any breach of such confidence could threaten our contracts and our business.

In order to best address this problem, it is essential that Congress amend the Internal Revenue Service Code so that IRS data can be made available not only to state and local child support enforcement agencies but also "to their contractual agents." Further, the Code should stipulate that the data would be disclosed on the same basis and under the same restrictions and penalties as to publicly operated state and local child support enforcement agencies. If this issue is not immediately addressed, there is no question that the movement toward program improvement through the use of privatization would be seriously jeopardized. It would also undermine the ability of child support enforcement agencies to utilize contractors for specific program functions such as automated systems development, location of nonresident parents, collection of support, and the operation of centralized registries and payment processing centers as envisioned in H.R. 4. I therefore urge you to quickly resolve this issue by including a provision amending the IRS code to grant access to IRS data to private sector companies or other non-state or local child support enforcement agency personnel operating under contract to state or local child support enforcement agencies.

State Case Registries and Centralized Collection and Disbursement Units

Lockheed Martin IMS and the member companies of the Human Services Information Technology Advisory group are in strong support of the requirement included in both H.R. 4 and the Senate Finance Committee's welfare reform bill that states implement and operate child support case registries and centralized collection and disbursement units. Central registries and collection and disbursement units were major recommendations of the former U.S. Commission on Interstate Child Support Enforcement and are supported by virtually all child support enforcement professionals.

Lockheed Martin IMS is currently providing centralized payment processing services in a number of states and localities including New York, California, Hawaii, and Colorado. Currently, at least twelve states have adopted some type of centralized collection and disbursement system and more and more states are moving toward these systems to more efficiently handle child support enforcement transactions. The legislation will further speed their development. Central registries and payment processing centers have proven to be more efficient and cost effective, provide better customer services, and result in improved enforcement and higher collections.

I do want to bring to the Subcommittee's attention one problem with the centralized collection and disbursement unit provision in H.R. 4 which can easily be addressed by adopting language included in the Senate Finance Committee's version of the provision and by adding additional language.

The version of the bill adopted by the full Ways and Means Committee allowed states to establish centralized collection and disbursement issues by linking local units through computer systems. Although seemingly harmless on first view, this approach is more expensive, operationally inefficient, and much more burdensome for employers. When this problem was brought to your attention, Chairman Shaw, you successfully offered an amendment on the floor to allow the linking of local collection and disbursement units only if the Secretary of the Department of Health and Human services agrees "that the system will not cost more nor take more time to establish than a centralized system. In addition, employers shall be given 1 location to which income withholding is sent." Unfortunately, this language does not fully resolve the problem with potential costs. The problem is the ongoing operational costs of linking local units which can be addressed by adopting the Senate version of the provision. That provision states that the Secretary must agree that "the system will not cost more nor take more time to establish or operate than a centralized system."

The other potential problem with the linking of local units is the timeliness of payment disbursement to custodial parents. This problem can best be addressed by including language that stipulates that linking local units does not take more time to disburse payments to custodial parents than a centralized unit.

Privatization of Child Support Enforcement Services

In conclusion, I would like to take the opportunity to briefly discuss the privatization of child support enforcement services.

First, I want to make clear that I am not speaking of or supporting the private sector contingency fee based child support collection agencies that are paid out of funds paid as child support for children. Privatization of child support functions as I discuss does not divert any of the critically needed child support from children.

Many states have found it beneficial to privatize specific functions of their child support enforcement program such as location of nonresident parents, collection of child support, centralized payment processing, and establishing orders and paternity. As child support enforcement caseloads and program demands continue to increase while public sector resources are becoming more scare, many states are finding privatization to be a viable solution to maintain and improve the level of service to their customers.

States are now moving toward full privatization of child support services. Full privatization first began in the Commonwealth of Tennessee four years ago. Since that time, Arizona, Georgia, Mississippi, Nebraska, Virginia, and Wyoming have all implemented full privatization in certain areas and have been extremely satisfied with the results. In recent months, Virginia, Wyoming, and Tennessee have issued proposal requests to increase these efforts and many other states are actively considering privatization.

Lockheed Martin IMS currently operates two District Child Support Enforcement Offices for the Commonwealth of Virginia in Hampton and Chesapeake and Virginia will soon award contracts for the privatization of three offices in the Northern Virginia area. Staff of this Subcommittee, other Congressional staff, the General Accounting Office, and officials of other states have visited the Hampton or Chesapeake offices to learn more about these full privatization efforts.

In the Hampton and Chesapeake offices, Lockheed Martin IMS staff provide all of the same services for child support enforcement customers as Commonwealth staff provide in the twenty other district offices operated by the state. These services include intake, paternity establishment, order establishment, enforcement of orders, review and adjustment of orders, and location of nonresident parents. Our staff is responsible for all cases referred from the local welfare agencies as well as all non-public assistance cases where the custodial parent requests child support enforcement services.

We pride ourselves on customer service. In our Virginia offices, we have implemented

specialized customer service units that are able to receive inquiries by telephone, mail, fax, or in person. Premiums are placed on both timeliness and courtesy. Our customer service units are augmented by both an automated Voice Response Unit to provide case and general information 24 hours a day and a call distribution unit which ensures callers never receive a busy signal.

We also strive to make services more accessible to customers by having extended and weekend office hours and by providing services at various locations throughout the community such as schools, religious institutions, community centers, hospitals, and public health clinics.

In your earlier hearings, you heard testimony from a number of witnesses regarding the benefits of privatization. I too could spend a great deal of time testifying in support of these efforts. Let me simply say, however, not only as a representative of a company viewed as a leader in this field but also as a former state child support enforcement director, that the future success of child support enforcement lies in the public-private partnership of privatization.

Again, I thank you for the opportunity to speak to you today. Lockheed Martin IMS and the member companies of the Human Services Information Technology Advisory Group are eager to continue to work with you on this important legislation.

Deadline for Current Automated Systems

As addressed in my written statement, Lockheed Martin IMS supports an extension of the deadline for current automated systems to October 1, 1997 as included in the Senate Finance Committee's version of H.R. 4.

Lockheed Martin IMS also supports continued enhanced federal funding at the 90% rate to allow adequate financial support to assure the development of sound automated systems upon which the new systems required by H.R. 4 can be built. The Senate Finance Committee's version of H.R. 4 would continue to provide enhanced federal funding for system development at the 90% rate, but limited this to the amount approved in each state's advance planning document submitted prior to May 1, 1995. As stated in my testimony, I believe that some greater flexibility needs to be included in this provision to allow those states that may still be in the process of submitting updates to their advance planning documents the opportunity to receive funding at the enhanced rate to meet current system development requirements. The following language would address the situation by granting the Secretary of HHS some discretion in approving expenditures submitted after May 1, 1995:

Sec.454A. (b) (3)(A) The Secretary shall pay to each State, for each quarter in fiscal years 1996 and 1997, 90 percent of so much of the State expenditures described in paragraph (1) (B) as the Secretary finds are for a system meeting the requirements specified in section 454 (16), but limited to the amount approved for States in the advance planning documents of such States submitted before May 1, 1995. [*The Secretary may also pay to States 90 percent of State expenditures for costs approved in advance planning documents submitted on or after May 1, 1995 if the Secretary finds that such expenditures are the result of unanticipated caseload increases or other factors beyond the control of the State.*]

Chairman SHAW. Thank you, Mr. Wiggins.
Ms. Ross.

STATEMENT OF HON. JANE L. ROSS, DIRECTOR, INCOME SECURITY ISSUES, U.S. GENERAL ACCOUNTING OFFICE

Ms. ROSS. Thank you, Mr. Chairman. I want to talk about opportunities to defray the rapidly increasing costs of providing child support enforcement services. We believe at GAO that charging a percentage service fee on all collections of child support for the non-AFDC families would be an appropriate way to finance services for these nonwelfare clients. We have not recommended a particular percentage and we certainly haven't recommended 15 percent, but we have recommended that a percentage of collections would be a more desirable mechanism than the current application fee.

We know that the child support enforcement program is helping people that are nonwelfare families. Preliminary data for 1994 show that the program collected more than $7 billion for about 8 million non-AFDC families.

To help defray the costs of providing these services to non-AFDC clients, the Federal law requires that non-AFDC applicants be charged a mandatory application fee of up to $25. Last year, the administrative costs for this nonwelfare workload were $1.1 billion. This application fee brought in 3 percent of these costs; in other words 3 percent of them were recovered, or $33 million.

Most States charge their non-AFDC clients less than $1. What you should know about these administrative costs is that they are growing rapidly and we expect them to continue to grow rapidly so that by the year 2000, they will be over $1.6 billion. One important factor that led us to recommend a percentage fee based on collections rather than the current application fee is that many clients served by the non-AFDC program may not be exactly the low-income population that the Congress envisioned providing services.

In 1991 about ½ million men and women requested child support services. About 65 percent of them had incomes that exceeded 150 percent of the poverty line, and about 45 percent of them had incomes that exceeded 200 percent of the poverty level.

When we first reported on this issue in 1992, we evaluated and estimated the impact of several alternatives to the current one, including a mandatory application fee, an annual service fee, income tax offset fees, and various combinations of each. In evaluating these alternatives, we looked at three criteria, the effect on the potential client's access to services, the client's financial resources, and State administration of the child support program. After we looked at the alternatives and at these criteria, we came to the conclusion that charging a percentage fee on all child support collections and eliminating the current application fee would be the most appropriate mechanism, for several reasons.

The approach offers several advantages over the other alternatives and, quite importantly, it provides significant potential for increasing the recovery of Federal administrative costs.

But as to the advantages of this type of collection, No. 1, this is administratively very simple. No. 2, because there is no up-front cost to the client as with an application fee, it probably won't serve

to discourage non-AFDC clients from seeking other child support services like location and paternity establishment.

No. 3, because of that fact that you are paying only after some collections have been made, it would seem less burdensome to clients than other methods.

You asked us specifically to comment on how the alternative fee structure we recommend should be implemented. The administration of such a cost recovery system should be kept as simple as possible so as not to incur unnecessary administrative costs. Thus, every time $1 is collected, whether from an income tax refund offset, wage withholding, or just monthly child support collection, the percentage fee should be applied.

We believe that States should be given no discretion in applying the fee and should be required to apply it to every dollar collected. If, however, you decide that for people coming off the welfare program you wanted to make a special arrangement so they had no collection for the first year, that would be possible.

The amount of costs that were recovered under our approach would depend entirely upon the percentage fee that the Congress sets. We have a table in our written testimony showing everything from 15 percent down to one-half of 1 percent and, as I said before, we are not recommending a particular percentage but you can see the range of collections that is possible at all of those levels.

Mr. Chairman, that concludes my statement. I will be glad to answer any questions.

[The prepared statement and attachments follow:]

STATEMENT OF HON. JANE L. ROSS
DIRECTOR, INCOME SECURITY ISSUES
U.S. GENERAL ACCOUNTING OFFICE, WASHINGTON, D.C.

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss opportunities to defray growing taxpayer costs for providing child support enforcement services to individuals other than recipients of Aid to Families With Dependent Children (AFDC).

The purpose of the federal Child Support Enforcement Program is to strengthen state and local efforts to obtain child support for both AFDC and non-AFDC families. When the Congress created the program in 1975, it made child support enforcement services available to non-AFDC clients with the belief that many families might be able to avoid the necessity of applying for welfare by obtaining the support due from the noncustodial parent. Indeed, the Child Support Enforcement Program is helping nonwelfare families; preliminary data for fiscal year 1994 show that the program collected more than $7.3 billion for about 8.2 million non-AFDC clients.

Our testimony today, based on an update of our 1992 report,[1] will focus on four key points about the non-AFDC child support program: (1) growth in non-AFDC caseloads and related administrative costs to provide collection and other services; (2) income characteristics of non-AFDC clients, specifically, our finding that many are not within the low-income population to which the Congress envisioned providing child support enforcement services; (3) alternatives for increasing non-AFDC cost recovery; and (4) an alternative fee structure based on child support collections, and the degree of flexibility states should have in implementing such a cost recovery system.

In summary, our work has shown that providing child support enforcement services to non-AFDC clients is costly. Since 1984, federal and state government non-AFDC administrative costs have risen over 600 percent to over $1.1 billion in fiscal year 1994. During this time, non-AFDC caseloads have also risen sharply, and many non-AFDC clients being served may not be within the low-income population to whom the Congress envisioned providing services. States have exercised their discretion to charge these clients only minimal application and optional service fees, such as for offsetting federal and state tax refunds and, thus, are doing little to help recover the federal government's 66-percent share of program costs. While non-AFDC service costs increased significantly from 1984 through 1994, recoveries of these costs only increased from 2 percent to about 3 percent or from $3 million to $33 million. The national average cost per non-AFDC case in fiscal year 1994 was about $136, while the average fee collected was about $4. In contrast, private child support collection agencies, whose services are also available to non-AFDC families, may charge an application fee and a percentage fee, usually about 25 percent to 33 percent, of the support collected.

Because most states have opted to implement minimal fee policies, the federal government's two-thirds share of the unrecovered non-AFDC child support administrative costs is considerable--almost $715 million in 1994 alone. For this reason, we had recommended in 1992 that the Congress amend title IV-D of the Social Security Act to (1) require states to charge a minimum percentage service fee of each successful child support collection and (2) eliminate the mandatory non-AFDC child support application fee and optional federal and state tax offset fees. To date, the Congress has not acted on our recommendations.

BACKGROUND

Child support enforcement services are provided for both AFDC and non-AFDC clients and include locating noncustodial parents, establishing paternity, and obtaining child support orders. In

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[1] Child Support Enforcement: Opportunity to Defray Burgeoning Federal and State Non-AFDC Costs (GAO/HRD-92-91, June 5, 1992).

addition, services are provided to collect ongoing and delinquent child support through such means as mandatory wage withholding, federal and state income tax refund offsets, personal property liens, and reporting delinquent payments to credit bureaus.

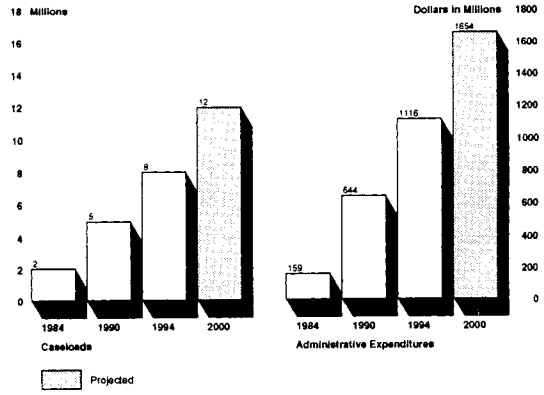
Federal responsibility for this program lies with the Department of Health and Human Services' (HHS) Office of Child Support Enforcement (OCSE). State child support enforcement agencies have responsibility for administering the program at state and local levels. The federal government and the states share program costs at the rate of 66 and 34 percent, respectively.

While AFDC recipients are required to participate in the child support enforcement program so that states may recover some portion of the AFDC grant, others not receiving AFDC may apply and receive the same services. In these non-AFDC cases, all child support is turned over to the custodial parent. To help defray the costs of providing these services, federal law requires that non-AFDC service applicants be charged a mandatory application fee up to a maximum of $25. This fee must be paid to the child support agency by the applicant or the state and may be recovered later from the noncustodial parent. States also have the option of recovering actual non-AFDC service costs from the custodial or noncustodial parent and charging fees for specific services, such as offsetting federal and state income tax refunds of delinquent noncustodial parents. The federal and state governments share cost recoveries at the same rate that they share program costs.

CASELOADS, COLLECTIONS, AND EXPENDITURES HAVE RISEN, BUT FEW COSTS RECOVERED

Since passage of the Child Support Enforcement Amendments of 1984, which provided incentives to states to strengthen their non-AFDC programs, non-AFDC caseloads, collections, and administrative expenditures have grown significantly. From 1984 through 1994, the non-AFDC caseload nearly doubled every 5 years and now exceeds the ongoing AFDC caseload. When we reported on this increasing trend in 1992, we estimated that non-AFDC caseloads and expenditures could exceed 7 million and $1 billion, respectively, by 1995. Non-AFDC caseloads and expenditures, however, grew even more rapidly than we predicted. Figure 1 shows caseload and expenditure growth from 1984 through 1994 and provides an estimate of both for the year 2000. From fiscal year 1984 through 1994, non-AFDC caseloads rose 340 percent, from 1.9 to 8.2 million cases, and administrative expenditures increased over 600 percent, from $159 million to $1.1 billion. The average annual service cost per non-AFDC case also increased about 60 percent over this period, from $85 to $136.

Figure 1: Fiscal Years 1984, 1990, 1994, and Estimated 2000 Non-AFDC Caseloads and Expenditures



Source: OCSE's annual child support enforcement reports to the Congress for fiscal years 1984, 1990, 1994 (preliminary), and GAO's estimates for fiscal year 2000.

The non-AFDC child support program collects billions of dollars in child support, but little of the costs of providing these services is recovered. From 1984 to 1994, collections increased about 432 percent, from $1.4 to $7.3 billion. During this period, the administrative expenditures to provide collection and other services has risen sharply. Because most states chose to charge minimum application and service fees, cost recoveries over this same period were small, increasing from $3 to $33 million or from 2 percent to about 3 percent of administrative expenditures. As we reported in 1992, most states charge non-AFDC clients an application fee of $1 or less. Appendix I provides detailed information on states' child support collections, expenditures, and costs recovered.

MANY NON-AFDC CLIENTS MAY NOT BE WITHIN THE POPULATION THE CONGRESS ENVISIONED SERVING

Many clients served by the non-AFDC child support program may not be within the low-income population to whom the Congress envisioned providing services. The Bureau of the Census' 1991 data, the most recent available, show that about 523,000 men and women, age 15 years and older, had requested child support services in that year. About 65 percent of these reported incomes, excluding any child support received, exceeding 150 percent of the federal poverty level.[2,3] As figure 2 further illustrates, of all clients requesting services, about 45 percent reported incomes

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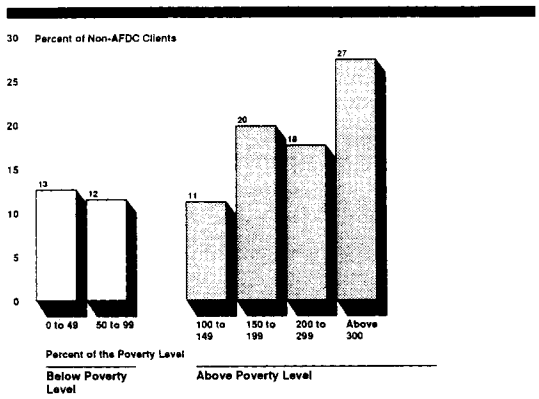
[2]Census data are generally thought to underreport the receipt of income. Answers to questions about income often depend on the memory or knowledge of one person in the household. Also, recall problems can cause underestimates of income in surveys, because people can easily forget minor or irregular sources of income.

[3]In 1991, the poverty threshold for a three person household was $10,860.

exceeding 200 percent of the poverty level and 27 percent reported incomes exceeding 300 percent. Under current state fee policies and practices, taxpayers are paying most of the cost to provide child support enforcement services to non-AFDC clients.

Figure 2: Non-AFDC Clients' Income Relative to the Federal Poverty Level (1991)



Note: Data do not add up to 100 percent due to rounding.

Source: Unpublished tabulations by HHS computed from the Bureau of the Census' 1992 Current Population Survey Child Support Supplement, a public use tape.

ALTERNATIVES TO INCREASE COST RECOVERY

Federal law provides states considerable discretion in establishing fee policies to help defray non-AFDC child support administrative expenditures. Most states choose to exercise this discretion by adopting minimal fees, resulting in little cost recovery. With non-AFDC caseloads and administrative expenditures rising rapidly and the federal government paying two-thirds of the unrecovered costs, the non-AFDC fee structure and the rate at which child support services are being subsidized appear inappropriate for a population that the Congress may not have originally envisioned serving.

When we reported on this issue in 1992, we evaluated and estimated the impact of several alternatives for increasing non-AFDC child support cost recoveries. These alternatives included mandatory application, annual service, income tax offset fees, and various combinations of each. In evaluating each alternative, we considered the effect it might have on potential clients' access to services, clients' financial resources, and states' administration. We developed these criteria after interviews with federal and state child support officials and various child support public interest groups and associations.

After examining states' fee policies and practices and considering the various alternatives, we concluded that any approach to increase cost recoveries through amending existing non-AFDC child support fee policy should not include mandatory

application or fixed annual service fees. Many state child support officials view application fees as a barrier to clients who do not have the financial means to apply for services. Such fees may also discourage clients from seeking services, because the fees are paid whether or not any child support is collected. Some officials also believe that a fixed annual service fee could be cumbersome to administer, especially if it is to be recovered over a series of payments throughout the year. Finally, many state child support agency officials also oppose any fee that would be means-tested. A means test that requires states to validate clients' income through third parties would add considerable administrative and cost burdens to the program.

A MINIMUM SERVICE FEE STRUCTURE WOULD HELP RECOVER TAXPAYERS' COSTS

After considering the various alternatives, we reported that (1) charging a percentage service fee of all child support collections and (2) eliminating the mandatory application fee and optional federal and state tax offset fees would provide the most appropriate alternative to finance non-AFDC child support services. This approach offers several advantages over the other alternatives we evaluated and provides significant potential for increasing the recovery of administrative costs. State child support officials with whom we discussed this approach believe that it would be simple to administer. In addition, because there is no up-front cost to the client as with an application fee, this alternative should not discourage non-AFDC clients' from seeking valuable child support services, such as location and paternity establishment, even if collections are not realized. The approach could lessen the financial burden on clients who have limited financial resources, because fees would be collected only when child support payments are received.

You specifically asked us to comment on how the alternative fee structure we recommended should be implemented, including our views on the degree of flexibility states should be afforded. The administration of such a cost recovery system should be kept as simple as possible, so as not to incur unnecessary administrative costs. Thus, every time a dollar is collected, whether from an income tax refund offset, wage withholding, or monthly child support collection, the percentage fee should be applied. States should continue to have the option to pay this fee themselves or pay the fee and recover it from the noncustodial parent. However, as under existing federal law covering application fees, states should not be able to claim the service fees they pay as a program administrative cost. With respect to states' flexibility, because most states have opted to adopt minimal fees that has resulted in recovering little of the costs of providing services to non-AFDC clients, we believe that states should have no discretion in applying the fee and be required to apply it to every dollar collected.

The amount of costs recovered under our approach would depend upon the percentage fee that the Congress would set. As illustrated in table 1, a 15-percent service fee on collections would have recovered almost all 1994 non-AFDC administrative costs. However, the Congress may not want to seek full cost recovery. At a minimum, a service fee of one-half of 1 percent (shaded row in table 1) would have recovered the $33 million realized through existing state fee policies.

Table 1: Sharing of 1994 Non-AFDC Child Support Administrative Costs Under GAO Alternative Fee Policy

Dollars in millions

Service fee (percent of collections)	Costs paid by	
	Taxpayer	Non-AFDC client
0.5	$1,083	$33
1	1,043	73
2	970	146
3	897	219
4	824	292
5	750	366
6	677	439
7	604	512
8	531	585
9	458	658
10	385	731
11	312	804
12	239	877
13	166	950
14	92	1,024
15	0	1,116

Note: The 1994 non-AFDC child support collections were about $7.3 billion and administrative expenditures were about $1.1 billion. Shaded row represents the fee that would have had to be applied to collections to equal the $33 million that states recovered through existing fee policies in 1994.

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Mr. Chairman, this concludes my prepared statement. I will be happy to answer any questions you or other members of the Subcommittee may have.

For more information on this testimony, please call David Bixler, Assistant Director, at (202) 512-7201. Other major contributors include Nora Perry, Evaluator; Kevin Kumanga, Senior Evaluator; and Chris Morehouse, Evaluator.

Non-AFDC Child Support Collections, Expenditures, and Recovered Costs (1994)

State	Collections	Expenditures	Costs recovered	Recovered costs	
				Percent of collections	Percent of expenditures
Alabama	$106,760,421	$27,379,463	$222,482	0.2	0.8
Alaska	32,206,621	6,082,670	4,060	0.0	0.1
Arizona	56,243,484	20,983,174	11,701	0.0	0.1
Arkansas	39,552,742	12,678,580	1,354,548	3.4	10.7
California	436,945,123	119,797,020	2,287,049	0.5	1.9
Colorado	50,872,695	23,518,908	69,556	0.1	0.3
Connecticut	56,982,657	17,034,182	61,075	0.1	0.4
Delaware	21,808,809	5,715,726	45,913	0.2	0.8
District of Columbia	18,464,994	5,356,147	61,459	0.3	1.1
Florida	249,915,705	46,058,374	1,389,589	0.6	3.0
Georgia	145,002,293	29,039,987	6,307	0.0	0.0
Guam	5,131,094	2,287,773	0	0.0	0.0
Hawaii	35,155,810	10,549,204	0	0.0	0.0
Idaho	26,855,589	6,123,094	561,678	2.1	9.2
Illinois	141,078,593	55,708,119	46,546	0.0	0.1
Indiana	99,680,394	6,130,016	152,431	0.2	2.5
Iowa	82,599,385	13,552,487	445,225	0.5	3.3
Kansas	62,012,286	15,444,924	12,439	0.0	0.1
Kentucky	83,448,345	10,615,707	37,120	0.0	0.3
Louisiana	91,293,397	17,719,733	259,320	0.3	1.5
Maine	23,401,836	5,634,229	2,100	0.0	0.0
Maryland	199,882,152	22,241,772	286,650	0.1	1.3
Massachusetts	127,087,260	27,694,569	3,702	0.0	0.0
Michigan	722,267,784	29,025,099	5,849,560	0.8	20.2
Minnesota	184,834,020	30,053,799	562,877	0.3	1.9
Mississippi	39,417,467	11,214,653	1,133,365	2.9	10.1
Missouri	158,402,857	22,152,762	0	0.0	0.0
Montana	15,245,016	4,234,453	4,864	0.0	0.1
Nebraska	70,924,708	8,185,082	0	0.0	0.0
Nevada	36,450,819	4,095,046	35,970	0.1	0.9
New Hampshire	27,091,788	7,137,494	235	0.0	0.0
New Jersey	353,390,163	37,675,370	742,322	0.2	2.0
New Mexico	16,693,060	6,355,248	381,378	2.3	6.0
New York	385,974,245	68,478,911	127,965	0.0	0.2
North Carolina	149,824,046	25,919,928	190,879	0.1	0.7
North Dakota	15,729,819	3,683,641	15,789	0.1	0.4
Ohio	675,894,719	57,401,631[a]	12,835,502	1.9	22.4

Oklahoma	36,760,444	12,043,014	80,964	0.2	0.7
Oregon	112,107,719	8,388,172	162,329	0.1	1.9
Pennsylvania	734,720,564	62,053,484	49,643	0.0	0.1
Puerto Rico	101,615,083	6,134,437	0	0.0	0.0
Rhode Island	13,361,090	3,528,607	18,080	0.1	0.5
South Carolina	63,565,001	15,310,723	23,166	0.0	0.2
South Dakota	15,711,411	2,866,229	85,688	0.5	3.0
Tennessee	106,536,188	12,679,939	21,438	0.0	0.2
Texas	291,341,238	83,369,939	159,999	0.1	0.2
Utah	40,444,643	8,313,480	628,286	1.6	7.6
Vermont	10,525,657	3,946,838	0	0.0	0.0
Virgin Islands	5,205,336	1,039,192	7,893	0.2	0.8
Virginia	145,207,273	40,179,196	310,168	0.2	0.8
Washington	236,425,254	45,762,269	19,511	0.0	0.0
West Virginia	42,024,701	18,619,013	61,364	0.1	0.3
Wisconsin	299,147,224	24,840,880	2,396,686	0.8	9.6
Wyoming	11,896,182	1,583,064	20,879	0.2	1.3
Total	**$7,311,117,204**	**$1,173,617,451[a]**	**$33,247,750**	**0.5**	**2.8**

[a]Because Ohio's fiscal year 1994 non-AFDC expenditures were not available, we estimated the amount by taking Ohio's fiscal year 1993 average cost per case and multiplying it by the fiscal year 1994 non-AFDC caseload. The total expenditures figure includes this estimate.

Note: Preliminary collections, expenditures, and costs recovered data from HHS' Administration for Children and Families, Office of Child Support Enforcement.

RELATED GAO PRODUCTS

Child Support Enforcement: Families Could Benefit From Stronger Enforcement Program (GAO/HEHS-95-24, Dec. 27, 1994).

Child Support Enforcement: Federal Efforts Have Not Kept Pace With Expanding Program (GAO/T-HEHS-94-209, July 20, 1994).

Child Support Enforcement: Credit Bureau Reporting Shows Promise (GAO/HEHS-94-175, June 3, 1994).

Child Support Enforcement: States Proceed With Immediate Wage Withholding; More HHS Action Needed (GAO/HRD-93-99, June 15, 1993).

Child Support Assurance: Effect of Applying State Guidelines to Determine Fathers' Payments (GAO/HRD-93-26, Jan. 23, 1993).

Child Support Enforcement: Timely Action Needed to Correct System Development Problems (GAO/IMTEC-92-46, Aug. 13, 1992).

Medicaid: Ensuring That Noncustodial Parents Provide Health Insurance Can Save Costs (GAO/HRD-92-80, June 17, 1992).

Child Support Enforcement: Opportunity to Defray Burgeoning Federal and State Non-AFDC Costs (GAO/HRD-92-91, June 5, 1992).

Interstate Child Support: Wage Withholding Not Fulfilling Expectations (GAO/HRD-92-65BR, Feb. 25, 1992).

Interstate Child Support: Mothers Report Less Support From Out-of-State Fathers (GAO/HRD-92-39FS, Jan. 9, 1992).

Interstate Child Support Enforcement: Computer Network Contract Not Ready to Be Awarded (GAO/IMTEC-92-8, Oct. 23, 1991).

Children's Issues: A Decade of GAO Reports and Recent Activities (GAO/HRD-90-162, Sept. 21, 1990).

Child Support Enforcement: More States Reporting Debt to Credit Bureaus to Spur Collections (GAO/HRD-90-113, July 31, 1990).

Interstate Child Support: Better Information Needed on Absent Parents for Case Pursuit (GAO/HRD-90-41, May 24, 1990).

Child Support: State Progress in Developing Automated Enforcement Systems (GAO/HRD-89-10FS, Feb. 10, 1989).

Chairman SHAW. Thank you.

Mr. Collins.

Mr. COLLINS. I pass.

Chairman SHAW. I have a couple of questions.

Ms. Ebb, you spoke of the penalty on the establishment of paternity. This is one we wrestled with hard and long because we do recognize that there would be some injustices. But what would be the incentive—or don't you think that there is a greater incentive, particularly when you are escrowing the back amounts due—to go beyond just simple cooperation, but also to help find the father and identify him and bring him along?

To me, we have given a tremendous incentive because we not only penalize by reducing the amount, but we allow that amount to build up to where it is almost a bounty at a certain time to solicit the increased cooperation of the mother for the identification of the father.

Ms. EBB. I guess there are two responses. One is that it is technically something of a flawed bounty because, as I understand the way the provision is drafted, if you are not on AFDC at the time the paternity is established, those escrowed amounts were not available to you. The bounty is available only if the family is on AFDC when paternity is established and because of a fluke of timing that the family actually has no control over.

The second issue is, particularly in a time limited welfare system where the family knows they are going to be off welfare and on their own, depending on that noncustodial parent for support at some point, they already have a compelling reason to cooperate independent of the escrow demands. So I think families have that incentive already.

What the effect of the penalty is, is to simply penalize the child when there is nothing at that point the mother can do to move the State along. I get frequent calls and letters from AFDC moms who are terribly frustrated by their inability to speed the process up and who are desperate to establish paternity or to obtain support.

Chairman SHAW. Let me ask this question, then. Given the fact that we may very well leave in the legislation the provision that would require a penalty to be incurred until paternity is established, what incentive would you suggest that we might give the State to move this process along as rapidly as possible for the women who are cooperating?

Ms. EBB. I can think of a bunch. Let me think about it—I think that if you keep that penalty for the family, you absolutely have to have a corresponding one for the State so that if paternity is not established in a very timely manner, a penalty begins to tick off to the State that accrues to the family. I would be happy to think through that and get back to the staff.

[The information was not available at time of printing.]

Chairman SHAW. I think we can agree on that particular point and should move it ahead faster.

Mr. Henry and Mr. Wiggins, I think you were somewhat in conflict in your testimony. Mr. Henry, I think you wanted to establish a situation where we would try to do without the collection process or the data process. I believe Mr. Wiggins was testifying that he

thought that was a very important facet on this whole issue of child support.

Would you like to amplify your difference?

Mr. HENRY. Certainly, Mr. Chairman. One of the reasons that the welfare bureaucracy has grown like Topsy is that we starting to pull in a great many cases that don't need to be there, cases that were in voluntary compliance prior to the child support bureaucracy becoming involved in it. Situations where the State bureaucracy tries to look good to the Federal Government by getting its per-case cost down simply by pulling in more and more volume.

You have seen the analysis of the data showing that if we only look at AFDC collections, the enforcement program costs more than it brings in. The States try to balance that out by saying, "Look how much money we are making on the non-AFDC cases." The reality is that a great amount of that money need not be spent on administration and enforcement because a lot of those cases don't belong there.

There is not one State that has an accurate list of obligors, obligees, and amounts owed. There is not one State that doesn't have as a big part of its caseload situations that would be paid voluntarily if the bureaucracy ceases to exist.

If we want to cut the cost of administration, one of the things we ought to do is motivate the States to distinguish between cases that need intervention and those that don't. If the government is simply serving as an unnecessary conduit, all we are doing is adding costs and delaying the flow of the money to the child because it takes more days to get the dollar from the custodian through the Government through the court to the child than it takes for it to go simply from the parent to the child. Let's get out of ministering to cases that don't need ministration.

Chairman SHAW. H.R. 4 provides that the parents, by mutual consent, can opt out or the judge can opt out in situations where he thinks the father is responsible. I have a very strong feeling that we shouldn't institutionalize the process where you have a noncustodial parent that is trying to be responsible. Many times that is a very important link to the child.

Mr. HENRY. Mr. Chairman, you are right. My concern is with the way the presumption is built, and bear in mind how people and particularly judges in the State courts operate. If the standard operating procedure is that everybody goes into the system unless there is a special effort to stay out, you will get massive overkill.

You need to be careful because people operate on the basis of the presumptions that we establish here. This is why I speak of the unintended consequences of our good intentions. Right now, because of the way we have phrased our Federal law, we are causing a great many cases to go unnecessarily into the enforcement apparatus simply because that is how we have structured the presumption.

It takes a lot of force to resist the natural downhill flow that is written into the words of the statute as it is right now. We need to be more discriminating about those cases which need to have services and those cases which will function just fine on their own.

Chairman SHAW. Would it be your position that we stay out of that and let the States decide who is in and who is out?

Mr. HENRY. Precisely so. I think that we need to give considerably more freedom to the States. We don't have here the capacity to understand differences by State, differences within States, differences from urban to rural areas, ethnic differences, employment differences. It is not possible for us to really identify the cases that truly need to have child support enforcement services. I think we are wasting a great deal of the limited Federal money chasing after cows that would come home to the barn anyway.

Mr. WIGGINS. I would submit a slightly different picture, not necessarily from my experience working with Lockheed, but having worked in two States—New Jersey and Virginia—as a child support director for 13 or 14 years. If everything were so wonderful, there wouldn't be a child support program. If everyone paid their support, there wouldn't be a child support program; it wouldn't exist.

The fact is there are 9 million orders; 3.4 million of those people pay at least one payment during a quarter, so I wouldn't say that we have all these willing payers. Based on my experience and the things that I have seen, I know that more than 90 percent of the IV–D cases fall into arrears during the life of an order.

So if 10 percent of the folks are pure and 90 percent of the folks aren't pure, I guess Ron would suggest, let's get the 10 percent, the 340,000 people with orders that pay all the time out of the system. But it is not the predominant number of cases. The predominant number of cases pay sometimes and don't pay other times. Equally important is we have nearly 6 million cases with orders that don't pay at all and another 8.5 million without any obligation at all.

Chairman SHAW. Do you have an opinion on this, Ms. Ebb?

Ms. EBB. I certainly agree with Mr. Wiggins in his view of the IV–D system. The next question is, with the non-IV–D cases, do you want some form of central case monitoring, which I think is what you heard from Texas this morning. Should States be able to decide that it is more cost effective at least to have an accurate record of whether payments are made in those cases, so that if payments fall behind, there isn't a dispute between the parties and you can go on to do faster, more efficient and cheaper enforcement if those cases do come into the IV–D system? If the State makes that decision, should Federal cost sharing be available?

I think that does make sense, recognizing that States will be able to have that choice and that the parties will be able to decide if they want to opt out of that system. But where a State makes the determination that that makes sense, it is a good investment at least to have accurate records.

Mr. HENRY. Mr. Chairman, if I might, this is a perfect opportunity to do a brief reality check that I think brings some of this into focus. If I could ask you and Mr. Collins to direct your attention to my testimony, you will see a chart which is a reprint from the State of Virginia most wanted list. This comes after my friend Mr. Wiggins left——

Mr. WIGGINS. I did it when I was there, also.

Mr. HENRY. If you take a look at the chart, you will get a grip on some of the consequences of what happens when bureaucracy runs amok. These are the 10 most wanted "deadbeats" in the State of Virginia, the people that we have to come down hard on. Mr.

Willy Bibbins Sanders, a "poultry catcher" who has built up an arrearage of $42,000. How is a poultry catcher going to come up with $42,000? Can we be surprised that he has gone underground.

If you look at that list, you will find that every one of those 10, every single one of them, Mr. Chairman, is a blue collar worker. Every one of them has a hopelessly high uncollectable arrearage. Not one can afford a lawyer to petition for a downward modification and the State's bureaucracy won't process downward modifications.

My understanding is that the State of Virginia won't touch a downward modification unless you have been out of work fully 6 months and built up an uncollectable arrearage. Mr. Chairman, we need to get a lot more realistic about the obligations we are imposing on people.

Chairman SHAW. But we are not imposing—H.R. 4 doesn't go in and tell Virginia how they are going to work on their decrees.

Mr. HENRY. If I may, H.R. 4 does continue the effect of the Bradley amendment which prohibits the States from making retroactive modifications. Once Mr. Bibbins built up his $42,000 arrearage as a poultry catcher, the State of Virginia was disempowered. It could not forgive that arrearage. This is a consequence of the Bradley amendment. H.R. 4 keeps that in place——

Chairman SHAW. You are talking about something that is already in the law.

Mr. HENRY. That is right. It continues that.

Chairman SHAW. I was listening and as you said, we did what?

Mr. HENRY. This is a provision of current law. When we talk about unintended consequences, we have to look at how all the pieces fit together. If we are going to get more strict, if we are going to say to Mr. Bibbins, you must do this, do that, revoke his driver's license and so on, we have to get realistic about the obligations we are seeking to enforce. We have to bear in mind some of the layers that we have already built into place such as the Bradley amendment.

Chairman SHAW. As I said in my opening comments, the information we gather here will help us in the conference process and maybe we ought to look at that Bradley amendment and see how we are intermeshing that with H.R. 4.

Mr. HENRY. I think the States would welcome the opportunity to revisit that because it does create difficulty. Not one of these people will ever be able to pay off that arrearage. We have just driven them underground, driven them away from their children. That is not going to help anybody.

Chairman SHAW. Yes, I see that.

Mr. Collins.

Mr. COLLINS. Mr. Wiggins, you heard Ms. Burke testify earlier about a pilot plan and proposal that all cases would go through child support recovery that were not opted out or approved by the courts. Is that kind of what you are proposing also?

Mr. WIGGINS. Mr. Collins, we would say that a central registry makes a lot of sense for all child support obligations, that we create a central registry and we have a permanent record. In my experience, these disputes that occur without a permanent record, without a true record of payments, turn into huge disasters that take

months and months and sometimes years to untangle. It is so much cleaner and more efficient with a central registry.

Mr. COLLINS. You are saying we would know within a short period of time whether someone was in arrears or not?

Mr. WIGGINS. We would know what they paid or did not pay.

Mr. COLLINS. We could put procedures into place to collect those funds if there was not already a payroll deduction in place based on an opt-out agreement that was approved by the courts?

Mr. WIGGINS. Yes.

Mr. COLLINS. Pertaining to the hardware and the equipment on the States, you estimated $400 million?

Mr. WIGGINS. Yes.

Mr. COLLINS. I believe we heard that figure earlier this afternoon, too; I am not sure—CBO.

Mr. WIGGINS. We have talked to a number of our colleagues, other companies that are putting up these systems. We talked to a number of our clients in the States and tried to do an analysis of what it was going to take to bring these changes to fruition, and we feel fairly comfortable with that number.

Chairman SHAW. I think that was in your testimony.

Mr. WIGGINS. Yes. I did speak to that.

Mr. COLLINS. I asked, I believe it was Ms. Burke about—no, it was Ms. Bane—the fact that we are in this is because of funds having to be expended through the entitlement program of welfare and we were trying to recoup those funds, so we got involved with the system for that purpose.

Now that we are block granting down to the States the actual welfare dollars, what do you think of the States being—they have all the options, you have all of the options of how to administer the program, whether it is paternity or arrears or whatever, and once they make those collections, they retain those collections to help offset their costs and our involvement would be the hardware, the software, and the Federal Register to cross-check with?

Mr. WIGGINS. I would say the Federal legislation involves—it still will be fairly prescriptive in terms of what States do in child support. The issue of recovering AFDC, the issue of establishing paternity, hopefully on more than 520,000 kids each year, the issue of preventing people from going on AFDC, and the more important issue, I think, is in a time-limited program, child support is going to be absolutely more critical than ever, that folks who are going off of AFDC, I think the crunch is really going to hit State agencies to establish and enforce obligations.

Mr. COLLINS. Well, that is true, but now we have two bureaucracies involved in the system. We have States trying to live by the Federal mandates. If you simplify that and put it down to the State level with States having reciprocal agreements about how they are going to collect across State lines, I think you would simplify the situation and bring it to something that is much more workable than it is today.

Mr. WIGGINS. States have reciprocal arrangements now in terms of trying to deal with those 30 plus or minus percent of cases that cross State lines.

Mr. COLLINS. They are limited agreements, though. When it comes to payroll deductions and such——

Mr. WIGGINS. That has been greatly expanded where, essentially, Virginia, for example, even before the law changed, routinely sent interstate income withholdings to employers out of State and employers routinely paid those income withholding orders and that has been modified also. I still believe that because of the paternity issue, because of the large interstate caseload, I think there is going to have to be strong Federal leadership in this program.

Mr. HENRY. Mr. Collins, Mr. Chairman, might I have a moment——

Chairman SHAW. Take 1 minute because we have another panel and we have a chairman of another committee who has to leave. She looks like she is waiting for a plane.

Mr. HENRY. You put your finger on the situation. We are asking each of the 50 States to dance a delicate ballet in terms of bringing children and parents back together and providing necessary support for children. I think it is entirely inappropriate for us in Washington to choreograph every gesture and say it has to be identical in each of the States.

If we are going to give them the respect of some freedom and some autonomy in AFDC enforcement, I think that you will find far better results in child support enforcement if we give them some of that same autonomy. Goodness knows, our efforts from the Federal level have been an absolute disaster so far. You will find agreement across the aisle on that from both parties, people across this panel, people to the left, the right, fathers' advocates, mothers' advocates. It is not working now. More dollars, more coercions, more Federal prescription is not the answer. I think that giving States some flexibility is.

Thank you.

Chairman SHAW. Thank you for staying so late and allowing us to juggle the schedule around for the out-of-state witnesses. I think we have learned a lot.

Mrs. Johnson, Mrs. Morella.

Mrs. Johnson, you may proceed as you wish. We know your schedule.

STATEMENT OF HON. NANCY L. JOHNSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CONNECTICUT

Mrs. JOHNSON. Thank you, Mr. Chairman. I would ask that my entire statement be included in the record and then I will briefly summarize it.

Chairman SHAW. Without objection.

Mrs. JOHNSON. There are two things that I want to address. One is the Budget Committee's proposal to charge a fee in the form of 15 percent of child support collections on nonwelfare families using the IV–D services, and the second thing I want to address is the proposal in the House-passed bill assigning arrearages for post-AFDC families to the families first.

We discussed this at great length, both in our caucus, in your subcommittee, and in full committee. I won't belabor the point, but I think it is extremely important that we change current law so that families can receive the child support debt owed them before they came into the welfare system before the State receives repay-

ment for the support they gave that family while they were on welfare.

This policy currently encompassed in H.R. 4 accomplishes two things. First of all, it rewards families who get off welfare. The transition to self-sufficiency is a difficult one, and giving custodial parents the money they were owed before they were forced on to welfare is the fair thing to do. It helps them during a critical transition, and it makes successful independence far more likely. It is an appropriate and necessary method of welfare prevention.

Families often spend down their assets in an attempt to avoid welfare. Then when they come off, they have nothing, no bit of money to help them through a crisis, and with families there are numerous crises. If we want families to get off welfare, not fall back onto welfare, we ought to let them collect that child support debt that often forced them on to welfare to begin with before the State seeks repayment.

Some of the States have said this costs us money. Well, this provision of H.R. 4 has to be seen in the context of all the other provisions of H.R. 4, some of which save States lots of money. So I think, on balance, this could not possibly cost the States money. You will remember that one provision specifically eliminates the requirements for States to pass through the first $50 of child support collected monthly to the families.

So there are many things in our bill that save the States money, and this one, I think, putting them second in line for arrearages behind families is so important to successful independence for women and children that we ought to preserve it.

As to the 15-percent collections fee idea for non-AFDC families, I strongly oppose that. These families that rely on IV–D services to help them collect child support can't afford a lawyer. They are the marginal ones. They are not on welfare, so they don't get the service automatically, but they are not able to afford a lawyer, and it is a very tough row for them and we certainly can't make it any more difficult by requiring them to pay a 15-percent fee.

The bottom line is, in reality, the fee will come out of the child support for the children because the courts determine what level of child support the noncustodial parent can afford to pay and the courts are not going to require them to pay that child support plus 15 percent. The mother certainly doesn't have 15 percent. In the end, it is going to come out of the money for the child's well-being.

A far preferable approach, and the approach taken in the Congresswoman's caucus bill, would charge penalties for arrearages. The State would charge interest on arrearages as a method of cost recovery. I believe this would be a more appropriate solution that penalizes those who are not cooperating with the State and creates an incentive for noncustodial parents to comply with their court order and does not penalize parents who are in full compliance with child support orders.

The 15-percent proposal would penalize all those parents who, once they get in the system, are paying routinely and regularly, and they are very marginal. They would still have to pay the 15-percent penalty. It has nothing to do with performance, which is one of its weaknesses, whereas an interest charge on nonpayment

goes to the real culprit as well as collects the money the States need.

I am sure Connie will be able to answer any and all questions, and I thank you for your courtesy.

[The prepared statement follows:]

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[illegible]
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TESTIMONY BEFORE THE WAYS AND MEANS SUBCOMMITTEE ON HUMAN RESOURCES

REPRESENTATIVE NANCY L. JOHNSON

JUNE 13, 1995

Mr. Chairman, thank you for the opportunity to testify before your subcommittee today regarding child support enforcement. As you will recall, my colleagues from the Congressional Caucus for Women's Issues and I testified earlier this year in support of including strong child support provisions in the welfare bill. We are pleased with the House-passed bill, and come before you today with several concerns about new developments in the area of child support.

Two of the most significant child support issues currently facing Ways and Means are proposals to charge a fee, in the form of 15% of collections, for non-welfare families using IV-D services; and to modify the House-passed bill assigning certain arrearages for post-AFDC families to the families first.

I strongly support passing child support arrearage payments to the FAMILY FIRST, as spelled out in H.R. 4. In current law, when a family applies for AFDC, it must assign all child support arrearages to the state to help offset the costs of being on public assistance. When that family leaves AFDC, current law entitles the state to keep the arrearages before the family is entitled to any arrearages, up to the point of the total cost of their welfare. Since the family is not entitled to any arrearages up front, it becomes more likely that they will fall onto welfare once again. Changing current law to one in which the families receive the child support debt owed to them <u>before</u> the state receives its repayment accomplishes several important goals:

– It rewards families who have left welfare. The transition to self-sufficiency for families on welfare is a difficult one, and giving custodial parents the money they were owed before they were forced onto welfare is simply the fair thing to do, helps them during a critical transition, and makes independence more likely.

– It is an appropriate and necessary method of <u>welfare prevention</u>. Often, families not receiving child support spend down their assets in an attempt to make ends meet, only to wind up on AFDC when they have no assets left. By allowing families to keep arrearages owed to them in addition to their current support, it will provide a small financial cushion, so that an unexpected expense is less likely to force the family back onto welfare.

CBO has reestimated the cost of giving former AFDC families arrearage payments before the state, scoring it as a greater cost to the federal and state governments. Nonetheless, I urge you to stay with the House-passed language. The bill overall saves the federal government over $60 billion, while giving states tremendous latitude in how they operate their welfare, child welfare, and child care programs. Further, several specific child support provisions will actually save states money, such as elimination of the $50 child support pass-through for families on welfare. So, we cannot look at distribution rules in isolation from the other changes we are making in child support and welfare policy.

The second issue I would like to comment on pertains to the House Budget Resolution's line item calling for a fee equal to 15% of collections to be charged to non-AFDC families using IV-D services. This is problematic for a number of reasons.

Significantly, and I urge my colleagues to focus on this fact, non-welfare families using IV-D are, for the most part, barely making ends meet off of welfare. Middle and upper income families with problems collecting child support owed to them primarily use <u>private attorneys</u> to enforce their court order. Ivana Trump does NOT call up IV-D asking for help enforcing her child support order. The families who use state child support enforcement services depend on them as an essential tool to help the family remain independent of welfare.

Who should pay this fee? Most would argue that we should not reduce the amount of support going to the child. Yet we cannot say "just pass the fee along to the noncustodial parent." States' support order guidelines, which help to determine the level of the support award for a particular family, take into account the amount the noncustodial parent can afford to pay. Just because the state must impose a new 15% surcharge does not mean that the noncustodial parent can afford to pay 15% more. Instead, that amount of money likely will be deducted from the overall award amount, resulting in less money going to support the children.

Furthermore, charging a percentage of collections penalizes only those parents who pay their child support, since they wind up subsidizing the state's costs for trying to collect from more difficult cases. Even parents with excellent payment histories, for whom the state needs to do virtually nothing in order to pass along the paid support to the custodial parent, would be required to pay this surcharge.

Instead of charging a flat percentage of collections, I urge my colleagues to consider a provision similar to H.R. 785, the Caucus for Women's Issues bill upon which H.R. 4's child support provisions are based. This provision would charge penalties for arrearages, requiring, for example, the state to charge interest on arrearages as a method of cost recovery. I believe this is a more appropriate direction to head, since it penalizes those who are not cooperating with the state, and creates a strong incentive for noncustodial parents to comply with their court order. It does NOT penalize parents who are in full compliance with their child support order.

I am fully committed to balancing the budget by 2002, as the budget resolution sets out to do, however, I oppose the two child support enforcement proposals mentioned above. I am committed to working to find other ways to raise revenue that will not unfairly burden families struggling to survive independent of public assistance. Thank you.

Chairman SHAW. Before you leave, I do want to say for the record that you have certainly been one of the leading forces in getting this part of H.R. 4 accomplished and you have done a tremendous job. I would also like to comment briefly, the 15 percent is in the Budget Committee bill. We haven't done it yet, so there is no smoking gun in this subcommittee.

Mrs. JOHNSON. You are right. I meant to be clear on that.

Chairman SHAW. I think that any collection fee should probably go along as it does today. It is usually in the court order and I really would hesitate to get involved in that as to mandate any particular fee or how it is to be paid, because I don't think that is our business. I think that should be the original decree setting forth the support payment, and we should give the judges a great deal of discretion on this as to who is to pay for it and whether it is actually a charge on top of the payment. That is getting into micromanaging something that we have no business doing. The judge is sitting there and is in the best place to judge each particular case.

Mrs. JOHNSON. We often say one size doesn't fit all. This is certainly one of those situations. Thank you very much for this subcommittee's hard work on this issue, two of the most serious advocates of good, solid child support enforcement right here.

Chairman SHAW. Connie.

STATEMENT OF HON. CONSTANCE A. MORELLA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND

Mrs. MORELLA. Thank you very much. Thank you, Mr. Chairman, Congressman Collins. Thank you for the opportunity to testify before you on this issue. I know you have had a long afternoon and you have been very patient and diligent.

I will certainly associate myself with what Congresswoman Johnson has said and I would say to you, stay the course. This subcommittee has been terrific in terms of child support. The innovative facets of the bill that you have put in I think are a tremendous improvement. So I want to urge you, Mr. Chairman, and members of the subcommittee, to continue to stand by the child support reforms that you have crafted to see that in the final House-Senate conference report, that the key innovations in child support that you included in the Ways and Means bill remain there.

Two issues I think are particularly important, distribution of collections and the fees for the non-AFDC families. The Ways and Means Committee bill stipulates that when the back-due child support is collected for families who have been on AFDC, pre- and post-AFDC arrears are paid directly to the family that is owed the support first, before the State reimburses itself for AFDC. This is done so that families can use the arrears to assist them in making the transition from welfare to financial independence.

It is a marked improvement over the current law, which turns the family's arrears over to the State at precisely the moment when the family needs the arrears most, when it is trying to build up savings that will protect it from falling back into welfare. So Ways and Means determined that current law is unfair, counterproductive, and that it deprives families of their rightfully owed

support and, at the worst possible moment, just as the family is leaving AFDC.

I urge you to stand by this conclusion. I realize that there are financial issues involved here for the States and the Federal Government, but I would suggest to you that of all the places in which to seek savings in the IV–D program, this is among the worst.

Why do I feel this way? Because distribution of arrears is critical to the economic independence of post-AFDC families. It is at the heart of the mission of the Personal Responsibility Act, to foster and maintain independence from welfare. These arrears, remember, were owed to the family. The only reason that States laid claim to the arrears is that these families have had to go on AFDC and, in many cases, the reason they have had to go on AFDC is because they were owed child support in the first place.

The vicious cycle is finally broken through the distribution provisions of the Personal Responsibility Act, and this subcommittee should be justly proud of that accomplishment. So I urge you to stay firm on that profamily measure which has been endorsed by the National Child Support Enforcement Association which represents our Nation's IV–D workers.

Also, the Congressional Caucus for Women's Issues, of which I am the Republican cochair, and Congresswoman Johnson is the Republican vice chair, feels strongly about that provision of H.R. 4. I would also like to urge you to reject any efforts to radically alter the fee structure for the non-AFDC families. Examining the fees for non-AFDC cases may well be appropriate, but the idea that non-AFDC families should be charged a whopping 15 percent of their monthly support for IV–D services is misguided. Who, after all, would pay the fees?

In effect, it would be those non-AFDC children receiving child support, since the money would be taken out of their checks. Who would not pay? For one, the noncustodial parent, since the 15-percent fee would come from the support check itself, not from any additional charge.

Let's remember something else. The only children paying the 15-percent fee would be those who are able to collect support at all. Any parent who evades child support would clearly not be paying anything, so the non-AFDC program would be financed in effect by that minority of children who actually receive support, and this doesn't seem to make sense.

So let's keep in mind as well that the classification non-AFDC family does not imply upper middle-class family or even middle-class family, whatever those things mean anyway. Non-AFDC clients in the IV–D are those who are not poor enough to qualify for AFDC and that doesn't mean much. After all, AFDC plus food stamps doesn't even bring a family of three to the Federal poverty level in 48 States.

Furthermore, non-AFDC families who have the resources to opt out of the IV–D program often do. It is generally those non-AFDC families without resources who stay in the program. So 15 percent of a non-AFDC family's child support check could mean a big difference for a family that is near or even below the poverty line. So if our goal is to keep these non-AFDC clients from becoming AFDC

clients, then taking 15 percent of their child support doesn't make sense.

So I urge this subcommittee to reject that proposal and consider more modest adjustments to the non-AFDC fee structure. I said it quickly. You have heard it before. I want to offer encouragement to stick with what you have done before and congratulate you for what you have done in terms of child support enforcement.

[The prepared statement follows:]

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CONGRESSIONAL CAUCUS FOR WOMEN'S ISSUES
CO-CHAIR

Testimony of the Honorable Constance A. Morella
before the Subcommittee on Human Resources of the
Committee on Ways and Means
June 13, 1995

MR. CHAIRMAN, I THANK YOU FOR THE OPPORTUNITY TO TESTIFY BEFORE THE SUBCOMMITTEE. I KNOW THAT YOU HAVE A VERY FULL HEARING PLANNED FOR THIS AFTERNOON AND I APPRECIATE THE TIME YOU'VE ALLOCATED TO ME.

FIRST OF ALL, MR. CHAIRMAN, I WANT TO CONGRATULATE YOU FOR THE EXCELLENT WORK YOU HAVE DONE ON CHILD SUPPORT IN THIS CONGRESS, AND FOR THE HISTORIC CHILD SUPPORT REFORMS YOU WORKED TO INCLUDE IN H.R. 4. THE CHILD SUPPORT PROVISIONS OF THE BILL ARE TRULY INNOVATIVE IN SCOPE AND, WHEN ENACTED, WILL RESULT IN VAST, TANGIBLE IMPROVEMENTS IN THE IV-D PROGRAM.

I WANT TO URGE YOU, MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE, TO CONTINUE TO STAND BY THE CHILD SUPPORT REFORMS YOU HAVE CRAFTED -- TO SEE TO IT THAT THE FINAL HOUSE-SENATE CONFERENCE REPORT CONTAINS THE KEY INNOVATIONS IN CHILD SUPPORT THAT YOU INCLUDED IN THE WAYS AND MEANS BILL. TWO ISSUES IN THIS REGARD ARE ESPECIALLY IMPORTANT: DISTRIBUTION OF COLLECTIONS AND FEES FOR NON-AFDC FAMILIES.

AS YOU KNOW, THE WAYS AND MEANS COMMITTEE BILL STIPULATES THAT, WHEN BACK-DUE CHILD SUPPORT IS COLLECTED FOR FAMILIES WHO HAVE BEEN ON AFDC, PRE- AND POST-AFDC ARREARS ARE PAID DIRECTLY TO THE FAMILY OWED THE SUPPORT FIRST, BEFORE THE STATE REIMBURSES ITSELF FOR AFDC. THIS IS DONE SO THAT FAMILIES CAN USE THE ARREARS TO ASSIST THEM IN MAKING THE TRANSITION FROM WELFARE TO FINANCIAL INDEPENDENCE. IT IS A MARKED IMPROVEMENT OVER CURRENT LAW, WHICH TURNS THE FAMILY'S ARREARS OVER TO THE STATE AT PRECISELY THE MOMENT WHEN THE FAMILY NEEDS THESE ARREARS MOST -- WHEN IT IS TRYING TO BUILD UP SAVINGS THAT WILL PROTECT IT FROM FALLING BACK INTO WELFARE.

THE WAYS AND MEANS COMMITTEE DETERMINED THAT CURRENT LAW IS UNFAIR AND COUNTER-PRODUCTIVE IN THAT IT DEPRIVES FAMILIES OF THEIR RIGHTFULLY-OWED SUPPORT AND DOES SO AT THE WORST POSSIBLE MOMENT -- JUST AS THE FAMILY IS LEAVING AFDC. THE COMMITTEE WAS RIGHT, AND I URGE YOU TO STAND BY THIS CONCLUSION. I REALIZE FULL WELL THAT THERE ARE FINANCIAL ISSUES INVOLVED HERE FOR THE STATES AND THE FEDERAL GOVERNMENT, BUT I WOULD SUGGEST TO YOU THAT, OF ALL THE PLACES IN WHICH TO SEEK SAVINGS IN THE IV-D PROGRAM, THIS IS AMONG THE WORST.

WHY? BECAUSE THE DISTRIBUTION OF ARREARS IS CRITICAL TO THE ECONOMIC INDEPENDENCE OF POST-AFDC FAMILIES; IT IS AT THE HEART OF THE MISSION OF

THIS STATIONERY PRINTED ON PAPER MADE OF RECYCLED FIBERS

THE PERSONAL RESPONSIBILITY ACT: TO FOSTER AND MAINTAIN INDEPENDENCE FROM WELFARE. AND REMEMBER, THESE ARREARS WERE OWED TO THE FAMILY; THE ONLY REASON THAT STATES LAY CLAIM TO THE ARREARS IS THAT THESE FAMILIES HAVE HAD TO GO ON AFDC -- AND IN MANY CASES, THE REASON THEY HAVE HAD TO GO ON AFDC IS BECAUSE THEY WERE OWED CHILD SUPPORT IN THE FIRST PLACE. THIS IS A VICIOUS CYCLE THAT IS FINALLY BROKEN THROUGH THE DISTRIBUTION PROVISIONS OF THE PERSONAL RESPONSIBILITY ACT, AND THIS SUBCOMMITTEE SHOULD BE JUSTLY PROUD OF THAT ACCOMPLISHMENT. I URGE YOU TO STAND FIRM ON THIS PRO-FAMILY MEASURE, WHICH HAS BEEN ENDORSED BY THE NATIONAL CHILD SUPPORT ENFORCEMENT ASSOCIATION, WHICH REPRESENTS OUR NATION'S IV-D WORKERS. I SHOULD ALSO SAY THAT THE CONGRESSIONAL CAUCUS FOR WOMEN'S ISSUES, OF WHICH I AM REPUBLICAN CO-CHAIR AND OF WHICH MY COLLEAGUE, CONGRESSWOMAN JOHNSON, IS REPUBLICAN VICE-CHAIR, HAS TAKEN A STANCE IN STRONG SUPPORT OF THIS PROVISION IN H.R. 4.

I WOULD ALSO URGE YOU TO REJECT ANY EFFORTS TO RADICALLY ALTER THE FEE STRUCTURE FOR NON-AFDC FAMILIES. EXAMINING THE FEES FOR NON-AFDC CASES MAY WELL BE APPROPRIATE, BUT THE IDEA THAT NON-AFDC FAMILIES SHOULD BE CHARGED A WHOPPING 15% OF THEIR MONTHLY SUPPORT FOR IV-D SERVICES IS MISGUIDED, IN MY VIEW.

WHO, AFTER ALL, WOULD PAY THESE FEES? IN EFFECT, IT WOULD BE THOSE NON-AFDC CHILDREN RECEIVING CHILD SUPPORT, SINCE THE MONEY WOULD BE TAKEN OUT OF THEIR CHECKS. AND WHO WOULD NOT PAY? FOR ONE, THE NON-CUSTODIAL PARENT, SINCE THE 15% FEE WOULD COME FROM THE SUPPORT CHECK ITSELF, NOT FROM ANY ADDITIONAL CHARGE. BUT LET'S REMEMBER SOMETHING ELSE -- THE ONLY CHILDREN PAYING THE 15% FEE WOULD BE THOSE WHO ARE ABLE TO COLLECT SUPPORT AT ALL. ANY PARENT WHO EVADES CHILD SUPPORT WOULD CLEARLY NOT BE PAYING ANYTHING, SO THE NON-AFDC PROGRAM WOULD BE FINANCED, IN EFFECT, BY THAT MINORITY OF CHILDREN WHO ACTUALLY RECEIVE SUPPORT. DOES THIS MAKE SENSE? I DON'T BELIEVE SO.

LET'S KEEP IN MIND, AS WELL, THAT THE CLASSIFICATION "NON-AFDC" FAMILY DOES NOT IMPLY "UPPER-MIDDLE CLASS FAMILY" OR EVEN NECESSARILY "MIDDLE CLASS FAMILY." NON-AFDC CLIENTS IN THE IV-D PROGRAM ARE SIMPLY THOSE WHO ARE NOT POOR ENOUGH TO QUALIFY FOR AFDC. AND THAT DOESN'T MEAN MUCH -- AFTER ALL, AFDC PLUS FOOD STAMPS DOES NOT EVEN BRING A FAMILY OF THREE TO THE FEDERAL POVERTY LEVEL IN 48 STATES. FURTHER, NON-AFDC FAMILIES WHO HAVE THE RESOURCES TO OPT OUT OF THE IV-D PROGRAM OFTEN DO; IT IS GENERALLY THOSE NON-AFDC FAMILIES WITHOUT RESOURCES WHO STAY IN THE PROGRAM. THUS, 15% OF A NON-AFDC FAMILY'S CHILD SUPPORT CHECK COULD MEAN A BIG DIFFERENCE FOR A FAMILY NEAR OR EVEN BELOW THE POVERTY LINE. IF OUR GOAL IS TO KEEP THESE NON-AFDC CLIENTS FROM BECOMING AFDC CLIENTS, THEN TAKING 15% OF THEIR CHILD SUPPORT IS COMPLETELY ILLOGICAL. I URGE THE SUBCOMMITTEE TO REJECT THIS PROPOSAL AND TO CONSIDER MORE MODEST ADJUSTMENTS TO THE NON-AFDC FEE STRUCTURE.

I THANK YOU AGAIN, MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE, FOR YOUR EXCELLENT WORK ON CHILD SUPPORT, AND I URGE YOU TO STAY THE COURSE!

Chairman SHAW. Thank you. You were active on the floor during debate of this portion of the bill and we appreciate your continuing input and continuing interest.

Mr. Collins, do you have any questions?

Mr. COLLINS. Mr. Chairman, all I want to say—I had a lot of concern when I first found that we were handling non-AFDC cases and I asked child support people back home about that. I asked, should we charge a fee for that? You are telling me, we charge nothing in Georgia? They said no, because we are trying to prevent people from going into the AFDC system. It is like a preventive measure.

But if we have situations where we have non-AFDC and they get into the arrears, then I would have no problem with a penalty to the noncustodial for being in arrears. Maybe that would be a bit of intimidation, not an incentive, but intimidation, that it is going to cost them more than if they would keep their payments up.

As far as their arrears and as we collect arrears, the arrears that were prior to going on AFDC, there is an old saying in business, sometimes your first loss is the best loss. Therefore, our loss is when they were on AFDC. Those funds that are collected prior to AFDC belong to that child. We collect ours from the noncustodial based on when they begin to pay again, as they pay for the time that they were on AFDC. I agree that the arrears should go to the child.

Mrs. MORELLA. Thank you.

Thank you, Mr. Chairman. I really think that Congressman Collins, with your inspiration, has been dynamic on this issue.

Chairman SHAW. Thank you. I think this is a great issue that brings us all together.

Mrs. Kennelly gave the opening statement for the minority at the beginning of the hearing which was the statement that she was going to give as part of the panel, so she has been heard from. Thank you for staying with us.

I think it has been a very productive hearing. I for one have learned something and I am sure the other members of the panel have also.

[Whereupon, at 5:40 p.m., the hearing was adjourned.]

[Submissions for the record follow:]

STATEMENT FOR THE RECORD
BY JUNE GIBBS BROWN, INSPECTOR GENERAL
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON HUMAN RESOURCES
JUNE 13, 1995

I want to thank the committee for the opportunity to submit a statement for the record on the important subject of child support enforcement. I wish to share with you our collective knowledge on the subject of child support enforcement and the lessons we have learned over the years about how to conduct successful child support enforcement programs.

Since the 1975 enactment of the Child Support Enforcement program to address the problem of nonsupport of children, the number of families in need has increased dramatically. Single-parent households have increased from 13 percent of all households in 1970 to 30 percent in 1993. In 1992, 1 of every 4 children in the United States lived in a family where the mother was never married or the father was not living with his child or children because of death, divorce, or separation. Children now constitute the largest group of individuals living in poverty in the United States. It has been estimated by the Urban Institute that the total potential amount of dollars that could be collected for child support exceeds $47 billion a year. In fiscal year 1993, $9 billion in child support was collected at a cost of approximately $2.2 billion.

Office of Inspector General Perspective

Clearly, child support enforcement is extremely important, but the underlying problems are extraordinarily complex. To be successful in obtaining the support needed to keep the ever increasing number of children living in single parent households out of poverty, our response must be relentless and multifaceted. Since reform of the welfare system is a national priority, improving child support enforcement must be an integral part of that initiative. Improving child support requires the attention of Federal, State, and local governments as well as the private sector to ensure our children receive the appropriate level of financial and emotional support from both their parents. Based on our work, consisting of numerous studies spanning 9 years, we believe that six key elements are necessary for a successful child support strategy. These elements are: establishing paternity quickly, periodically updating support orders to reflect changing earnings levels, vigilantly pursuing collections through every means possible and eliminating barriers to that effort, including medical support in court orders, establishing outcomes oriented performance based systems, and improving a range of administrative matters like making sure money is distributed promptly and correctly.

I discuss each one of these issues below.

Establish paternity quickly using the latest technology and streamlined administrative processes.

Over the years, three common themes for effective paternity establishment have arisen out of OIG work. First, establish paternity quickly. When first presented with the custodial parent whether they are applying for welfare, whether they present themselves for the first time at a child support office, or even when they are in the hospital after the birth of their child, child support agencies need to quickly establish paternity.

Second, develop flexible internal procedures and processes for establishing paternity. A compatible and flexible case tracking system should ensure that cases needing

paternity establishment are periodically re-visited in the event that the absent parent may be located.

Finally, we found in conducting a study of paternity establishment "best practices" that the utilization of community resources to identify and locate absent parents is quite important. Potential data matching possibilities include the Department of Motor Vehicles, State agency data bases, the post office, private locator services, the Federal Parent Locator Service, criminal records, banks, voter registration, court records, employers (including local, State and Federal employers), unions, and professional boards.

Over the years the Congress has strengthened Federal, State and local capacity to establish paternity through enhanced matching for the cost of blood tests, encouraging a simple civil procedure for establishing procedures that does not require the courts involvement, and establishment and continued improvements in the Federal Parent Locator Service to assist in paternity establishment across State boundaries. These advances have improved the States and locals capabilities in establishing paternity. However, more needs to be done.

Currently, we are reviewing efforts by States to collect for the costs of genetic tests in cases where a non-custodial parent has denied paternity. We also plan to review the effectiveness of State's efforts in implementing a simple civil process for voluntary paternity acknowledgment in hospitals.

Systematically update support orders to reflect changed absent parent circumstances, particularly increased earnings.

In a number of reports, we have demonstrated the effectiveness of systematically tracking absent parent earnings through matches with social security earnings records. We found that while absent parents may have little or no earnings when the initial court order was established, their earnings did increase over time. We conducted a study matching a sample of child support cases with the social security earnings file showing increased earnings of certain absent parents over time.

Other data sources, such as the Internal Revenue Service or State employment records, could be equally useful in determining absent parent employers, wages, and location.

We continue to support increased matching of child support records with IRS and Social Security Administration earnings data since these matches have the potential to significantly increase child support collections. We believe matching is an additional and significant tool for child support enforcement to use in conjunction with performance standards and periodic review of court orders.

Future work on these issues includes a review determining the effects of the Child Support Initiative on the collection of delinquent support payments. This initiative is an attempt to provide a remedy in assisting delinquent absent parents develop a source of income enabling them to maintain consistent child support payments. We also plan to review the extent and type of State child support collection methods for absent parent arrears on closed Aid to Families with Dependent Children (AFDC) and foster care cases.

Increase collections through coordination with other government entities, and increased use of wage withholding.

Government Entities: Federal employees should be in full compliance with child support obligations. A recent Executive Order from the President re-emphasizes the necessity of assuring that all Federal employees fulfill their child support obligations. Over the years, we have conducted a number of studies showing that significant

numbers of Federal employees, especially the military, the postal service, and the Veteran's Administration are in arrears of their support payments. Most recently, for military personnel, we projected that increased compliance with child support obligations would save the AFDC and Medicaid programs around $54 million. More frequent data sharing and matching of Federal personnel records would identify these delinquent payers and immediate wage withholding on paychecks would ensure that *all* Federal workers provide their children with appropriate child support assistance.

We are currently conducting a joint review with the Internal Revenue Service exploring the extent to which absent parents do not meet their child support obligations to their children, yet claim those children as exemptions on their Federal income tax returns, claim the Earned Income Tax Credit, or claim child care expenses inappropriately.

Our planned work focuses on collections. In support of the recent Executive Order, we will review how well Department of Defense and civilian agencies implement the Executive Order in promoting and facilitating the establishment and enforcement of child support. We are also looking at the extent of compliance with child support obligations of Federal departmental grantees (i.e., Medicare and Medicaid providers and research and evaluation grantees).

We plan to determine how States use data from the Federal IRS offset process to increase child support collections. We will assess the effectiveness of State programs which revoke various types of State licenses belonging to delinquent absent parents.

We will examine the procedures followed by States in validating and correcting social security numbers of delinquent absent parents to help improve collections through offset against income tax refunds. We identified a problem correcting erroneous social security numbers in a recent audit in a large State and have information that the problem may exist in other States. We will assess the implementation of privatizing traditional child support enforcement functions performed by the States. Privatization of some child support enforcement functions has been accomplished by some States as early as 1989 for reasons such as, shrinking resources, larger AFDC caseloads, more modifications of orders and the need to meet Federal time frames.

Finally, our criminal investigators are involved in a project with the Federal Office of Child Support Enforcement, and the Department of Justice enforcing the Child Support Recovery Act of 1992 which makes it a Federal offense to evade child support while living in another State.

Wage Withholding: Wage withholding is a powerful tool promoting increased child support collections. We were interested in employers perspectives of wage withholding and found they had concerns about some wage withholding procedures. It is important to consider the impact of wage withholding on employers and to minimize disruption for the employer in implementing wage garnishments. We encouraged child support agencies to use standardized formats and provide detailed guidance that discusses laws for child support garnishments. We also suggested that courts and agencies should limit data requested from employers, so as not to cause variances in an employer's normal pay or disbursement cycles. Finally, we encouraged child support agencies and other collection authorities that receive payments to establish an electronic fund transfer system to expedite the payment process.

Foster Care: There is a significant potential for collecting child support from parents whose children are in foster care. This is largely an untapped resource. Federal law requires pursuit of child support from low-income parents whose children are in foster care. However, for children in foster care whose parents have higher incomes, no such law exists to require child support from parents with higher incomes. Agencies are not precluded from pursuing collections from these families, however, they have

not focused on these families. These families are better able to financially contribute to their children's care, while their child is in foster care, than low income families.

In pursuing child support in any foster care case, the best interests of the foster child must be considered, which may include not pursuing child support. However, in instances where it is considered appropriate, cases should be referred to child support for collection. This referral should provide basic data such as the parents' social security number, employment information and date of birth when the information is available. We found this data was often available in foster care case records but not always provided to the child support agency.

Include medical support in the court order.

As a matter of parental responsibility and law, most children should be covered by the health insurance program of either parent before the child is considered for the Medicaid program. Ensuring that medical support is included in the child support court order is an important tool to ensuring the absent parent provides medical support. Identifying those absent parents who can provide health insurance for their children not only assures children of stable health care but mitigates the need for those children whose custodial parent is on AFDC to receive Medicaid. In 1991, we identified substantial cost savings if child support agencies adequately detected and pursued available dependent health insurance and absent parents had their dependents enrolled. However, we find that States could improve this targeting and increase the number of dependent children receiving medical support from absent parents, rather than Medicaid.

Develop outcomes oriented performance based management and financing systems.

Federal incentive payments are provided to encourage political subdivisions and States to cooperate in the collection of child support. The incentive formula was designed to encourage States to develop programs that emphasize collections on behalf of all children, improve cost effectiveness, and provide incentives be paid on both AFDC and non-AFDC collections. While the Federal law does not specify how States must use the incentives, we found that incentive payments were used primarily to fund the State or local jurisdictions' share of child support enforcement costs instead of expanding or improving the program. Some State governments realized significant savings from the State share of collections for AFDC, while their counties incurred the costs of operating the child support program. The method used for calculating the incentives was not based on the States' demonstrated capability to meet Federal child support enforcement requirements and performance objectives.

Costs to the Federal government for the child support program have continued to rise significantly, while States have recognized increasing amounts of savings. Most States received revenues from incentives and AFDC collections under the program which were greater than their costs. For example, the Fiscal Year 1992 budget estimated States' gains through incentives at $463 million and Federal costs at $626 million. At the same time, there is little evidence that incentives have measurably improved program performance. States effectiveness, as measured by the percent of cases with collections, remained about the same in the 7 year period from fiscal year 1983 through 1989, while incentive payments increased from $121 million to $235 million.

Public Law 98-369 requires that the first $50 collected on a monthly child support obligation be paid to the AFDC family. This $50 payment does not affect the family's AFDC eligibility nor the amount of assistance to which they are entitled. It is commonly referred to as the '$50 disregard.' The intent of the disregard was to secure greater cooperation from the custodial AFDC parent in locating the absent parent and to provide some additional income to the family. In reviewing 271 cases

in 5 States, we could not identify a single case where the $50 disregard served as an incentive for custodial parents to provide information to help locate absent parents and thereby increase collections of child support. State and county welfare officials routinely obtain information on absent parents in preacceptance and redetermination interviews. Those officials indicated the $50 disregard was not working as intended. Over a 5-year period savings to the AFDC program from eliminating the $50 disregard would amount to more than $1.5 billion.

Neither the Federal incentive payment to States nor the $50 disregard are working as incentives. In essence, they have become subsidies to States and custodial parents. Difficult policy decisions confront those modifying these programs. No doubt the subsidies are important to the States and to low income families attempting to care for their children. We can only recommend that any decisions about these programs be premised on the fact that they have become more of a subsidy than an incentive.

To assist the child support agency in developing outcomes oriented management systems, we are planning to survey State child support enforcement agencies on how they view the performance of the Federal Office of Child Support Enforcement in assisting State programs. This study will provide one mechanism to assess Federal performance in administering the program.

Improve program administration by ensuring that collections are promptly and correctly distributed.

Public Law 98-378 requires that a mandatory application fee, not to exceed $25 be imposed on those non-AFDC individuals who apply for child support services. The application fee is to be paid by the individual applying for such services, recovered from the absent parent or paid by the State out of its own funds. States have not implemented this fee as intended. Only token application fees of $1 or less were charged by 32 States and 24 of those States absorbed the fees rather than charge the applicants. Some of the lowest per capita income States were charging the maximum application fee. Although no States were required to charge an annual user fee in 1992, 23 States had implemented the option of recovering costs for certain child support services such as locating absent parents, establishing paternity, enforcing and collecting child support, and tracking and monitoring support payments.

Undistributed child support payments collected from absent parents deprive children of the support to which they are entitled. In six counties which accounted for over 32 percent of the child support collections in California, we found that the counties had accumulated child support payments of $8,314,805, of which at least $2,756,690 was over 1 year old and $832,643 was over 3 years old. The counties were not (a) reporting collections under the State's unclaimed money law, (b) returning the money to the absent parent, or (3) reporting the unclaimed money as program income.

Finally, when child support collections are made for foster care cases, the money is intended to benefit these children and defray costs of foster care programs. However, we observed that some child support collected from biological parents of a foster care child was not distributed to the foster care agency which has custody of the child. Some of these payments were incorrectly distributed to the AFDC program while some payments were distributed to parents, even though they had lost custody of their children. We encourage improvements in a system assuring appropriate designation of collected funds.

Conclusion

Much progress has been made in recent years in improving child support, but much more is needed. We believe that improvements in the areas indicated in our Statement will make it easier to help custodial parents take care of their children. As

part of our ongoing work, and as noted throughout our statement, we will continue to conduct reviews in child support.

At your convenience, we would be pleased to discuss in more detail the issues raised in our statement as well as our planned child support reviews. We have also attached, for your reference, a list of all our completed reports, to date, on child support issues. Thank you again for the opportunity to submit this statement for the record.

Attachment

List of Office of Inspector General Reports

Below is a list of major child support reviews the OIG has conducted over the years.

Paternity Establishment

Effective Paternity Establishment Practices: Executive Report (OEI-06-89-00910)
Effective Paternity Establishment Practices: Technical Report (OEI-06-89-00911)

Child Support Orders

Review and Adjustment of IV-D Child Support Orders (OEI-07-92-00990)
Improvements in Child Support Enforcement Collection Process Could Generate Millions (OAS-12-89-00154)
Child Support Enforcement Collections in AFDC Cases - Modification of Court Orders (OEI-05-87-00035)

Child Support Collections

Child Support and the Military (OEI-07-90-02250)
Follow-Up on AFDC Absent Parents (OEI-05-89-01270)
Child Support Enforcement Collection for Non-AFDC Clients (OEI-05-88-00340)
Child Support Enforcement Collections in AFDC Cases - Arrearages (OEI-05-87-00034)
Child Support Enforcement Collections in AFDC Cases -Pursuit (OEI-05-87-00033)
Child Support Enforcement Collections in AFDC Cases - An Overview (OEI-05-86-00097)
Survey of Title IV-A/IV-D Coordination at the State Level (OAS-05-93-00069)
Exceptions to Wage Withholding for Child Support (OEI-07-91-01220)
Employer Perspective: Fragmentation of State Practices Impair Ability of Employers to Effectively Implement Wage Withholding (OAS-12-91-00016)
Child Support for Children in State Foster Care (OEI-04-91-00980)
Child Support for IV-E Foster Care Children (OEI-04-91-00530)

Medical Support

State Child Support Enforcement Criteria for Targeting Medical Support (OEI-07-90-00120)
Coordination of Third-Party Liability Information Between Child Support Enforcement and Medicaid (OEI-07-88-00860)
Effect of ERISA on State Insurance Laws (OEI-12-91-01420)

Performance Management

Use and Equity of Child Support Incentive Payments (OAS-09-91-00034)
Child Support Enforcement Incentive Payments (OEI-05-91-00750)
Child Support Incentive Payments - Financial and Program Implications (OAS-09-91-00147)
Effectiveness of $50 Child Support Disregard on Collections Under the Child Support Enforcement Program (OAS-02-86-72606)

Program Administration

State Practice and Perspective for Assessing Fees for Non-AFDC Users (OAS-06-91-00048)
Cash Management Practices by State Child Support Enforcement Agencies (OAS-12-91-00018)
Undistributed Child Support Payments Collected From Absent Parents (OAS-09-93-00030)
Incorrect Distribution of Child Support Collected on Behalf of Children in Non-IV-E Foster Care (OEI-04-91-00981)

UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON HUMAN RESOURCES

Statement of

SUSAN M. BROTCHIE

President

ADVOCATES FOR BETTER CHILD SUPPORT, INC (ABC'S)

June 13, 1995

Advocates for Better Child Support is a national, non-profit organization operated by an entire staff of volunteers. Founded in Massachusetts, in our first year alone, we answered to over 9,000 custodial parents seeking assistance and started chapters in 11 other states. We accept no salaries for ourselves and thrive on witnessing our membership succeed in securing child support owed to their children. This is often a long and painful road to travel, but along the way there are many accomplishments and goals our members have achieved other than in a purely monetary sense.

We are primarily a non-AFDC organization comprised of single, working parents. Advocates for Better Child Support is an active organization within NCSAC, National Child Support Advocacy Coalition. The majority of our membership are former AFDC recipients who have overcome great obstacles in the transition from welfare dependency to productive, tax paying citizens long before there was ever talk of "welfare reform". A typical ABC'S member is a low income custodial parent who must work two and three jobs, many without the luxury of health benefits, just to meet her monthly budget. The majority education level of our membership is high school graduates. She can not further her education because there is no money available after paying for necessities such as food, utilities and rent. There is no time left after working multiple jobs to support her family, and, she doesn't qualify for any aid because she is not receiving any government assistance. In many ways, she would be better off on welfare, instead she has earned a doctorate in budgeting and stretching a dollar. One trip to the pediatrician's office for a common ear infection or strep throat is enough to set her back for months.

It is for these members I offer my statement before this subcommittee on two issues that would have the most impact on theirs and their children's lives: cost recovery in the non-AFDC program and distribution of collections.

COST RECOVERY IN THE NON-AFDC PROGRAM

While Congress is focusing on helping mothers leave welfare, and acknowledging that the missing link in helping mothers achieve financial independence is establishment and enforcement of child support orders, lost in the shuffle are the children of single working mothers who also need their child support in full and on a regular basis. It has been stated that many members of Congress would support spending money to assist welfare mothers collect child support. What hasn't been given is the incentive for a mother who has been in the work force at low paying jobs, to remain there. They are the ones **who have contributed to a cost reduction of the welfare program,** receiving no health benefits, and because they have entered the workforce, are not eligible for any "entitlement" programs which their tax dollars help support. The one and only program paid for by her taxable income which is desperately needed and she is deserving of without any charges or fees is services from the IV-D program.

To consider assessing fees for services from Non-AFDC mothers who have played by the rules is equal to double taxation. In states that do charge for services, many single working parents have not even bothered to apply. These are the states that will find these women in their AFDC program because they are about to just give up. It is a well recognized fact that Non-AFDC mothers cooperate fully and assist the IV-D agency because the child support checks mean more food on the table for she receives no food stamps. Child support checks received on a regular basis and in full enables a parent to get her children to the doctor immediately when symptoms of an infection are present, rather than attempting to ride out the storm because of no money available for those unexpected trips to the doctor's office which almost always require a prescribed antibiotic. And more importantly, regular child support checks would allow the working mother to give up one of her part time jobs that earn her a mere $25.00 to $30.00 a week extra, but takes her away from her children at night or on week-ends.

Thousands of divorced or never-married parents do not utilize IV-D services because the non-custodial parent is responsible financially and morally to his children. The children of these parents are fortunate. Mothers who seek assistance from IV-programs do so because there is no compliance from the father and she needs her IV-D agency's intervention. Many mothers turn to their IV-D agency after becoming "in debt" to a private attorney, who is rarely successful in continuous enforcement. It was after I personally incurred $17,500 in attorneys fees that I turned to the Massachusetts Department of Revenue for help. The sum of my attorney's fees equal over three (3) years of child support that my daughter will never see. It defeated the purpose.

It is the absent parent who has forced the mother to become a statistic in the caseload of the Non-AFDC program. A simple analogy would be to compare this situation to the millions of Americans, who through their tax dollars, fund public education, yet never use the public schools, however, the schools are there for them should they start a family or find that the cost of private education is no longer affordable. Or the thousands of childless Americans who also have supported public education and various other social programs and do so willingly because of the end result in society. Child support enforcement is no different.

Service being provided by IV-D programs are a direct result of a default of a court ordered or otherwise agreed upon payment schedule. In the example of a creditor, (which in essence the non-AFDC parent is) would the credit grantor pay a penalty for late payments made by the grantee?! Of course not, but penalizing the recipient, who are indirectly the children, in the event of a default would surely seem just as absurd!

If cost recovery of the non-AFDC program is to become a reality, any assessment being considered should be against the parent responsible or rather irresponsible to the needs of his family. Consideration should be given to incentives for fathers to pay on time and in full, rather than disincentives for the non-AFDC parent to pursue IV-D assistance. Much like society pays their credit cards and mortgage payments on time to avoid "late charges" and "surcharges", perhaps similar measures taken against the delinquent parent would encourage regular payments. The rate of return would surely exceed contributions.

The belief that non-welfare, especially non-poor, parents should be required to pay for child support services is a biased one. What is considered non-poor? The 1992 GAO study found that the Bureau of Census data for 1989 showed that about 53% of the individuals requesting non-AFDC child support enforcement services in that year had family incomes exceeding 150 percent of the federal poverty level. The findings of those 53%, undoubtedly did not reflect the number of jobs those non-AFDC parents worked to get themselves above the poverty level or the number of mouths they were feeding. Exceeding 150 percent of the federal poverty level does not mean the children of these hard working parents are enjoying trips to Disneyworld. Plain and simple, it means they have pulled themselves up by the bootstraps by working as many jobs as necessary in order to remain off public assistance, but are unfairly classified as "non-poor".

The GAO report also stated that rising non-AFDC caseloads and new programs requirements could lead to administrative costs exceeding $1 billion by 1995, with very little offset from those benefitting from the services. The GAO report also stated, "Under current state fee policies and practices, taxpayers are paying most of the cost to provide child support enforcement services to non-AFDC clients." Non-AFDC clients are tax payers. They are paying for a service they have found an urgent need to utilize. Reality is not only the non-AFDC family benefitting from services provided, but also the government in the form of **cost avoidance**. $1 billion dollars pales in comparison to the cost of these families receiving public assistance. These non-AFDC families should be viewed as success cases and an inspiration for those AFDC families who may be reluctant to leave the welfare rolls. However, by Congress implementing cost recovery measures against the non-AFDC family would not only steal a debt owed to children, would be construed as a punitive measure rather than rewarding work over welfare, and would surely break the non-AFDC mother's spirit and motivation.

DISTRIBUTION OF AFDC COLLECTIONS

It is only common sense and good business sense to distribute pre and post AFDC arrears to families first. Across the nation, Americans are looking toward the 104th Congress to end welfare as we know it. Many of those Americans, are AFDC recipients who struggled to stay off public assistance. For years living on welfare's threshold, while accruing child support arrears. The single, most significant factor which led them to cross over that threshold, was the unpaid child support owed to their children. While accruing pre-AFDC arrears, we must not forget these mothers were working and making an admirable attempt to stay off welfare, paying taxes throughout the duration. For various reasons, they succumbed to the AFDC caseload. Assigning pre-welfare arrears to the states is similar to a "fencing" operation and is unfair to the children owed this money. Evelyn Reynolds, a member from Plano, Texas in a recent letter detailing the disadvantages she is experiencing in attempting to remain self sufficient, wrote "Finances play a pivotal role in all of our lives and determines what opportunities we all have." By not disbursing pre-AFDC arrears to families like Ms. Reynold's, opportunities for her children will never be realized. Every opportunity to invest in the future, which is in our children, is an investment made which in the long term, increases revenues to the state and federal government through zero contributions or, cost avoidance.

To enhance the number of families leaving the welfare rolls, and ensuring their AFDC cases remain closed, all pre and post AFDC arrears must go to the families first. This is not only a powerful incentive, but serves as a motivator in reinforcing empowerment versus entitlement. We firmly believe that Congress is committed to assisting families become and remain self sufficient. To opt for any other measure than putting families first, both pre and post AFDC, would be undermining the goal.

Sometimes, giving ourselves (and our children) what we need is work. It may mean eliminating or developing a certain characteristic. The same holds true for Congress. We need to give families who have a need to be motivated in becoming productive citizens a head start. That head start is ensuring all past and post arrears will go to those who need it the most - families. Families who are far less fortunate than those who have avoided the web of government assistance programs. Mothers who never had the opportunity to finish grade school or high school. Mothers who learned what they lived, becoming the 2nd or 3rd generation of welfare recipients, trying desperately to break the cycle, to make a better life for their children than what they were denied all of their lives.

If this cycle of dependency is to be broken, a true commitment of compassion and willingness to help, must be made to all former and present AFDC recipients. We must include those families who only for the grace of God, have not yet fallen across welfare's threshold. We as a nation must do more for our own, to end this vicious cycle of poverty or near poverty, that all too many children are being forced to live in. The investments made to the child support enforcement programs should have no strings attached for those children who represent the caseloads. To charge them, rather than invest in them, would be counter productive in achieving the final goal of self sufficiency, not welfare dependency.

"The most effective public official is one who, while finding passage through the maze of economic and governmental considerations, never forgets that compassion for people comes first." (Author unknown).

Advocates for Better Child Support believes this Congress can be effective in assisting families free themselves of welfare dependency, and putting the needs of those that have already left, along with those who are battling the fight to not give in. We believe this can be accomplished through encouragement and acknowledgement of both AFDC and non-AFDC families.

Cost Recovery in the Non-AFDC program and Distribution of Collections are two issues that if compassion and common sense are not considered, will not only prevent true independence, but will induce a negative attitude and sense of defeat among those single parents these two matters will directly impact.

American Society for Payroll Management
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STATEMENT OF
THE AMERICAN SOCIETY FOR PAYROLL MANAGEMENT
ON EMPLOYER-RELATED CHILD SUPPORT PROVISIONS
SUBMITTED TO THE
SUBCOMMITTEE ON HUMAN RESOURCES
JUNE 13, 1995
BY
DEBERA J. SALAM

The American Society for Payroll Management (ASPM) represents the nation's largest employers. Our members employ workers in numerous states and process hundreds of thousands of intrastate and interstate child support withholding orders each pay period. Through our work with the U.S. Commission on Interstate Child Support and with child support associations, we understand the magnitude of the child support enforcement problem. To this end, we have suggested ways in which the wage withholding system could be more efficient for all, including employers. We urge Congress to give serious consideration to the following recommendations in drafting final child support legislation.

***

• **Employer Reporting of New Hires.** Both the House and Senate have proposed that employers report information concerning new hires to a state registry. Because the states would be required to broadcast this information to a national new hire directory, ASPM has proposed that employers report directly to the national new hire directory. We continue to stand by our position that a state-based new hire reporting system is less efficient and more costly than reporting to a national new hire registry. First, the integrity and timeliness of the data contained in the national new hire directory is dependent on 50 or more fully-functional and compliant state systems. Interstate cases, which represent approximately 30% of child support orders, are not well served by this system, and in some instances may not be served at all. Second, accuracy is jeopardized because the information must first be processed by the state and then resubmitted to the national registry.

Finally, and of paramount importance to employers, is the lack of uniformity inherent in state-based reporting. Although federal legislation would define the data that employers must report to the states and would establish the frequency in which they must be reported, there is nothing to prevent some states from asking for more data in less time. Unreasonable requirements for new hire data (e.g., reporting of applicants who have refused a job offer, submission of data within 10 days of hire) by a few states would reduce employer compliance (as experience has shown), and the usefulness of new hire reporting. It should be emphasized that some states already impose unreasonable new hire reporting requirements. It is doubtful that these states (unless compelled to do so under federal legislation) will revise their reporting requirements to meet the more reasonable provisions contained in federal legislation.

H.R. 4 allows employers that report magnetically or electronically to report new hires only to that state in which they employ the greatest number of employees. In theory, this provision would reduce the reporting burden on multi-state employers—eliminating the need for new hire reporting to each state in which they hire employees. Though this is not the best reporting system in our view, it could be a suitable compromise if modified as follows:

(1) An employer may report to any single state of its choosing (whether or not it reports magnetically), and

(2) an employer shall not be required to report new hire data to more than one state, and

(3) an employer shall not be required by any state to report data more frequently than federal law requires or to report more information than required by federal law.

Without these provisions, federal law can be easily circumvented by states wishing to impose unreasonable new hire reporting requirements. For instance, states could require that new hire data be reported by all employers doing business in the state regardless of any new hire report submitted to any other state. Should this occur (as likely it will), the relief provided by Congress would be undermined.

• **Frequency of New Hire Reporting.** As proposed by the House, employers would be required to report new hires the later of 15 days from the date of hire or the date wages are paid. As currently worded, employers would be required to submit new hire reports each pay period. Some employers pay wages several times per week, others, such as employee leasing companies, pay wages on a daily basis. Compliance will be virtually impossible for these employers—the likelihood of magnetic reporting diminished because of cost. In order to increase the use of magnetic or electronic transmissions, we urge Congress to allow magnetic and electronic filers to report new hire data no more frequently than twice per month. The minimal delay in receiving new hire data is more than offset by the elimination of manual data entry and the associated data entry errors.

• **Penalties For Failure to Report New Hires.** Penalties for failure to report should not be excessive and should be consistent with the information return reporting penalties that currently exist (e.g., $50 for each failure up to a maximum of $150,000 per year). We also urge Congress to provide for a period of leniency while employers are preparing for and learning the new hire reporting requirements.

• **Direct Income Withholding.** Both the House and Senate propose verbatim adoption of UIFSA by all states. In those states that have already adopted the direct income withholding provision of UIFSA (Section 501), there is confusion as to the choice of law. We urge Congress to make it clear that the law of the employee's work state prevails.

• **Uniformity in Withholding Terms and Procedures.** Employer implementation of withholding orders under the UIFSA provisions will be unsuccessful unless the states are required to adopt uniform terms and wage withholding provisions. We support the Snowe-Dole proposal for a 12-member commission to make recommendations as to the feasibility of adopting uniform terms. We further recommend that at least one member of the commission, expert in employer administration of wage withholding orders, be appointed. Uniformity in the following areas is essential:

- ❒ The definition of income subject to withholding
- ❒ The definition of disposable earnings
- ❒ The maximum amount of disposable earnings subject to child support withholding (ASPM recommends a cap of 50%)
- ❒ The maximum administrative fee an employer can charge an employee (ASPM recommends a maximum fee of $5 per pay period)
- ❒ When an employer must begin withholding (i.e., 14 days from receipt of order)
- ❒ When an employer must remit amounts withheld (ASPM recommends payment within 10 days from date withheld)

- ❒ Whether or not medical support orders are considered in the CCPA limit; and
- ❒ The standard procedures that apply when there are multiple withholding orders and insufficient disposable income to satisfy all orders (ASPM recommends a uniform state-computed allocation)

• **Disbursement of Child Support Withheld.** Under the current system, most employers are required to issue a separate payment to each county or "registry" within the state. Texas, for instance, has 255 registries to which child support withholding is paid. Only 22 states at this time have one central payment location. The requirement to issue multiple payments to multiple agencies is not only costly for employers, but can create problems for the collection agencies, and ultimately, the custodial parent. We propose that a single collection and disbursement for both IV-D and non-IV-D cases be required in each state.

• **Bankruptcy.** Under current law, an employer is required to cease making deductions under a child support order unless instructed to continue such withholding by the bankruptcy court. There are some who believe that the 1994 revisions to Full Faith and Credit would require that employers continue wage withholding for child support unless instructed not to withhold by the bankruptcy court. Employer procedure under a bankruptcy order needs to be clearly explained in the law. We urge Congress to address this issue.

• **Uniform Wage Withholding Orders.** Today, there is virtually no uniformity in withholding orders, even within a single state. This lack of uniformity invites errors, many of them directly affecting the custodial parent. The mandated use of a uniform withholding order (designed with the input of employers) in both IV-D and non-IV-D cases will help employers to more correctly implement them in the most timely manner.

• **Broader Use of New Hire Data.** The new hire data provided by employers should also be used for the detection of unemployment and workers' compensation insurance fraud thereby reducing these costs to both government and business.

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Mr. E. Clay Shaw, Jr.
Chairman
Subcommittee on Human Resources
Room B-317 Rayburn House Office Building
U.S. House of Representatives
Washington, DC 20510

RE: Written Testimony for the Record

Dear Mr. Chairman:

We would like to congratulate you for an outstanding job and for giving us the opportunity to assist your committee in crafting a bill that deals with Welfare Reform that give power back to our states.

In looking at this historical moment we have for the last 4 years been seriously attempting to enforce the Economic Opportunity Act of 1964, 1967, 1972, 1978 and the Community Service Act of 1974 with technical amendments enacted in 1976. Most of your reforms that we support targets almost all of those programs being considered by this years budget resolution for cutting or elimination of programs that were formally administered by the Office of Economic Opportunity of 1964 in violation of law according to P.L. 88-452, 92-424, 93-644, 94-341 and P.L. 95-568.

Mr. Chairman, during the Nixon Administration all antipoverty programs were given by law to the Community Service Administration an independent corporation to be operated by the founder of the Economic Opportunity Act a Mrs. Mary L. Hill. With this organization being formed for positive change and in setting the debate across the nation for the returning of power back to the great state, B.O.L.D. would now like to request that our testimony and attachments be included in the congressional records for the purpose of being seened by our children, and grandchildren in the years to come in part to balance the budget by the 21st Century.

In closing, I personally in watching your committee have much respect for its commitment, boldness and intelligence and we ask that your committee sponsor a resolution in the conference committee that re-establishes within each Governor offices State Economic Opportunity Offices to work with the independent Community Service Administration as noted in P.L., 88-452, 92-424, 93-644, 94-341 and 95-568.

Keep up the good honest work by sending us a copy of the hearing and an indication that shows our testimony being included in the congressional record.

Again, thank you for your time and attention.

Respectfully,

Rubin Young, B.O.L.D.
President

Respectfully,

Felicia L. Young, B.O.L.D.
Vice President

cc: Susie Young, Treasurer
ENCLOSURES

SUBCOMMITTEE ON HUMAN RESOURCES
H.R. 4

Chairman E. Clay Shaw, Jr.
June 13, 1995
Testimony Submitted by Rubin and Felicia Young, B.O.L.D., INC.

RECORDED STATEMENT FOR THE RECORD

Mr. Chairman, we would like to begin our testimony with the early history of the Economic Opportunity Act of 1964 that was passed by the Congress in 1965. This program as put into law was founded by Mrs. Mary L. Hill/Chief Executive Officer of the New Daycare Human Services Program established in 1962 and passed the House due to the leadership of the late Congressman Adam Clayton Powell, Jr., Chairman of the House Labor and Education Committee to be included as part of President Lyndon B. Johnson's administration goals to end the "War on Poverty" and establish within the Executive Branch an Office of Economic Opportunity to administer all antipoverty program funds, research and demonstration projects and be headed by a Director under the leadership of Mr. Shriver.

Mr. Chairman, as this nation begin discussing how to better serve our nation's poor through the use of child support enforcement, supplement security income and welfare reform that empower our state Governments and local elected officials. We would like to also comment for the record about public laws that our Congress in 1972 and 1979 under the Nixon and Carter Administration passed and signed into law prior to this bill promoting the benefits of work through the creation of an independent corporation. This constituted law in (P.L. 94-341) was called the Community Service Administration that eliminated through amendments to this act in the 1980's the dangerous grips of welfare dependency.

Mr. Chairman, under the law it was the Community Service Act of 1974 (P.L. 94-341) duly enacted in 1976 that created the Community Service Administration for the purpose of becoming the successor agency to the abolished Office of Economic Opportunity of 1964. This independent corporation/agency assigned new internal revenue codes for IRS auditing purposes was given the authority under the Economic Opportunity Act of 1978 (P.L. 95-568) to extend and revise all programs under title I through title IX of the Economic Opportunity Act of 1964 as stated (hereinafter in this Act referred to as the "Act") that eliminated the waste and the duplication of all federal antipoverty programs.

Mr. Chairman, the Community Service Administration under the Community Service Act of 1974 superceded by law the authority given to the Department of Health and Human Services, the Department of Labor, the Department of Energy, the Department of Education, the Department of Commerce, the Department of HUD, and many other federal programs dealing with the administering of earmarked antipoverty

funds for the purpose of eliminating poverty. The Department of Health, Education and Welfare was abolished and in 1979 or 1981 under (P.L. 97-35) is known as the Department of Health and Human Services that continues to fund programs that had an early beginning in the former Office of Economic Opportunity creating its own Office of Community Services. The Community Service Administration (CSA) is the central agency for the developing, testing, and operating programs to reduce poverty and welfare dependency in the United States. CSA was created by law to carry out its role as an advocate for the nation's poor through and with the assistance of the agency's State and local grantees.

Mr. Chairman, CSA is the nations only legal legislative program constituted by law that represent a variety of activities including individual and group outreach and access assistance, community organization, research and demonstration and advocacy directed at policies and regulatory practices adversely affecting the poor and disadvantaged. In the 1970's as the Nixon administration's enthusiasm for the poverty program began to wane and ultimately turning Congress hostile towards Mr. Nixon's efforts to abolish the Office of Economic Opportunity, hope for a single coordinative agency at the Federal level began to diminish. By 1973, the role of OEO was limited primarily to Federal administration of community action funds. Mr. Chairman, in 1974, a separate agency (CSA) outside the Office of the President, was created by (P.L. 93-644) under the Headstart, Economic Opportunity, and Community Partnership Act.

The primary function of this new agency was to administer Federal funds for community action, special impact programs, and community economic development. In the ten years which preceded the passage of the 1974 Amendments, the success of efforts aimed at national coordination of antipoverty activities through OEO was limited and usually confined to modest attempts at coordination within single program categories. Mr. Chairman, the Bureau of the Budget, which was an important participant in the planning of the antipoverty program at that time strongly supported the community action program concept supporting President Lyndon B. Johnson's Task Force on Poverty. With the passage of the 1967 amendments to the Economic Opportunity Act made it a requirement that local communities CAA Boards for poor people be comprised of one-third elected officials or their representatives, one-third local private sector representatives, and one-third democratically selected representatives of the poor in order for the poor to become self-sufficient. Community action was the primary method through which CSA seeks solution to the social and economic problems related to poverty.

Mr. Chairman, in making this point one of the CSA's principal administrative mechanisms for accomplishing this cooperation was the Division of State and Local Government. It functioned in two fundamental ways: through the State Economic Opportunity Offices --SEOO's which were funded in all of the 50 States, the District of Columbia, the Virgin Islands, and Puerto Rico; and through coordinating the collaborative efforts of CSA headquarters, the

agency's 10 regional offices, and the 50 plus SEOO's. State Economic Opportunity Offices, usually located in the Office of the Governor of each State, and were essential to the overall operation of the Division of State and Local Government. They provide technical assistance to community action agencies particularly in rural areas, and served with the Community Service Administration as advocates for programs for the poor with other State agencies and as coordinators and liaisons with other Federal agencies in statewide and local programs. The Community Action concept although once controversial has proven to be an effective mechanism for the delivery of services and for communities to marshall their own resources to combat poverty.

Mr. Chairman, in an official letter Mrs. Mary L. Hill founder of the Economic Opportunity Act and the Community Service Administrative Director is responsible for establishing on behalf of our nation's poor an overall plan to govern the approval of research, demonstration, and pilot projects, in addition, to her being responsible for the use of all research authority under title I - Research and Demonstration projects. On May 15, 1978, Mr. Robert Levine, Congressional Budget Office Director at the time submitted a cost estimate report to the Honorable Harrison A. Williams and we quote. "Dear Mr. Chairman, pursuant to section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office which prepared for the record, the attached cost estimate report for S. 2090, the Economic Opportunity Amendments of 1978. Should the Committee so desire, we would be pleased to provide further details on the attached cost estimate". In other words CBO had indicated that the regulatory impact of the 1978 amendments would be minimal. Also, it stated that the number of people regulated, the economic impact on such people, the impact on their personal privacy, and paperwork resulting from regulations to be published under the terms of this bill will be essentially no different than under the current Economic Opportunity Act of 1964. All of the preceding estimates had assumed full appropriation of authorization levels as was approved and signed by Assistant Director for Budget Analysis a Mr. James L. Blum.

Mr. Chairman, as it relates to welfare reform that move poor people off the welfare dependency rolls to work that return power back to our states gives the Community Service Administration by law the authority to redelegate and reassume all of its duties to administer earmarked antipoverty funds that is currently being administered by Department of Health and Human Services, HUD, Labor, Education, Energy, Commerce and various other federal agencies in violation of these federal laws. The U.S. Constitution guarantees the people a Bill of Rights and the separation of powers among our three branches of government and should it be by law any bill and/or treaty signed under the authority of the United States by a duly elected President of the United States that bill and/or treaty shall become the supreme law of the land.

Mr. Chairman, also within that same vein the law establishes per these amendments a National Advisory Council of the poor to be made

up of at least one-half of low income persons representing the poor with people who were representatives of the public in general and the appropriate field of endeavors relating to the purpose of the Act. It is noted for the sake of history that we supported both the HOUSE AND SENATE Budget Resolution FY96 because "Although the economic well being and prosperity of the United States have progressed to a level surpassing any achieved in world history, and although these benefits are widely shared throughout the Nation, poverty continues to be the lot of a substantial number of people.

The United States can achieve its full economic and social potential as a nation only if every individual has the opportunity to contribute to the full extent of his capabilities and to participate in the workings of our society. It should therefore, be the policy of the United States to eliminate the paradox of poverty in the midst of plenty in the Nation by opening to everyone the economic opportunity for education and training, the opportunity to work and the opportunity to live in decency and dignity. It should be the purpose of this Act to strengthen, supplement and coordinate efforts in furtherance of this policy. It should be the sense of the Congress that it is highly desirable to employ the resources of the private sector of the economy of the United States in all such efforts to further the policy of this Act".

We request, Mr. Chairman, that your committee strongly consider presenting in a resolution to the House-Senate Conference Committee a rewrite of your bill and the Senate Finance Committee markup that re-establishes within each Governor office State Economic Opportunity Offices to coordinate efforts in working with Mrs. Mary L. Hill/CEO and National Regional Executive Director of the Community Service Administration to eliminate poverty throughout the nation.

Mr. Chairman, we also believe that child support enforcement and paternity establishment should remain within our states and the courts for enforcement. We believe that the Federal government in part to welfare reform efforts throughout our various committees appear to be superceding the House Judiciary Committee jurisdiction, where we believe court ordered child support enforcement is a civil issue and should be taken to court for consideration. Mr. Chairman, in recognizing our three branches of government, we support the "Separation of Powers" and this nation should not be federalizing social issues contrary to the purpose of the federal government that focus on criminalizing nonsupport of child payments. It should however in essence give to our courts and our legal system broader legal responsibilities which may impose upon already established parental paternities civil methods which places irresponsible parenting into contempt of court for their nonpayment. We should not federalize this issue when some state laws addresses the difference between welfare and court ordered child support enforcement.

Mr. Chairman, although there is nothing in our U.S. Constitution as debtor prisons this portion of the bill will bring back bounty hunters through the use of private investigators that will be looking

into such cases i.e., "in the 1980's a young man who grew up in poverty in a small town and seeing that he wanted to better himself decided that he would join the U.S. Army at the age of 17 years old. He went in the military with hopes of doing exceptional well to escape the impoverish conditions that he grew up in unknowing of any child. As time pasted his military career had gone through a change of events because while in the military a young girl who he once knew in his small town got pregnant by someone else and received from her mother the encouragement to purposely forge the young military man name to a birth certificate, so the family who is poor could receive some minimal welfare benefits. After serving two years in the military the young man now faces an injustice perpetrated upon him by the State Attorney Office for aiding in the matter and not properly investigating the case which contributed to the destruction of the young man's military career where he was also dealing with his military brother's death in Killeen Texas in 1981 at the time."

Mr. Chairman, in setting the stage for this unusual set of circumstances poverty is a virtuous reality throughout the nation and we believe that there could be many undocumented cases where some poor families who are the victims of poverty misuse the resources of their children by influencing them to solicit the system falsely for child support especially when they get pregnant and do not know who is the father of their child and this bill suggests for instance that the committee turn ordinary Americans into federal criminals when paternity should have been established at birth within our Hospitals and at the signing of the child's birth certificate. In our view it is unwise for us not to consider the poverty factors in this case and we support a bill that does not violate the constitutional rights of a few in paternity establishment cases because of this bill wanting to privatize the system and permit the hiring of private investigative agency to hunt down irresponsible parenting instead of creating a data base through a national network that contact only those parents whose paternity has been established, and yet they continue to neglect their responsibilities in caring for their child whereby they leave the jurisdictions of state lines. Mr. Chairman, when we improve the quality of life for parents through small business, medical and economic opportunities. They will in turn take the responsibility and care for their families, their children, their communities and become productive responsible members of society seeking less assistance from our government. In closing, included is 3 congratulation letters sent to the House Budget, Senate Budget and Senate Finance Committee.

This concludes the written testimony of **BLACKS ORGANIZING LEADERSHIP DEVELOPMENT, INCORPORATED, (B.O.L.D.).**, to be made part of the hearing congressional records.

RESPECTFULLY SUBMITTED to the Subcommittee on Human Resources of the Committee on Ways and Means on the 6th day of June 1995, United States House of Representatives, WASH, DC 20515.

RUBIN YOUNG, PRESIDENT

FELICIA L. YOUNG, VICE PRESIDENT

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Mr. Pete Domenici
Chairman
Senate Budget Committee
U.S. Senate
Washington, DC 20510

Congratulations,

Dear Mr. Domenici:

We would like to congratulate you for the outstanding job that you and your committee had done in crafting this years FY 96 Senate Budget Resolution to balance the budget by the year 2002.

In looking at this historical moment with our pursuing for the last 4 years the enforcement of the Economic Opportunity Act of 1964, 1967, 1972, 1978 and the Community Service Act of 1974 with technical amendments enacted in 1976. Most of your reductions targeted all those programs that were formally administered by the abolished Office of Economic Opportunity of 1964 in violation to these laws according to P.L. 92-424, 94-341 and P.L. 95-568. Mr. Chairman, during the Nixon Administration all antipoverty programs were given by law to the Community Service Administration an independent corporation to be ranned by the founder of the Economic Opportunity Act a Mrs. Mary L. Hill. With our organization being formed for positive change setting the nations agenda for the returning of power back to the great states debate over the many years, B.O.L.D. would now like to request a copy of the original bill that passed the Senate to be included in our historical records for the purpose of being seened by our children and grandchildren in the years to come proving our part in this debate to balance the budget by the 21st Century.

In closing, I, personally in watching you have much respect for your commitment, boldness and intelligence and ask that you sponsor a resolution in the conference committee that re-establishes in each Governor offices State Economic Opportunity Offices to work with the independent Community Service Administration as noted in Public Law, 94-341 and 95-568. Keep up the good honest work by not allowing B.O.L.D. efforts to be omitted from our American history and remember to be BOLD.

Sincerely,

Rubin Young, B.O.L.D.
President

cc: Felicia L. Young, Vice President
Susie Young, Treasurer
All Concerned

OFFICIAL CORPORATE SEAL
BLACKS ORGANIZING LEADERSHIP DEVELOPMENT, INC.
FLORIDA 1994

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Mr. Bob Packwood
Chairman
SENATE FINANCE COMMITTEE
U.S. Senate
Washington, DC 20515

Dear Mr. Chairman:

On behalf of our members and organization, B.O.L.D. would like to thank you for your most gracious work in allowing us to join you in reforming the welfare system as we know it.

Mr. Chairman, as we debate the welfare reform proposals being offered by your committee, B.O.L.D. disagrees with your committee in including court enforcement orders as part of your original bill. There must be forever remaining in the United States Constitution the "separation of powers" where our courts have the exclusive powers to intrepret and enforce by warrants the violations of federal and states laws. B.O.L.D. hope that with your committee having the jurisdiction to negotiate this bill that it also provide for a resolution on the Senate Floor or through conference committee that reestablishes in each Governor offices State Economic Opportunity Offices by law to work with the independent Community Service Administration in coordination for the administering of earmarked antipoverty program funds as stated in the Economic Opportunity Act of 1964, 1972, and 1978 [P.L. 92-424 and 95-568] and the Community Service Act of 1974 with technical amendments duly enacted in 1976 [P.L. 94-341]. Mrs. Mary L. Hill who is the founder of the Economic Opportunity Act and national regional CSA executive director was charged in an official letter to run all antipoverty programs under her New Daycare Human Services Program in 1979.

Mr. Chairman, through B.O.L.D. pursuing these acts for the last 4 years we look forward to testifying before your committee on this important issue in the near future and we pledge our fullest support and ask that you remember to be BOLD.

Respectfully,

Rubin Young, B.O.L.D.
President

Respectfully,

Felicia L. Young, B.O.L.D.
Vice President

cc: Susie Young, Treasurer
Majority Leader Bob Dole
House Speaker Newt Gingrich
All Concerned

OFFICIAL CORPORATE SEAL
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FLORIDA 1994

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MAY 24 PM

Mr. John Kasich
Chairman
House Budget Committee
U.S. House of Representatives
Washington, DC 20510

Congratulations,

Dear Mr. Kasich:

We would like to congratulate you for the outstanding job that you and your committee had done in crafting this years FY 96 House Budget Resolution to balance the budget by the year 2002.

In looking at this historic moment with our pursuing for the last 4 years the enforcement of the Economic Opportunity Act of 1964, 1967, 1972, 1978 and the Community Service Act of 1974 with technical amendments enacted in 1976 most of your reductions target all those programs that were formally administered by the abolished Office of Economic Opportunity of 1964 and according to P.L. 94-341 and P.L. 95-568 was given by law to the Community Service Administration an independent corporation to be ranned by the founder of the Economic Opportunity Act a Mrs. Mary L. Hill. With our organization being formed for positive change setting the nations agenda for this returning power back to the great states debate over the course of 4 years, B.O.L.D. would now like to request a copy of the original bill that passed the House to be included in our historic records for the purpose of being seened by our children and grandchildren in the years to come that prove our part in this debate to balance the budget by the 21st Century.

In closing, I, personally in watching you have much respect for your youthfulness, boldness and intelligence and ask that you say hello to the Speaker for us. Keep up the good honest work by not allowing B.O.L.D. efforts to be omitted from our American history and remember to be BOLD.

Sincerely,

Rubin Young, B.O.L.D.
President

cc: Felicia L. Young, Vice President
Susie Young, Treasurer
All Concerned

OFFICIAL CORPORATE SEAL
BLACKS ORGANIZING LEADERSHIP DEVELOPMENT, INC.
FLORIDA 1994

COMMENTS OF LESLIE L. FRYE
CHIEF, OFFICE OF CHILD SUPPORT
CALIFORNIA DEPARTMENT OF SOCIAL SERVICES

COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON HUMAN RESOURCES
HEARING ON CHILD SUPPORT ENFORCEMENT
JUNE 13, 1995

We are pleased with the progress made by the Congress in developing a comprehensive approach to improving the Child Support Enforcement Program. We agree that the regular payment of child support is a key factor in breaking the cycle of dependency and enabling low income families to move into self-sufficiency. The Congress has listened well to Child Support Enforcement Program administrators across the nation who have offered their expertise and experience to the process of developing new and better ideas for enhancing the program. We are grateful for this opportunity to comment on the proposed legislation, and on the issue of cost recovery as requested by the Committee.

Cost Recovery

California has no experience with cost recovery in the Child Support Enforcement Program, because it has long held the position that charging nonwelfare parents fees for service ultimately results in a reduction of income for children. For the most part, our program serves low income families. Two-thirds of our caseload is receiving public assistance, and for the nonwelfare population, the average income of the custodial parent is $1,629 per month. We chose to set the mandatory application fee for nonwelfare families at one cent per year, and to absorb that cost. We have also been concerned about the administrative costs associated with charging a fee.

However, we also understand the perspective of some members of Congress that nonwelfare parents can and should be charged a fee for service. In determining priorities for spending scarce tax dollars, is it not reasonable to charge those who have sought the service voluntarily? In this regard, we would perhaps vary from the conventional wisdom about the party appropriately responsible to pay the fee. We believe it not unreasonable to charge the custodial parent (who in virtually all instances has requested the service) a nominal amount **of each collection,** such as one or two percent.

Such a system would be relatively easy to administer, since it would not require determinations of ability to pay at different income levels, nor detailed analysis of each component of program cost. It would avoid the conflict which can arise when the noncustodial parent becomes subject to features of the Child Support Enforcement Program, such as credit reporting, whether or not (s)he has ever been delinquent in payment--and is then asked to pay for the service. Unlike a fee assessed the payor, which is the at the bottom of the list of distribution priorities, it is certain to be collected. And it is paid only when there is a collection.

While we would prefer the flexibility, as exists under current law, for states to decide the issue of whether or not to charge fees, at a minimum we would want to see flexibility for states to determine how and from whom costs would be recovered. In addition, we recommend that persons who are moving off public assistance be provided services free of charge for a transitional period, such as 12 months.

Distribution of Collections

Both the House and the Senate recognized the value to custodial parents attempting to leave and stay off the public assistance roles of having arrears owed to them paid before any reimbursement to states for the costs of public assistance they received. Thus, both would remove states' flexibility to decide whether to pay these arrears first by setting the priority for

payment of family owned arrears. Further, arrears accrued before the welfare episode would belong to the family.

States agree with the policy of providing maximum resources to families attempting to achieve self-sufficiency. However, the costs of this policy are great. California does not see a huge fiscal impact of the change in assignment of pre-welfare arrears, because the vast majority of our families do not have awards for support when they apply for public assistance. However, we face a significant cost of a mandate to pay family-owned arrears first. We have roughly estimated the impact of this proposal at $70 million annually, and the Congressional Budget Office estimate of cost to the federal government is $292 million in the first year alone.

We would recommend a continuation of the flexibility now afforded states with regard to the priority of payment of arrears. States will be fashioning their post-public assistance policies in the context of their block-granted programs for families. If Congress decides to mandate states to redirect these funds in a specific way, it should hold states harmless for the costs of the policy. Last, any change in the law regarding assignment must be clearly prospective, to avoid potential litigation over ownership of these funds.

Federal Matching Payments; Performance Based Incentives

Both The House and the Senate would retain the federal matching rate at 66 percent, but would significantly change the performance based incentive system. Currently incentives are paid as a percentage of collections, at a rate that varies from six to ten percent, based on a single performance factor of collection-to-cost ratio. The proposed change would provide an increase in the federal matching rate up to 24 percentage points, based on a number of performance factors.

We agree that the performance factors considered in determining a state's incentive rate should be broadened, as the current policy drives states to behave in a way not supportive of overall program goals. However, we urge retention of the current structure of applying the performance rate to collections. Such a system enables states to fund program improvements through increased collections, which in themselves are an important measure of performance. Moving to a matching rate system will create unfunded mandates on states and inhibit privatization efforts, in which contracts with private sector partners are negotiated on a percent of collection basis.

Automated Data Processing Funding

We are pleased by the responsiveness of the Congress to states' concerns about the termination of enhanced federal funding for development and implementation of statewide automated child support systems. The Senate included a provision to extend enhanced federal funding for systems required by the Family Support Act of 1988 until October 1, 1997 in recognition of the two-year delay in issuance of regulations defining such systems and other factors which threatened the investment already made by states and the federal government in their development.

The Senate limited eligibility for enhanced federal funding to costs submitted before May 1, 1995, which causes some concerns for California. While we appreciate the need of Congress to ensure that the extension of enhanced federal funding would not result in runaway costs, we believe that there should be some flexibility for the Secretary to approve additional costs due to factors beyond the control of states, such as unanticipated caseload growth.

The current wording of the proposal will shift costs totaling approximately $10 million to California. We provided our updated costs to representatives of the Secretary on May 1, 1995, in accordance with an agreed-upon schedule for their submission. The increased costs are primarily driven by unanticipated caseload growth, which resulted in staff, site and capacity increases. These reasonable costs, necessary for the success of the statewide automated system, would have been eligible for enhanced federal funding either under current law or if they had been submitted one day earlier.

We believe that allowing no exceptions to the statutory limitation of costs based on an arbitrary date is unwise. We would ask that the Secretary be allowed to retain the discretion to approve reasonable additional costs, as is permitted in current law.

Last, we are concerned that the $260 million cap on future automation efforts will be insufficient to meet Congress' vision of enhanced systems capabilities. States have been working with their associations and Congressional staff to develop more realistic estimates of what it will take to achieve that vision. We urge the Committee to consider these estimates lest states face another un- or underfunded mandate.

Fair Hearing for Child Support Services Recipients

Unlike the House proposal, the Senate included language to require states to provide evidentiary "fair hearings" or an equivalent process to persons dissatisfied with the child support services they receive. California has been involved for several years in litigation on this very issue. Five million dollars and four years later, the federal court ruled that no such hearing is required unless there are issues related to AFDC eligibility, and a "complaint resolution process" (not an evidentiary hearing) is required only when the issues at hand relate to the actual collection and distribution of money. We would strongly recommend that the House not concur with codifying policy that has been rejected in federal court.

Paternity Establishment Standard

The House and Senate versions of the proposal both establish a 90 percent paternity establishment "standard" for states to achieve. We do not believe that this is realistic, with skyrocketing rates of out of wedlock births. Even with stricter cooperation requirements to qualify for public assistance and greater reliance on voluntary declaration of paternity, we believe states are being set up to fail. Congress has been reluctant to require that children have paternity established prior to receipt of public assistance, yet such a measure would be necessary in order to reach a 90 percent performance level.

We would recommend that the standard be established initially based on historic performance data, and then increased over time as states improve their outcomes.

Non-IV-D Wage Withholding

Neither the House nor the Senate versions of the proposal currently address a problematic feature of current law, as interpreted by staff of the Department of Health and Human Services. States are now mandated to "track and monitor" the wage withholding payments of persons who have not applied for (and presumably do not want) the services of the Child Support Enforcement Program through some "publicly-accountable" agency. While the origin of the interpretation is vague, the fact that there is no federal financial participation on this activity has been made very clear.

We believe this to be an inappropriate use of tax dollars, and are particularly concerned that it is **state** tax dollars that the federal interpretation is allocating. We request that the Committee examine this interpretation to determine if this is the intent of Congress. If so, the costs of the mandate should be funded. If not, clarifying language would prevent such an interpretation in the future.

Conclusion

In partnership with states, Congress has made great strides toward strengthening the Child Support Enforcement Program. We can envision a much-improved program in the future which will help families achieve and maintain self-sufficiency. We greatly appreciate the openness of both members and staff in crafting policy and listening to state concerns. Together we can put the final touches on landmark legislation that will help millions of children across the nation access the resources of both parents.

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June 26, 1995

Mr. 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

RE: HR 4
Heard in the Sub-committee on Human Resources on June 13, 1995

Dear Mr. Moseley:

The California District Attorneys Association and the California Family Support Council offer the following statements to the House Sub-committee on Human Resources regarding HR 4:

I. SUBTITLE E-PROGRAM ADMINISTRATION AND FUNDING

Section 741. Federal Matching Rate
Section 742. Performance Based Incentives and Penalties

We are pleased that the proposed Family Self-Sufficiency Act includes new federal incentives that recognize levels of performance and improvement levels, especially in paternity. Our concern lies in the total elimination of collection performance as a basis for program funding. Collections are the "bottom line" measure of program effectiveness. There will be no "family self-sufficiency" without significant performance in the collection of support.

California has been studying the issue of performance standards and incentives to recognize superior performance since July 1988. Of the three major functions IV-D agencies must perform, paternity establishment, support establishment and support enforcement, we found that only the two establishment functions lent themselves to statistical performance measures. We found no accurate way of measuring enforcement effectiveness other than collections. Our conclusion: performance recognition should be linked to the standard measure of the success of the Title IV-D Program which is, and will continue to be, collections.

In recognition of these realities, California instituted a "Bonus Incentive" system, whereby the rate of certain additional incentives *paid on collections* (called Tier II incentives) is determined by a county's relative effectiveness in the establishment of paternity and support. County performance in these areas is measured against the statewide average, or improvement in the county's own performance in those areas from the prior year. For a county to be eligible for this additional incentive on collections, it must be among the State's top performers in paternity, and/or support establishment or have shown significant improvement in those areas. But, in the final analysis, the incentive payment is against the bottom line--collections. The result of this incentive program in California has been marked improvements in all three areas: paternity establishment, support establishment and collections.

We request that you consider amending the proposed Act to retain some payment of incentives measured by collections, qualified by performance in other areas. A reasonable alternative solution would be to reserve to the Secretary of Health and Human Services the flexibility and authority to implement such a program by regulation.

II. SUBTITLE A-DISTRIBUTION OF PAYMENTS

Section 702. Distribution of Child Support Collections

HR 4 proposes that pre-welfare support arrearages are not assigned to the state and federal government for repayment of welfare monies received. This creates several problems:

(1) A decrease taxpayer recoupment of welfare paid out.

(2) Changing existing law will cause a political cry of "foul" from those who have already received AFDC benefits and "paid" the price.

(3) Changing the law on assignment of pre-welfare assigned support will cause a huge *lawsuit against the Federal government* and California. The dispute will include demands by custodial parents for the government to give them monies collected and paid to the federal and state governments in past years. Lawsuits will also arise demanding money collected in the future when previously assigned child support is collected.

(4) Changing the law prospectively will be viewed as unfair, but changing it retroactively will be an *unconstitutional taking of property* from the state and local governments.

(5) Any change will require costly modifications to existing automated systems and an expensive time consuming manual data capture to reconstruct multiple unassigned, assigned, and unassigned time periods.

Proposal: Leave the law alone. This will avoid lawsuits, as well as a drastic drop in recoupment for the government and costly modifications to existing automated systems. If the law must be changed, the change must clearly apply only to child support due after the effective date of the new law, so that previously assigned child support remains assigned to the government. Sufficient time and funds must be provided to allow for changes to existing automated systems.

III. SUBTITLE A-ELIGIBILITY FOR SERVICES

Section 701. State Obligations to Provide Child Support Enforcement Services

We are very concerned and oppose the provisions that extend the availability of child support services to individuals who are "non-residents."

It makes little sense to make these services available in California to a resident of another state when services can be obtained in that state. It makes even less sense to make the services available to non-resident citizens of a foreign country that has not entered into a reciprocal treaty agreement with the United States. There will never be an incentive for another country to establish a reciprocal support agreement with the United States if the "non-resident" language is included in eligibility for services requirements. The practical effect will be to offer free

services to non-resident foreign citizens when their country does not, or will not, offer the same services to United States citizens.

The requirement that services be made available to non-residents on the same terms as residents is both impractical and unwise public policy.

IV. SUBTITLE D-PATERNITY ESTABLISHMENT

Sec. 731. State Laws Concerning Paternity Establishment

Subsection (B) (I) requires states to have procedures in contested paternity cases to require the child and all other parties to undergo genetic testing upon the request of any such party if the request is supported by a sworn statement establishing a reasonable possibility of parentage or non-parentage. However, in some states like California, present laws now allow the courts upon their own initiative or upon suggestion made by or on behalf of any person whose blood is involved, to order the mother, child and alleged father to submit to genetic testing to help determine parentage without the need for a sworn statement from the parties. In addition, if a party refuses to submit to the tests, the court may resolve the question of paternity against the party or enforce its order if the rights of others and the interests of justice so require. It is agreed that states must strengthen their paternity establishment laws. But in states where the present laws already require the parties to undergo genetic testing, the additional requirement of a sworn statement from the parties is unnecessary and will only unduly delay the establishment of paternity. Accordingly, we recommend that the provision be deleted or not required for states which already have laws requiring genetic testing.

Subsection (J) requires states to have procedure which require a temporary support order to be issued in paternity cases pending a determination of parentage "...where there is clear and convincing evidence of paternity." In those states which permit temporary support orders in paternity actions, the burden of proof to establish such an order is the same as the case in chief. In California, the burden of proof is preponderance of the evidence. (*Hall* v. *Hall*) (1950) (95 Cal.App.2d 541). Our concern is that the clear and convincing standard of proof for temporary support is higher than the preponderance of evidence standard of proof required to prove parentage in most states. Further, the effect of such a standard will be to discourage the obtaining of temporary support orders in paternity cases rather than to encourage them. Accordingly, we recommend that the provision be deleted or provide that it be no greater than that required to prove a paternity case in that state.

V. SUBTITLE B-LOCATE AND CASE TRACKING

Sec. 717. Collection and Use of Social Security Numbers for Use in Child Support Enforcement

Subsection (A)(13)(a)(b)(c) requires states to have procedures that Social Security numbers be placed on various documents including professional licenses, commercial licenses, divorce decrees, child support orders and paternity declarations.

We support this requirement to assist in the IV-D agencies efforts to locate non-custodial parents and the enforcement of child support orders.

Sec. 724. Use of Forms in Interstate Enforcement

We support the requirement that forms be standardized in interstate child support cases for wage withholding, imposition of liens and administrative subpoenas, in subsection (11)(A)(B)(C). .

Sec. 712. Collection and Disbursement of Support Payments

HR 4 promotes time frame mandates of two (2) business days for many transactions. Undoubtedly, automation has demonstrated that payment disbursement, locate and preparation of documents does reduce child support processing time. However, the proposed time frames are unnecessarily restrictive and create additional statistical data points to be monitored, reported on, and measured for compliance and comparison.

The general trend of legislation and regulation is to reduce mandated time frames and focus on outcome. This legislative proposal violates that trend.

Each mandated time frame forces child support administrators to dedicate some staff for monitoring and reviewing compliance, instead of productive child support work.

It is recommended that the restrictive two (2) day time frames be eliminated and program performance (outcomes) be established as the indicator for successful use of information.

VI. FEES AND COST RECOVERY

Although the issue of fees and cost recovery are not addressed in HR 4, this is our response to the sub-committee requests for testimony on these issues.

California's district attorneys and Attorney General have provided support enforcement services to all custodial parents **at no cost for over 100 years**. In California, as in many other states, the willful failure to provide support and the necessities of life for one's minor children is a crime. The district attorneys now use a variety of civil and administrative remedies to collect support in addition to criminal charges, but do not ask victims to pay for the prosecution of their cases.

At one time, a provision of California's law allowed imposition of a 2% service fee for support payments made through a probation officer or court trustee, primarily in cases handled by the district attorneys. The experience of the counties imposing the fee was that the amount of the fees collected did not cover the cost of processing, distributing, and accounting for the fees.

The following problems must be considered in determining whether to charge a fee for IV-D services in non-welfare cases:

(1) The fee must be high enough to cover the costs involved in processing, distributing, and accounting for the fee, in addition to providing some meaningful recoupment of the costs of the services.

(2) The fee must not be so high as to discourage custodial parents from applying for services. A substantial number of single-parent families subsist at or near the poverty level. If the fee is to be an ongoing fee deducted from collections, it will be coming directly out of support which the family may need to buy food and pay the rent.

(3) Setting the fee on a sliding scale based upon the applicant's income sounds fair, but will entail having a unit of eligibility workers in the IV-D agency to monitor custodial parents' incomes and determine fees.

(4) Charging an ongoing fee as a percentage of the amount of the collection would be easier from an administrative standpoint. However, it does not take into account the income and need level of the family, which may need the money desperately to keep the utilities on or make co-payments for medical services and prescription drugs.

(5) If a fee is to be charged, it makes sense to charge it to the non-custodial parent, whose failure to pay support may have precipitated the application for IV-D services. It would penalize noncustodial parents who do pay regularly, albeit by wage assignment. Given the current federal priorities for distribution of support collections, the fee could be collected only after all support and arrearages, including interest, were paid in full, providing little immediate fiscal relief to the IV-D program.

The vast majority of families on IV-D caseloads need the support owed them to provide necessities of life and perhaps a few of the extras, like Little League participation or music lessons. Charging fees to recipients of support enforcement services in most non-welfare cases will deprive single-parent families of the funds they need to live decently, without providing significant fiscal relief to the agencies providing the services. If we truly believe the failure to support one's children to be a crime, we should not require families to pay for the enforcement of this obligation.

VII. FAIR HEARING

We further wish to testify on the "Fair Hearing" provision of Senate Bill-Packwood Mark:

The Senate Bill- Packwood Mark, proposes that "individuals applying for or receiving services under this part have access to a fair hearing or other formal complaint procedure that meets standards established by the Secretary and ensures prompt consideration and resolution of complaints...."

This is an enormous mistake. It will lead to multiple Federal and State lawsuits. It will be interpreted to create a required standard of performance, when performance is not possible in many cases. Federal standards require seventy-five percent (75%) compliance but no absolute compliance, in a given case. This proposal will allow parents to demand results in his or her case, when results may be impossible. There can be no collections when the father has disappeared, when blood tests are repeatedly inconclusive, or when the absent parent has no income or assets to collect from. There is no reason to conduct federal compliance audits and to give individuals the right to audit their case.

This proposal will cost millions of dollars in lost time, and millions of dollars in collections because staff are redirected to dealing with complaints in a formal fair hearing process instead of collecting child support. Federal financial participation because state administrative costs will be paid in part by the federal government.

This proposal will also violate federal privacy regulations. Confidential information in IV-D files will have to be disclosed to the complaining party in order to give him or her due process in the fair hearing. This proposal is fraught with costs and will create a litigation nightmare.

VIII. AUTOMATION

Extension of the October, 1995 deadline for Family Support Act Certified Systems.

California has made great strides towards implementation of a state of the art Family Support Act Certified System. Efforts to complete this system by October 1, 1995 have been hampered by a one and a half year protest by a vendor and a two year delay in receipt of requirements fro the Federal Office of Child Support Enforcement.

We support an extension of 90% funding for system cost to October 1, 1997. System costs should be limited to approvals as of October 1, 1995 plus any increased cost due to caseload growth.

Capped Cost on New Development

To cap future Enhancements of Automation at $260,000,000 is not realistic to accomplish the major system changes being envisioned in welfare reform. Failure to properly fund automation will result in an unsuccessful realization of the promise of welfare reform.

WRITTEN STATEMENT OF CALIFORNIA ATTORNEY GENERAL
DANIEL E. LUNGREN
CONCERNING CHILD SUPPORT ENFORCEMENT PROVISIONS
OF H.R. 4 AND THE SENATE FINANCE COMMITTEE'S
WELFARE REFORM BILL

I thank you for the opportunity to comment on the child support enforcement provisions of H.R. 4 and the Senate Finance Committee's responding bill. These provisions will have a profound effect on children in California and across the nation. It is crucial that we act to strengthen, not impede, the Title IV-D support enforcement program, which provides substantial relief to the taxpayers while lifting many children out of poverty and improving greatly the quality of their lives.

1. FUNDING/FISCAL INCENTIVES FOR THE SUPPORT ENFORCEMENT PROGRAM

I understand the importance of establishing the paternity of children born out of wedlock, for both the financial and emotional benefits thereby provided to the children. However, the proposed elimination of incentives based upon support collections in favor of additional program administrative funding based upon paternity establishment and other program performance standards puts too little emphasis on the former and too much on the latter. At a time when the program is being criticized in some quarters for not collecting enough support for our children, it makes no sense to remove all direct incentives earned by the states and counties for improving their support collections.

The proposed incentive structure will have a negative fiscal impact on states such as California which have disproportionately large paternity caseloads. California's total support caseload has grown by over 100% during the past five years, to a total of over two million cases today. Reducing our incentive funds will only hamper our efforts to improve our program and keep up with the demand for support enforcement services.

What is needed is a balance of incentives to inspire the states to perform well in all critical areas. I urge you to continue providing incentives based upon support collections, perhaps at a lower flat rate around 5%, and to reduce the proposed enhanced administrative funding tied to paternity establishment to a maximum of 6%. Adding the enhanced administrative funding for program performance in other areas, such as cost effectiveness and percentage of support orders established, provides a balanced incentive structure which will motivate states to improve performance in all important aspects of the program.

It also is important that the incentives tied to establishment of paternity and court orders be based upon the cases being handled by the state's support enforcement program. States should not be penalized by performance criteria based on factors beyond their

control, such as the total number of out-of-wedlock births in the state. The Title IV-D support enforcement program will not have cases open for all such children, and should not be penalized for not being able to establish paternity in those cases.

2. DISTRIBUTION OF SUPPORT ARREARS COLLECTIONS IN FORMER WELFARE CASES

Paying arrearage collections to families no longer on welfare, in addition to current support, may improve the families' chances of staying off the welfare rolls and the quality of their lives. However, we believe that the Office of Child Support Enforcement has vastly underestimated the fiscal impact of changing the present law, which requires that all arrears accrued up to the time the family goes on welfare become assigned to the state and federal government, up to the amount necessary to pay back the amount of AFDC benefits expended. California's Office of Child Support estimates that as much as 40% to 50% of California's welfare collections are of assigned support arrears. Since 50% of those collections go to the federal government, the impact of paying both pre- and post-welfare arrears to the family will be significant at both the state and federal level. I recommend further detailed analysis of the fiscal impact of the change in the assignment law before you put it into effect.

We also are concerned about the implementation of such a change. Will the pre-welfare arrears be considered unassigned only for families going on AFDC after a certain date? Or will welfare arrears which are presently assigned but uncollected, become unassigned after passage of this change? Will such a change in the law make it possible for families whose assigned welfare arrears have already been collected, to demand that these arrears now be paid over to them? If distinctions are made based upon the effective date of the assignment, or the date of the arrears collection, how are we to explain the difference to a family which but for the passage of a few days would have received arrears that remain assigned to the state and federal governments? I can support a change in law under which families no longer on AFDC receive payment on post-welfare arrears before the assigned arrears are paid to the state, as it helps the family to remain off the welfare rolls. Any other changes in the assignment law deserve much deeper analysis before you consider enacting them.

3. EXTENSION OF DEADLINE FOR STATEWIDE COMPUTER SYSTEM DEVELOPMENT

We strongly support the provision in Senate Finance's bill which will extend to October 1, 1997, the enhanced federal funding for development of statewide automated child support systems meeting the requirements of the Family Support Act of 1988. Automation is crucial to our meeting federal timeframes and mandates for handling our burgeoning support caseloads. Failure to extend the deadline will cost California and other states millions

of dollars we cannot afford, and will seriously jeopardize completion of our automated systems.

I am concerned about the $260 million cap on federal funding for computer development over the next five years. Costs for the extensive computer enhancements and new systems required by the bills now before you have been estimated to cost around $400 million. If there must be a cap, a more realistic figure would be $500 million, to allow for continued caseload growth and unexpected contingencies. I also support language which will give the Secretary of DHHS the flexibility to extend enhanced funding for system development costs which were not approved by DHHS prior to the May 1, 1995 deadline presently in the bill.

4. FEES FOR SUPPORT ENFORCEMENT SERVICES IN NON-WELFARE CASES

As in many other states, the failure to provide necessary support for one's minor children is a crime in California. The district attorneys who enforce our support laws do not charge fees to victims for prosecuting their cases, whether enforcement is accomplished by criminal penalties or civil remedies.

California law used to include a provision allowing the charging of a 2% service fee for processing of support payments made through a probation officer or court trustee. The counties which imposed that fee stopped doing so when they realized that the amount of the fees they collected did not cover the costs involved in processing and accounting for the fees.

Some further considerations on the charging of fees:

a. The fee should be high enough to cover costs of accounting for it, and to provide some significant recoupment of the costs of the services provided.

b. However, if the fee is too high, it will discourage single parents from applying for support enforcement services. Since a substantial number of single-parent families live at or near the poverty level, any fee paid by a custodial parent will be coming out of money that may be needed for basic necessities of life.

c. It sounds fair to set the fee on a sliding scale based upon the custodial parent's income. However, the support enforcement agency then will have to devote badly needed staff to monitoring custodial parents' incomes and calculating fees.

d. One proposal is to charge an ongoing fee based upon a percentage of each collection. This does not take into account the income level and problems of the family, which may need the money to buy food or pay for medical care.

e. Charging the fee to the noncustodial parent would solve the problem of depriving the family of badly needed funds. However, under the current federal regulations governing distribution of support payments, the fee could be collected only after all current support, arrears, and interest had been paid in full. Given the difficulties of collecting just current support in many cases, such a fee would provide little fiscal relief to support enforcement agencies.

Based upon California's experience and the considerations I have just listed, I recommend against charging a fee for support enforcement services in non-welfare cases. By far the majority of families receiving support enforcement services need the support collected to provide them with basic necessities, and to improve the quality of their childrens' lives. We should not charge our youngest victims for prosecuting parents who have failed to live up to the basic obligation of supporting their own children.

5. TITLE IV-D AGENCY ACCESS TO LAW ENFORCEMENT AND CORRECTIONS RECORDS

I am very concerned about provisions in H.R. 4 and Senate Finance's bill which appear to open up law enforcement and corrections records to all state Title IV-D agencies. The first such provision is found in Section 715 of H.R. 4 and in Section 415 of the Senate bill. Both propose to amend 42 U.S.C. 666(a) to allow the federal and state parent locator services to have access to any state system used "to locate an individual for purposes relating to motor vehicles or law enforcement." The vague wording and use of the broad term "law enforcement" are troubling in themselves. They also open up the possibility that "law enforcement" records could be construed as those containing criminal offender record information (CORI).

The second provision is found Section 725 of H.R. 4 and Section 425 of the Senate bill, which otherwise concern expedited procedures for establishing and enforcing support orders. H.R. 4's Section (c)(1)(D) and the Senate bill's Section (c)(1)(E)(i) will give the state IV-D agencies the authority to access the records of all other state and local government agencies, including those in automated data bases. H.R. 4 specifically mentions both law enforcement and corrections records; the Senate bill refers to corrections records.

Under present federal and state laws, access to criminal offender record information is strictly limited to law enforcement and criminal justice agencies. Automated computer systems which include CORI are required to comply with strict security requirements, including audit trails subject to review by the Federal Bureau of Investigation. Unauthorized accessing of CORI is a crime. California's Parent Locator Service is located within the Attorney General's Office, and the district attorneys carrying out the support enforcement program at the county level qualify as criminal justice agencies. Thus, we have been able to provide law

enforcement records, including CORI, to the district attorneys to assist in locating noncustodial parents and enforcing their support obligations.

However, the majority of state Title IV-D agencies and Parent Locator Services are not located in criminal justice or law enforcement agencies. Most are found in social service or welfare agencies, or in agencies collecting state taxes and revenues. While language in both H.R. 4 and the Senate Finance bill speak to providing for the security and confidentiality of information accessed and kept by state IV-D agencies, we find no guarantees that the present requirements in other statutes for security of records containing CORI will be provided by IV-D agencies. I recommend that the provisions in H.R. 4 and the Senate Finance bill concerning state IV-D agency access to records that contain criminal offender record information be deleted from the bill unless language can be added providing present levels of security and restrictions on access to criminal offender record information.

6. REQUIREMENTS FOR NON-WELFARE TITLE IV-D SERVICES

Present Title IV-D law and regulations impose no requirements for eligibility for support enforcement services in non-welfare cases other than the filing of an application. Applicants need not be either U.S. citizens or residents. The federal Office of Child Support Enforcement has interpreted the law as requiring that Title IV-D services be extended to illegal aliens, and to citizens and residents of other countries. Section 701 of H.R. 4 and Section 401 of the Senate bill contain language requiring that IV-D services be provided to "nonresidents on the same terms as to residents." Nothing in the bills limits this provision to residents of the United States.

OCSE's interpretation of present law, which is strengthened by the proposed amendment, creates problems in requiring us to provide support enforcement services to residents of countries with which we do not have reciprocal support enforcement agreements. For example, we currently have several pending requests from custodial parents living in the Philippines for help in collecting support from absent parents living in the United States. Investigation has determined that the Philippines has no agency comparable to our Title IV-D support enforcement agencies which can provide support enforcement services for children in California whose absent parents live in the Philippines.

If Philippine citizens can obtain Title IV-D enforcement services by applying directly to Title IV-D agencies in the United States, the Philippine government will have no incentive to go to the effort and expense of setting up an agency to provide reciprocal support enforcement services to children in the United States. The Title IV-D program thus ends up providing services to foreign residents and citizens which it cannot provide to children living in the United States. I do not believe this to be the

result Congress intended. I propose that the language in H.R. 4 and the Senate bill amending 42 U.S.C. 654(6)(A) be changed to say,

"(A) services under the plan shall be made available to all residents of the United States, its territories, and its possessions; to all United States citizens regardless of residence; and to residents of countries which have established reciprocal support enforcement agreements with the United States or with the state in which the obligor parent resides."

7. COMPLAINT PROCEDURES FOR RECIPIENTS OF IV-D SERVICES

Section 403 of the Senate Finance Committee's bill contains an amendment to 42 U.S.C. 654(12)(B) which requires that recipients of Title IV-D services be given "access to a fair hearing or other formal complaint procedure.." for resolution of unspecified complaints. The "fair hearing" referred to apparently is the administrative hearing now provided to applicants for or recipients of welfare benefits who disagree with an action taken by welfare department. It is an expensive process, and far more formal than what is required to resolve a question or complaint concerning support enforcement services.

This proposal poses a significant problem for California. The district attorneys who carry out our support enforcement program at the local level are independent elected officials. Under our state Constitution and statutes, the only entity with any authority over the district attorneys is the Attorney General. Branches of the Legal Services Corporation to date have filed one federal class action lawsuit and two separate writs attempting to assert that a state administrative law judge conducting a "fair hearing" has the authority to direct a district attorney to handle a support case in a given way, or to take specific legal actions. Since even the California courts have no authority to tell a district attorney how to prosecute a case, or under which statute to file a complaint, we maintain that an administrative law judge cannot do so either. Otherwise, the support enforcement agencies will spend precious time and resources responding to parents' attempts to second-guess the actions taken on their cases, or to dictate that a specific remedy be pursued even though the district attorney has determined that the legal basis for that remedy does not exist, or that it will not be effective.

Federal courts in other states have determined that custodial parents do not have the right to demand that specific actions be taken in their support cases under the Title IV-D program. We urge Congress to reject this attempt to achieve a contrary result by legislation.

8. PATERNITY ESTABLISHMENT PROVISIONS

We are concerned with the following proposed provisions for establishing paternity and obtaining support orders, found in Section 431 of H.R. 4 and Section 731 of the Senate Finance bill:

a. Age of Majority

Under California law, an action to determine the parentage of a child may be brought at any time. Since the basic purpose of the Title IV-D program is to establish and enforce support obligations, the support enforcement agencies have interpreted their authority as being to establish paternity for children for whom a support obligation is owed. In California this includes unemancipated children under the age of 18, and full-time high school students up to age 19 or high school graduation, whichever comes first.

The Senate Finance bill will amend 42 U.S.C 666(a)(5) to require IV-D agencies to establish paternity for children up to 21 years of age. This is well beyond the age of majority in California. It will require support enforcement agencies to establish paternity for children for whom a support obligation is no longer owed, which we do not construe as an appropriate mandate under Title IV-D. We suggest that this provision in the Senate bill and its counterpart in H.R. 4 be amended to require paternity establishment up to the applicable age of majority in the state in which paternity is being established.

b. Affidavit for Paternity Blood Testing

Both H.R. 4 and the Senate Finance bill require that genetic tests to establish paternity be ordered by the "State" upon the filing of a "sworn statement" by either "party" establishing the likelihood of "requisite sexual contact between the parties." This is more restrictive than present law in California and other states which have adopted the Uniform Act on Blood Tests to Determine Paternity, which allows an order for testing to be made upon the request of any party, any person whose blood is involved, or by the court on its own motion, in any case in which paternity is a relevant fact. We believe it most important that court orders be obtained directing the parents and child to submit to blood tests, to provide mechanisms for compelling reluctant parties to participate in testing or suffer resulting consequences. We recommend that the requirement for an affidavit be deleted, and that the Uniform Act be used as a model for legislation in this regard.

c. Standard of Proof for Temporary Support Order

Both H.R. 4 and the Senate Finance bill require proof of parentage by "clear and convincing" evidence to obtain a temporary support order in a paternity case. This is higher than the normal preponderance-of-evidence standard in civil cases. We ask that this provision be deleted, or that it be amended to provide for a burden of proof no higher than that required to establish paternity in the state.

d. Waivers of Rights in Voluntary Acknowledgments

Both bills contain provisions requiring that parents signing voluntary acknowledgments establishing paternity be advised orally and in writing of the legal consequences, rights, and responsibilities arising from execution of the acknowledgment. Such voluntary acknowledgments amount to confessions of judgment. The United States Supreme Court has held that confessions of judgment are unconstitutional unless accompanied by a knowing and voluntary waiver of rights executed by the confessor. The requirement for such a waiver must be incorporated into law, to ensure the validity of the thousands of paternity judgments that will be entered pursuant to this statute

Again, I thank you for the opportunity to comment on these most important bills.

DANIEL E. LUNGREN
Attorney General

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Testimony Prepared for Submission to
the Subcommittee on Human Resources of
the United States House of Representatives
June 13, 1995

I am presently a single-parent to five, young children. My husband and I are still married even though he chose to leave our household and take up residence elsewhere on May 16, 1990. When I got married in 1986, I made a commitment that I believe in deeply and with that, I have been blessed with five special kids. They are by far the best part of my life and will always be.

When my husband left, he left us with no provision for our expenses. I had several young children and was expecting at the time. I never wanted or expected our government to take over the responsibilities my husband had left on our doorstep. But, when it became quickly apparent to me that my local family court would not provide me with speedy justice regarding his obligation to provide for his family, I felt as if I had no other choice.

Our case was a caseworker's dream. I kept careful track of his employment and place of residence. We remained married, therefore, paternity of the children was never an issue in need of determination or litigation. There was no need to locate him on the part of the agency. This case, according to proposed legislation, should have been easily managed and the order enforced in a timely manner. But, this was not the case. The process of moving this case from ADC to non-ADC status took approximately two and one-half years. Remember, our case was a caseworker's dream. No difficult tracking. No challenge of paternity.

When considering cost-recovery issues, we must look to the issue of ADC recoupment if we hope to collect significant revenues worthy of impacting the deficit. Procedures for such recoupment are now in place, but due to large, burdensome caseloads, many agencies are not able to effectively implement recoupment mechanisms.

What message do we send to our country if we focus on issues such as charging non-AFDC clients for child support enforcement services while not charging all clients? Are we saying that only the families receiving AFDC should have free access to the law and child support enforcement? Can we say that some children have greater priority than others in deserving the support, provision, and accountability of both parents? If we legislate subsequent to this kind of thinking, we will endorse the idea that child support should not be a priority for our government and our system of justice.

Yes, our government programs must be paid for. But, are

our citizens generally charged for day to day law enforcement? We must be certain that our children know that they are important enough to us as parents, and to our country as citizens, that we will research, propose, and enact legislation that will realistically, effectively endorse the idea that parental accountability will be demaded in our country. Regardless of a parent's personal situation, he or she will be expected to reasonably provide for his or her child or children. Excuses will not be accepted. Lack of accountability will not be tolerated.

If a driver runs a red light in full-view of a police officer, he or she will likely get a ticket and be held accountable, under penalty of law, to satisfy the consequences of the ticket. Why can't we have the same type of brief process in place for something as important as the care and well-being of our children? Don't they deserve that?

Thank you.

Pamela Cave
15215 Bannon Hill Court
Chantilly, Va. 22021

May 23, 1995

Dear Ms. Cave,

I apologize for the length of time it has taken me to respond to your request that our staff fill out your graduate research questionnaire.

The questionnaires were given to me some time ago to handle. Unfortunately, the Communications Team I work with is down 1.5 positions. We are extremely busy with the communication demands of our programs, the new requirements of Virginia's welfare reform legislation, and the consolidation of our agency into the Department of Family Services.

In addition, the program manager for Benefits has requested that we not ask staff to take time to respond to the questionnaire. This staff is already overburdened with large caseloads, and she does not wish to add the questionnaire to their workload.

I am returning the copies of your questionnaire. We regret that we are not able to assist you.

Patricia Clarke

Patricia Clarke
Public Information
Fairfax County Department of Human Development
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Fairfax, Va. 22035

STATEMENT OF VICKI TURETSKY
SENIOR STAFF ATTORNEY
CENTER FOR LAW AND SOCIAL POLICY

The Center for Law and Social Policy (CLASP) appreciates the Subcommittee's willingness to consider additional testimony on child support issues in preparation for House-Senate conference action. We share the Subcommittee's concern about the need to do a better job of establishing paternity. Both H.R. 4 and the Senate Finance Committee bill address three distinct steps that need to be taken to strengthen the system:

- **Improve the initial intake process.** There is an overwhelming body of research on state child support programs that concludes that there is a very poor interface between the welfare and child support programs. Frequently, custodial parents provide information to the welfare agency that is never transmitted to the child support agency. As a result, efforts to find the putative fathers are delayed. Both the House and Senate Finance Committee bills address this problem by moving intake to the child support agency and making the child support agency responsible for determining whether the custodial parent has provided the necessary information.

- **Remove the systemic barriers to paternity establishment.** Many parents want to establish paternity voluntarily. They should be able to do so without the need for judicial involvement. Both the House and Senate bills take a number of steps to make voluntary acknowledgement more accessible to parents, while requiring expedited handling of contested cases.

- **Educate the public about the importance of paternity establishment.** All too often, paternity issues are not addressed until a family seeks public assistance. Yet, children and society are best served when paternity is established at birth. Many would then never need public assistance. Both the House and Senate bills require the states to encourage parents to establish paternity at the time of birth, and to publicize the availability of paternity acknowledgement procedures.

More controversial is whether the cooperation requirement applicable to those receiving public assistance should be made more stringent than it now is. As discussed below, there is almost no evidence that custodial mothers of children now receiving AFDC are engaged in widespread noncooperation with the system. Nonetheless, there is a concern that there has not been enough emphasis on the importance of the custodial parent's active participation in the paternity establishment process. To address this concern, the House and the Senate bills tighten cooperation requirements, requiring families to provide the father's name and other information needed by the child support agency in order to qualify for assistance.

However, the House bill goes even farther than this. It compels states to reduce benefits by $50 or 15 percent to families with a child whose paternity has not been established when the family has fully met the state's cooperation requirements. Under H.R. 4, the child support agency first determines whether the family is cooperating with paternity establishment. If the child support agency is not convinced that the mother has told everything she knows, the entire family will be denied assistance. However, in those cases where the agency is fully satisfied that the family is cooperating, the states must nonetheless reduce the family's benefits until each child obtains a paternity order. We strongly oppose this provision because:

- It will impose an additional penalty on families for administrative delays and other circumstances entirely beyond their control. Under ordinary circumstances, it takes the state more than a year to establish paternity, even in relatively straightforward cases where the mother is fully cooperating and the state has sufficient information to proceed. And in some cases, paternity will never be established no matter how hard the family tries to cooperate.

- It will eliminate state discretion to make case-by-case judgments about the family's level of cooperation, sufficiency of available information, and workability of the case. The provision prohibits states from making any exceptions, forcing the state to apply sanctions even when fully satisfied with the level of cooperation offered by the family. The state

could have complete information in the case, yet would be required to reduce benefits until the father is served and the paternity order entered.

- It will reward states with a slow paternity establishment process. The provision weakens the state's financial incentive to move cases at a faster pace because the state saves money every month that paternity is not established. In addition, the state gets to pocket the entire withheld amount if family leaves welfare before paternity is established. The longer it takes to establish paternity, the more a state can save.

- It will reward families who stay on welfare long enough to recover withheld funds. The only families who will receive the withheld funds are those families that remain on welfare after paternity is established. Half of AFDC families leave AFDC within a year, while an average paternity order takes 15 or 16 months. Most families will never recoup the withheld funds.

- It will discourage relatives from taking in children in need of care. Many children are now taken in by grandparents, aunts, uncles and cousins. These relatives may have no information about the father's identity or the mother's whereabouts. Paternity may never be established. In the meantime, the relative will receive permanently lower benefits for the children. Under those circumstances, the relatives may unable to take the children in. Children will lose the benefit of family care, and the taxpayer will pay more in foster care costs.

We base our analysis on the large body of social science research, as well as a survey of 47 state child support directors conducted last year by the Center for Law and Social Policy (CLASP).[1]

I. ADMINISTRATIVE PROBLEMS ARE THE MAIN REASON FOR LOW PATERNITY ESTABLISHMENT RATES.

States are not keeping up with current paternity caseloads. In 1992, 30% of children in the AFDC caseload - 2.8 million children - lacked a paternity order.[2] Yet, states only established paternity in 17% of AFDC cases needing a paternity order in 1993. States did *worse* in non-AFDC cases where mothers voluntarily applied for services, establishing paternity in only 14% of non-AFDC cases. This suggests that the explanation for low paternity establishment rates is something other than the failure of AFDC mothers to cooperate with the process. [3]

Paternity orders take a long time to obtain. U.S. Department of Health and Human Services (HHS) unofficial data on successful paternity establishment cases indicates that on average it takes 470 days to obtain an order. In some states, the average number of days exceeds 1000. Similarly, a Wisconsin study[4] found it took an average of 18 months to establish paternity, while a Nebraska study[5] found it took an average of 17.5 months. In a substantial number of cases, paternity is never established, despite the mother's cooperation.

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[1] See Paula Roberts and Jacqueline Finkel, *Paternity: Establishing Paternity for Children Receiving AFDC: What's Wrong and What's Right with the Current System*, Center for Law and Social Policy: Washington, D.C., 1994.

[2] U.S. Health and Human Services, *Characteristics and Financial Circumstances of AFDC Recipients FY 1992*, Table 16, and CLASP calculations.

[3] HHS, *Child Support Enforcement: Eighteenth Annual Report to Congress FY 1993*, Tables 37 and 45, and CLASP calculations.

[4] Sara McLanahan, Renee Monson, and Pat Brown, *Paternity Establishment for AFDC Mothers: Three Wisconsin* Counties, SR #56B, Institute for Research on Poverty, University of Wisconsin: Madison, WI, 1992.

[5] David A. Price and Victoria S. Williams, *Nebraska Paternity Project: Final Report*, Policy Studies, Inc., Denver, CO, 1990.

Many paternity cases are lost or neglected. The U.S. General Accounting Office (GAO) concluded that child support agency efforts to establish paternity and support orders for AFDC children were inadequate in 4 out of 10 cases.[6] The GAO found that poor case management meant that many cases fell between the cracks: they either were not referred by the AFDC agency or not opened by the child support agency. A high proportion of cases were simply missing or "lost." Among open cases, the GAO found that 60% remained unattended for at least six months, and over 20% had not been worked for more than two years. More than a third of the cases were closed prematurely.[7] Several other studies have noted a large number of missing child support cases, the absence of case-tracking mechanisms, fragmentation, and confusion over who is responsible for moving the case forward.[8] According to the GAO, child support workers handle a median caseload of 1,000 per worker.[9]

Automation of the paternity function is lacking. The GAO stated in a December 1994 report that: "Massachusetts, a leader in using automation to seize noncustodial parents' bank accounts, still has a limited system for case management. The current system provides little support for case initiation, management, and automated tracking of efforts to locate parents, paternity establishment, and court proceedings. Caseload intake and noncustodial parent location functions are primarily handled manually by child support personnel."[10] Massachusetts is not alone. Many state systems can not perform the basic functions required by the 1988 Family Support Act.[11]

Coordination between AFDC and child support agencies is poor. Researchers agree that poor coordination and information transfer between the AFDC (IV-A) agency and child support (IV-D) agency is one of the most critical barriers to more effective paternity establishment. The GAO found that inadequate communication between AFDC and child support offices results in incomplete intake referrals and delays. The GAO noted that Oregon has been more successful than the other reviewed states in confronting and reducing the interface problem. Oregon child support officials attributed good communication with the AFDC office to having the same oversight agency, a single computer system, cross-agency training, and cross-agency development of AFDC intake procedures.[12] Other researchers have found that co-location of welfare and child

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[6] GAO, *Child Support: Need to Improve Efforts to Identify Fathers and Obtain Support Orders*, GAO-HRD-87-37, Washington, D.C., 1987. The initial 8-site study, included sites in California, Florida, Michigan, and New York. In a 1994 study of eight states, the GAO found that "very little had changed" since its earlier study. GAO, *Child Support Enforcement: Families Could Benefit From Stronger Enforcement*, GAO/HEHS-95-24, 1994. The eight states in the 1994 study were Arizona, Iowa, Kentucky, Massachusetts, New York, Oregon, Texas, and Virginia.

[7] GAO, 1987.

[8] Roberts and Finkel, 1994; Ann Nichols-Casebolt, *Paternity Establishment in Arizona: A Case Study of the Process and Its* Outcomes, SR #56B, Institute for Research on Poverty, University of Wisconsin: Madison, WI 1992; McLanahan, et. al, 1992; Joseph L. Penkrot, "Can AFDC Parents Pay Child Support?" *Journal of Policy Analysis and Management*, 8(1):104-110, 1989.

[9] GAO, *Interstate Child Support: Wage Withholding Not Fulfilling Expectations*, GAO/HRD-92-65BR (Feb. 1992)

[10] GAO, 1994.

[11] Roberts and Finkel, 1994; GAO, *Child Support Enforcement: Families Could Benefit From Stronger Enforcement Program*, GAO/HEHS-95-24 (Dec. 1994); *Automated Welfare Systems: Historical Costs and Projections*, GAO/AIMD-94-52FS (Feb. 1994); *Child Support Enforcement: Timely Action Needed to Correct System Development Problems*, GAO/IMTEC-92-46 (Aug. 1992); *Interstate Child Support: Wage Withholding Not Fulfilling Expectations*, GAO/HRD-92-65BR (Feb. 1992); *Child Support: State Progress in Developing Automated Enforcement Systems*, GAO/HRD-89-10FS (Feb. 1989); HHS, *Child Support Enforcement: Eighteenth Annual Report to* Congress, 1995; U.S. Commission on Interstate Child Support, *Supporting Our Children: A Blueprint for Reform*, 1992; Hearing Before the Human Resources Subcommittee of the Ways and Means Committee (February 6, 1995) (statement of Wallace Dutkowski, Michigan state child support director, on behalf of American Public Welfare Association).

[12] GAO, 1994.

support offices helps, as does out-stationed child support workers in welfare offices, program liaisons, cross-training, and jointly-developed intake protocols.[13]

The initial AFDC interview is often inadequate. Child support agencies have a problem obtaining high quality paternity information from the AFDC intake process. During the initial interview, AFDC workers may fail to follow-up on vague or incomplete client responses about paternity during the interview, fail to respond to the client's questions about how the child support system works, fail to notify clients about the cooperation requirement, fail to reinforce the importance of paternity establishment and child support, or fail to refer the case to the child support agency at all.[14] More than a third of state child support directors surveyed by CLASP reported that AFDC workers do not give high priority to collecting paternity information, and most said that there are no written protocols or effective incentives for AFDC intake workers to collect good information.[15]

Follow-up efforts to obtain missing information are often insufficient. About a third of child support state directors responding to the CLASP survey agreed that child support workers are not as persistent as they might be in obtaining more information. Almost half the state child support directors reported that the child support agency has no written procedure on what steps to take if the referral from the AFDC agency lacks full information. Two-fifths of directors reported that child support workers do not consistently remind mothers of the cooperation requirement, and many reported that recipients were not told about the benefits of establishing paternity and support orders.[16] The GAO found that those child support agencies reporting less complete information from AFDC referrals made little or no attempt to obtain the missing information, not even by interviewing AFDC mothers.[17]

State attempts to find the father are often minimal. An 11-state study conducted by the HHS Office of the Inspector General (OIG) found that most child support agencies simply will not pursue cases without a social security number. For cases with a social security number (about half of the cases), the child support agencies only made limited attempts to locate the putative father, even though wage records indicated that most fathers had earnings. Many cases sat idle after the initial locate attempt. The study found that the agency tried only once to locate the putative father in three-quarters of long-term AFDC cases.[18]

Good information often languishes in the child support system. The GAO found that in nearly 40% of reviewed cases, the child support agencies knew the location of the putative fathers, but took no action for more than six months.[19] An Arizona study found that one county had the putative father's name and address in 159 cases. The agency also had the social security numbers of 109 of the men. Over two years, the agency located the father in 140 cases, but it attempted to contact only 18 fathers, reached 14 fathers, and established paternity in 10 cases.[20]

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[13] Roberts and Finkel, 1994; Nichols-Casebolt, 1992.

[14] Roberts and Finkel, 1994; GAO, 1987.

[15] Roberts and Finkel, 1994.

[16] Roberts and Finkel, 1994. These findings are consistent with other research. *See* Nichols-Casebolt, 1992; McLanahan, et. al, 1992; Price and Williams, 1990; Esther Wattenberg, Rose Brewer, and Michael Resnick, *Executive Summary of a Study of Paternity Decisions: Perspectives from Young Mothers and Young Fathers*, Institute for Research on Poverty, SR #56B,1992.

[17] GAO, 1987.

[18] Joseph L. Penkrot, "Can AFDC Parents Pay Child Support?" *Journal of Policy Analysis and Management*, 8(1):104-110, 1989.

[19] GAO, 1987.

[20] Nichols-Casebolt, 1992.

Delays often result in stale information. Time is of the essence in paternity establishment. The potential of cases declines rapidly as they age, and good information may become useless when it sits in the system too long.[21] The research indicates that when there are significant case processing time lags, the father often has moved on, and workers are forced to repeat work in a constant "catch-up" effort.[22]

States that use better management practices have better success. The research indicates that states that develop strategies to reduce the number of older children coming into the system, improve the quality of paternity information, and reduce the amount of time paternity cases remain in the system are more effective.[23] For example, Texas recently reported that it increased its number of established paternities from 684 per year to 32,000 per year between 1987 and 1994 (a 47-fold increase) by streamlining its judicial process, simplifying its voluntary acknowledgment procedures, increasing automation, and conducting a parent education campaign.[24] Iowa reported that when the child support agency conducts one-to-one interviews with the mother, 95% of the mothers named the child's father and paternity has been established in 90% of those cases.[25]

II. THE PATERNITY PENALTY APPLIES ONLY TO FAMILIES WHO HAVE FULLY COOPERATED AND REWARDS STATES THAT TAKE A LONG TIME TO ESTABLISH PATERNITY.

The paternity penalty applies only to families who have satisfied the state's cooperation requirements. The paternity penalty appears to be based on a misconception that substantial numbers of AFDC mothers deliberately withhold information about the fathers, and that they need an additional spur to cooperate. In fact, there is almost no evidence that mothers are engaged in widespread noncooperation. However, regardless of whether noncooperation is perceived as problem, the cooperation provision gives states all the clout they need to deny assistance to families who have not been completely forthcoming during the process. By contrast, the paternity penalty applies only to families who have fully satisfied the state's cooperation requirements. The paternity penalty ties the hands of state officials who are in a better position to make case-by-case judgments about the family's level of cooperation, the need for further information, and the suitability of sanctions.

Most state child support directors say that AFDC mothers are usually willing to cooperate. Over two-thirds of surveyed child support directors in the CLASP study agreed that mothers applying for AFDC are usually willing to cooperate with the child support agency in establishing paternity and will provide complete and correct information to the best of their ability. While directors said that noncooperation does occur, most directors said that the mother's lack of cooperation is usually not the main reason for incomplete information, and that overt noncooperation is rare.[26]

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[21] GAO, 1987.

[22] Nichols-Casebolt, 1992.

[23] The House and Senate bill adopt a number of strategies highlighted in the literature for improving paternity establishment rates, including outreach campaigns, expanding access to voluntary acknowledgment procedures, improving automation capacity, addressing the IV-A and IV-D interface problem, and expanding expedited procedures.

[24] *Initiatives Pay Off as Texas Paternity Establishments Climb,* NCSEA NEWS, vol. XXIV, no. 1 (Wint. 1995).

[25] Bob Huibregtse, *Paternity Establishment: Where Welfare Reform Starts,* NCSEA NEWS, vol. XXIV, no. 1 (Wint. 1995).

[26] *Id.*

In fact, most AFDC mothers provide information about the father when asked. Nearly all studies have found that AFDC mothers provide a high level of information about the father.[27] Separate studies in Arizona[28] and Nebraska[29] found that more than 90% of custodial mothers named the fathers, almost 50% provided his address, and about 30% provided other identifying information, including a social security number, telephone number, or employer's name. Similarly, the Wisconsin study[30] found that 90% of AFDC mothers interviewed provided the father's name, birth date, and state of residence. A four-county study[31] of AFDC and non-AFDC custodial mothers found that 100% of the mothers interviewed provided the father's name, 87% his home address, 74% his social security number, and 66% his work address to the child support agency. In addition, the OIG study found that about half of the cases had social security numbers.[32]

But some families simply do not have information, and are incapable of obtaining it. There are many cases where a mother and her older child have had no contact with the father for years, where the father is hiding or transient, where the mother or child is a victim of domestic violence, where the father used another name or refused to reveal much about his situation, where the pregnancy resulted from a one-time sexual encounter after contraception failed, or where the grandmother has taken in the child and has no idea who the father is. Some of these children will never obtain a child support order, no matter how hard the family tries to cooperate with the paternity process.

Older children will be hard hit by the paternity penalty. The research indicates that many mothers are in contact with the fathers around the time of the birth, but that contact drops off quickly.[33] Mothers of older children are unlikely to be able to obtain current information. Many mothers lack information about the child support system and do not attempt to legally establish paternity at the time of the baby's birth. For example, many think that paternity is established when the father's name is on the birth certificate. Months or years may lapse before the mother realizes the significance of paternity establishment. In addition, many children are conceived and born before the mother has any idea that she will need AFDC. Whatever information the mother may have had at the time of conception and birth is likely to be stale or forgotten.

Victims of domestic violence will be hard hit by the paternity penalty. The only exceptions to the paternity penalty are rape and incest. No exception is made for domestic violence. Those mothers and children who can not risk contact with the fathers will be forced to accept reduced benefits. Many victims of domestic violence are afraid to disclose the abuse because their partners have threatened retaliation. In addition, abusers often conceal basic information about identity, employment, and bank accounts from their victims.

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[27] The one exception is an unpublished paper by Rutgers University's Kathryn Edin, who states that her sample is neither random nor fully representative. *Single Mothers and Absent Fathers: The Possibilities and Limits of Child Support Policy* (1995).

[28] Nichols-Casebolt, 1992.

[29] Price and Williams, 1990.

[30] McLanahan, et. al, 1992.

[31] National Child Support Assurance Consortium, *Childhood's End: What Happens to Children When Child Support Obligations Are Not Enforced*, Uniondale, NY, 1993. CLASP is a consortium member and helped conduct the study. The four counties were Suffolk County, NY, Trumbull County, OH, Fulton County, GA, and Portland, OR.

[32] Penkrot, 1989.

[33] Wattenberg, 1992; Dan Bloom and Kay Sherwood, *Matching Opportunities to Obligations: Lessons for Child Support Reform from the Parents' Fair Share Pilot Phase*. Manpower Demonstration Research Corp.: New York, 1994; Sandra Danzinger, *Father Involvement in Welfare Families Headed by Adolescent Mothers*, discussion paper no 856-87, Institute for Research on Poverty, University of Wisconsin: Madison, WI, 1987.

Children of fathers on the run will be hard hit by the paternity penalty. There are some fathers who deliberately evade their responsibility to support their children. They move from state to state, job-hop, work in the underground economy, use pseudonyms, and transfer their assets. Other fathers may not be citizens or residents of the United States. Children can not get their paternity established if their fathers can not be served with legal process.

Children of deceased fathers will be hard hit by the paternity penalty. Paternity can be impossible to establish posthumously if the putative father failed to acknowledge his child while he was living. The state agency may be able to verify the father's death, but have no means to establish his paternity.

Grandmothers will be hard hit by the paternity penalty. The paternity penalty will discourage relatives from taking in children in need of care. Many children are now taken in by needy grandparents, aunts, uncles and cousins. These relatives may have no information about the father's identity or whereabouts. Even if they can provide useful information about the father, the mother may be missing. Unless both parents can be found for service of process and genetic testing, paternity can not be established. In the meantime, the relative will receive permanently lower benefits for the children. Under those circumstances, the relatives may unable to take the children in, further straining the public foster care system.

The withheld funds are only paid to families who stay on welfare. The only families who will receive the withheld funds are those families that obtain a paternity order, and stay on welfare long enough to collect. The data from a number of states indicates that half of single parent families leave AFDC within a year and three-quarters leave within 2 years.[34] Since the average paternity order takes 15 or 16 months, most families needing paternity established will never recoup the withheld funds. In effect, the penalty provision rewards the family's longevity on welfare, while families who leave quickly will lose out, even if they remain in the state child support system and can be easily found.

The paternity penalty weaken the state's financial incentives to establish paternity quickly. The provision rewards states with a slow paternity establishment process, because the state saves money every month that paternity is not established. In addition, the state does not have to repay the withheld amount if family leaves welfare before paternity is established. The requirement also imposes a substantial tracking burden on state computers.

III. CONCLUSION

We urge you to recede to the Senate on the paternity penalty issue. There is no evidence that paternity penalty will improve the quality of paternity information, increase parental cooperation, or facilitate paternity establishment. However, there is every likelihood that families will be hurt for no real gain. In fact, the incentives run the other way: states with slower paternity processes will gain, and families who do everything to cooperate with paternity establishment and who leave welfare quickly will lose.

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[34] Mark Greenberg, *Beyond Stereotypes: What State AFDC Studies on Length of Stay Tell Us About Welfare as a "Way of Life,"* Center for Law and Social Policy: Washington, D.C., 1993.

STATEMENT
BY THE
INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES
TO THE
COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON HUMAN RESOURCES

The Interstate Conference of Employment Security Agencies is the national organization of state administrators of unemployment compensation laws, public employment offices, and labor market information programs. ICESA's members have several concerns about provisions of the welfare reform legislation currently under consideration by the Congress which would require that information about the employment and wages of all workers collected for unemployment compensation purposes be provided each quarter to the Federal Parent Locator Service for purposes of the National Directory of New Hires (Section 716 (f) of H.R. 4).

The Federal Parent Locator Service (FPLS) has access currently to wage information collected quarterly by state unemployment compensation agencies. FPLS provides the names and social security numbers of absent parents to unemployment compensation agencies which then cross-match those with their files and provide information on any "hits" to FPLS. It appears that there would be little gained by having this information aggregated into a national database by FPLS.

Duplicating these state records at the national level would be a large and expensive undertaking. There are about 120-125 million records reported to state unemployment compensation agencies each quarter--about 500 million per year. The Bureau of Labor Statistics (BLS) recently completed a report at the direction of Congress on procedures for establishing a nationwide database of information on the wages and employment of all individuals for whom such information is collected and stored by state unemployment compensation agencies. The BLS report outlines procedures for a decentralized database providing access to current UC files for employment and training program evaluation purposes and a centralized longitudinal database of older data for research purposes.

Clearly, the interest in having access to unemployment compensation wage and claim information is widespread. However, given the volume of data, the expense involved in its maintenance, and its sensitive nature, duplicating these state data numerous times at the national level makes no sense. Such a database (or databases)--containing information about the employment and wages of almost every worker in the nation--would be a tempting target for unauthorized and improper use.

In addition to our concerns about the cost and security of establishing such a database, we are also concerned that the legislation would require each state legislature to amend its unemployment compensation law to provide for--

> "The making of quarterly electronic reports, at such dates, in such format, and containing such information, as required by the Secretary of Health and Human Services under section 453 (i) (3) , and compliance with such provisions as such Secretary may find necessary to ensure the correctness and verification of such reports."

Requirements to provide unemployment compensation data to other agencies has generally been made a condition of administrative grants--not a requirement for inclusion in state UC laws--and such legislation has always provided that the information be provided on a reimbursable basis. By requiring that this provision be included in each state's unemployment law, the cost of providing this information--in whatever format and complying with any requirements the Secretary of Health and Human Services chooses to impose-- would be borne by grants to states for administration of unemployment compensation programs, not by appropriations for child support enforcement activities. In the coming years as federal appropriations are restricted by efforts to balance the budget, unemployment compensation agencies will be struggling to maintain basic services to unemployed workers. Shifting costs for child support enforcement activities to unemployment insurance programs will place an unfair drain on resources that are needed to provide for the prompt payment of unemployment benefits.

As you continue to refine your welfare reform proposal, we urge you to reconsider the approach that the current legislation takes in making unemployment compensation records available for child support enforcement purposes.

UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON HUMAN RESOURCES

HEARING ON CHILD SUPPORT ENFORCEMENT LEGISLATION
JUNE 13, 1995

Written Comments of

JAMES HENNESSEY, Bureau Chief

BUREAU OF COLLECTIONS
IOWA DEPARTMENT OF HUMAN SERVICES

Mr. Chairman and members of the Subcommittee, thank you for this opportunity to provide written testimony in preparation for House-Senate conference action on child support.

Having now had the opportunity to study both the House and proposed Senate welfare reform bills, and having had the time work with colleagues to propose, rework, discard and/or consider numerous revisions to proposals, we are now in a position to share with you the results of our research and study. We believe these are the most innovative, workable recommendations possible to use as you go to conference on the child support provisions. These recommendations center around the following principles:

Balance Uniformity with Flexibility

Congress can provide the necessary uniformity and standardization which will enhance child support enforcement efforts (especially in the 30% of cases which are interstate), while still allowing flexibility for each state to shape its child support program in the context of its own unique welfare reform program and financial environment. Welfare reform and child support enforcement are integrally connected. States must have the control over both programs to make the best use of limited state and federal dollars.

Helpful to Children and Families

States will do what is in their own best interests. Federal law must, therefore, be such that it is in a state's best interest to collect child support, establish paternities, and get and keep families off welfare.

Parental Responsibility and Affordability

We must constantly examine our child support and welfare reform policies to eliminate nuances which encourage parents to look to government for long term, routine support of their children. That is the only way to ensure an assistance program which is affordable for taxpayers on both federal and state levels.

It is within the parameters of those guiding principles that the following recommendations were developed. Most of our comments focus on funding considerations impacting families, federal and state governments, and taxpayers, but we also comment on policy concerns and issues raised by differences between the House and Senate bills.

Congress is considering monumental, pervasive and potentially costly changes to both federal, and ultimately state, child support laws. We recognize

our responsibility to assist in the development of those changes and offer these recommendations only after many hours of study, research and deliberation.

DISTRIBUTION OF CHILD SUPPORT COLLECTIONS

This is one of the most difficult child support issues Congress faces in trying to enable true welfare reform, and still avoid unfunded mandates to states. But if left as currently written, the House and proposed Senate bills will be impossible for most states to implement, and too expensive.

As written, at the most, only 5 states in the United States would be able to comply with the law. The bill would require states to pay child support pre-assistance arrears collections (which had been assigned to the state to become entitled to AFDC) to the family. States do not have all the records and historical data needed to distinguish between support due for months the family was on assistance and for months before that, since all that was assigned to the state.

In addition, neither the State nor the Federal government can afford to stop using all pre-assistance arrears to recover for taxpayers up to the full amount of cash assistance paid to the family. Block grants will freeze federal money to states at 1994 levels. However, having now studied the numbers and seen CBO reports, we know changes in pre-assistance arrears distribution will substantially decrease money currently available to states for temporary family assistance, for jobs, and for transitional child care. That resource reduction may have been unintentional, but it should be corrected. State taxpayers cannot afford to waive these debts, and it is not fair for Congress to mandate they do so.

Finally, block granting in order to achieve welfare reform must include flexibility for States to design what will work best in their individual environments to get and keep people off welfare. That will involve a combination of cash grants, work opportunities, and incentives and expectations. Those expectations should permit the states to hold parents responsible for the cost of supporting their children. If parents believe the government will care for their children for several years with only a partial expectation of repayment (e.g., only assign support due for months on assistance) it may encourage reliance on the government rather than self-reliance.

We, therefore, recommend:

States should be given flexibility to retain or "keep assigned" any support that was assigned before the law changes. In addition, in amendments to Title I for Temporary Family Assistance, give states the option to assign and retain support already due at the time the family requests public assistance.

For families currently receiving assistance, give states flexibility to pay disregards, and retain or distribute collected support to the family. However, clarify the government may only retain support up to the amount of assistance paid to the family. That also means that if a state chooses to distribute child support and disregard that income in determining the amount of cash assistance, the federal government will not participate in paying for part of that disregard. States will bear the full cost of paying disregards.

For families who formerly received assistance, retain the bills' requirements that states pay all current and post-assistance arrears collections to the family first before the government is reimbursed. It is likely that the bulk of the federal cost of this policy change would be offset by eliminating the $50 disregard as proposed. After that, allow states the

option (consistent with their assignment policy) to retain or distribute any other support -- up to the amount of assistance paid to the family.

Protect the federal government even though states are given flexibility in assigning, and limited flexibility in distribution, by disengaging the "federal share" from some of the flexibility factors. Do this by defining the pool from which the federal government receives reimbursement as the amount of support due for months the family was on assistance, and unpaid support due when the family applied for assistance, up to the amount of assistance the family would have received had no support been collected for as long as the family received at least some assistance. This guarantees the pool from which the federal government is reimbursed regardless of what a state chooses to do with its assignment, distribution and disregard policies.

Protect states from further federal policy changes in distribution of federal tax refund offsets. This can be done by allowing a state to collect support up to the amount it was allowed to retain (after reimbursement to the federal government) in 1994, before the federal government may begin receiving reimbursement. This would prevent further damage to states' ability to provide child support enforcement services and/or cash assistance to families needing temporary assistance.

Clarify proposed changes to federal tax offset distribution to clearly provide those collections will be distributed the same as other collections, rather than implying amounts must always be paid to the family regardless of the distribution statute.

PERFORMANCE-BASED INCENTIVES, FEDERAL FINANCIAL PARTICIPATION AND MAINTENANCE OF EFFORT ISSUES

Performance-Based Incentives

Just as important as distribution questions which balance the needs of former assistance families with those currently on assistance is developing an incentives formula for states' child support programs that targets results we truly want to encourage.

We agree with provisions in the bills that incentives should be performance based. We agree they should reward states that do a good job getting legal paternities established, getting legal orders to pay child support, collecting support and collecting it timely, and doing all this as cost-efficiently as possible. What we do not understand is why Congress would want to tie the rewards to higher expenditures rather than higher collections. Nor do we understand why Congress wants to discourage states' initial efforts to privatize aspects of the program, or damage the current method of sharing incentives with counties and local governments to offset non-federal costs of their child support programs.

The current language in HR 4 and the Senate proposal would pay incentives to states based on a percentage of expenditures. We recommend incentives be based on a percentage of collections, since those are the results we want.

Also, rather that adjusting FFP by incentive amounts, states should receive the incentives with the flexibility to use them in the best way possible. We agree the incentives formula should be revised, but to be true "incentives", states must have some flexibility in their use.

There should also be a requirement that if States share incentives with political subdivisions, they must use the money only in their child support programs.

We propose a new collections-based incentives formula to be developed in concert with the states, which will take into account a state's performance in several areas in comparison to other states, a state's success at getting people off welfare, and simplicity, accuracy and fairness in getting the data needed to determine the incentives amount.

Federal Matching Payments (FFP) and Maintenance of Effort Issues

Discussion of incentives is integrally connected to the bills' provisions' on the level of federal funding participation in the child support program.

Over the past several years the number of IV-D services states must provide and the number of cases the states must serve under federal law has steadily increased, but the percentage of federal participation has decreased (to a current base amount of 66%). In Iowa, the unduplicated count of the child support enforcement caseload has increased from 99,847 in July 1990, to 148,560 as of May 1995. Individual child support workers carry staggering caseloads of over 1000 cases each. The bill, as written, appears to benefit states by allowing a higher FFP (as incentive adjustments). In effect, however, by removing the flexibility of collections-based incentives, states are facing a significant new, unfunded mandate.

In addition, the maintenance of effort provision is technically inaccurate because it refers to only a 66% FFP rate. By omitting the 90% FFP for genetic testing and automated data processing in current law, the bill requires states to increase rather than maintain the state effort.

Finally, the maintenance of effort language in combination with the proposed adjusted FFP results in another unfunded mandate. States will lose flexibility they now have to use incentives in the child support program as the States' share for the 66% federal match. They will have to find new, non-federal funding. We understand Congress' concern that States not reduce their child support enforcement efforts, but this can be done in another way.

States will do what is in their best interests. If States are rewarded by incentives which they have flexibility in using, and by public assistance reimbursement, they will do what is needed to provide an efficient child support program to maximize returns for both the child support and temporary family assistance programs. To mandate maintenance of effort in one program removes opportunities to seek even better solutions. For example, efforts to establish paternity are essential, but they are second best solutions compared to a method which would successfully reduce out of wedlock birth rates.

However, if there must be a maintenance of effort requirement, it should at least be a correct dollar amount.

We would prefer the FFP be returned to 75%.

We would prefer deletion of the proposed language which provides expenditure-based incentives and substitution of collections-based incentives as recommended above.

If the maintenance of effort requirement is not deleted, the states should be required to maintain their base year state expenditure level rather than total expenditures reduced by 66%.

AUTOMATED DATA PROCESSING REQUIREMENTS

Several sections of the bills specifically refer to automated data processing requirements, but additional requirements can be found throughout the balance of the bills. Because of the volume of the proposed new mandates, we believe a 90% FFP, as was provided in the Family Support Act of 1988, is appropriate. The best way to help assure effective and efficient implementation of the new policy components of HR 4 and the Senate bill is to encourage the development of the most highly automated case management and processing techniques possible. A higher dollar investment at a higher FFP rate now will pay off well in the future.

Since we are recommending an incentives formula different than the proposed adjusted FFP, the funding formula for automated data processing in the bill should also be replaced.

Certification for the 1988 requirements should be extended to October of 1997, as provided in the Senate bill, also at the 90% match rate, but limited by the amount states estimated needing as of May 1995.

Finally, the $260,000,000 national cap is unreasonably low and should be replaced with an amount commensurate with the federal share of the actual cost of meeting the new system requirements.

COST RECOVERY IN NON-AFDC CASES

We are aware of the appeal to members of Congress to require cost recovery for services in non-AFDC cases because we have debated and experimented with this funding mechanism on the state level for years. We do not recommend any change in the current federal requirements for cost recovery.

The problem is in the collection of the fee. Ultimately the money will come from the child. It may come directly out of the child support, or it may be added to the support and be collected from the same parent whose limited resources we tap for child and medical support. It may, ultimately, be deducted from the obligor parent's income and reduce the child support order. If it is collected along with child support payments, it will only be paid by those parents who pay their support. We would also see it as an ineffective and imprudent use of limited resources to have child support staff do income eligibility determinations and verifications to assess a fee only from parents of a certain income level.

Our response might have been different if recovery of fees from support had initially been a routine part of non-AFDC cases, but in light of public expectations, it is too late to implement that change now.

IRS DISCLOSURE TO ENTITIES UNDER CONTRACT WITH CHILD SUPPORT AGENCIES

Because of mushrooming caseloads and limited resources, States have begun contracting with private companies to assist in providing child support services. Contractor services may include selected establishment, enforcement or collection and distribution functions, or full-service programs. The IRS, however, has taken a narrow reading of current statute to preclude these private entities from access to IRS tax information, which hampers their ability to function as efficiently as their governmental partners.

Congress should remove this barrier to States' initiatives to privatize by clearly allowing contractors access to tax information provided that they comply with the same confidentiality requirements as state and local child support

agencies, and are subject to the same Federal penalties for unauthorized disclosure.

NEW HIRE REPORTING

Both bills contain provisions for State new hire directories to which all employers must report. HR 4, however, contains a special provision to accommodate multi-state employers to allow them to report all their employees to only one state rather than to several states. Early reporting of newly hired employees has been an extremely effective enforcement tool in states which have already adopted it, and we want to foster continuing good working relationships with employers. To that end, we recommend inclusion of an exception allowing employers who have employees in more than one state the flexibility to report to the directory in the one state of their choosing.

In addition, Federal agencies should also be subject to reporting requirements, and should be required to report directly to a single federal entity -- the Federal Parent Locator Service -- rather than to each State.

QUARTERLY WAGE WITHHOLDING BY GOVERNMENTAL ENTITIES

Currently all private employers must report wage information quarterly to a State agency for unemployment, child support, statistical and other governmental purposes. Child support agencies use this information to locate parents and to establish and enforce child support orders. We do not, however, have that information for employees of local, state or federal governments -- and those are major employers in every state.

We recommend that the Federal government be required to report quarterly wage information to one central location, the Federal Parent Locator Service, which in turn would share the information with states. In addition, State and local governments should make quarterly reports in the same manner as other employers in their State.

FEDERAL FINANCIAL PARTICIPATION FOR DATABASE MAINTAINED BY BIRTH RECORDS AGENCIES

Current federal regulations require each State to designate an entity to which hospitals must send all acknowledgments obtained in their hospital based paternity acknowledgment program. The child support agency has access to that statewide database to obtain information and documentation needed in IV-D cases to establish support orders. Although it is logical that the statewide entity chosen to store and record these documents be the same agency that stores and records birth records, and even though both bills would require paternity acknowledgments and adjudications of paternity be filed with the State registry of birth records, there is no federal financial participation (FFP) available for the additional costs of that agency.

We recommend that FFP be made available through cooperative agreements with State birth record agencies for the costs of filing voluntary acknowledgments and adjudications of paternity, and for matching that database with the State case registry.

STATUTE OF LIMITATIONS

One issue causing problems in interstate enforcement of child support orders is the lack of uniformity among states in the length of time arrearages may be enforced. Some states have no laws, some have no limitation and some have a limit of only 10 years, with various methods of calculating the time. This is an area which is appropriate for Congressional action to set a minimum statute

of limitations so that all states would have the same minimum expectation for enforcement of delinquent support regardless of which state the parent has moved to.

We recommend each State be required to have procedures for the collection of arrearages at least until the child attains age 30.

DENIAL OF PASSPORTS TO CERTAIN CHILD SUPPORT DELINQUENTS

The proposed Senate bill in Section 471 requires each state to report certain delinquent parents to the Federal government for sanctioning of their passports. The threshold for reporting those parents is arrearages exceeding $5000 or "an amount exceeding 24 months' worth of child support". Because of the administrative difficulty and cost in tracking 24 months' of support on a high volume of cases, we recommend that the triggering threshold be only the dollar amount and not an amount due over a certain period of time.

CONSUMER COMPLAINT PROCESS

The proposed Senate bill contains a federal mandate requiring each State to establish procedures for fair hearing or formal resolution of complaints. States are aware of parents who are dissatisfied with services, and therefore, have already developed procedures for resolution of these problems. If Congress, however, requires formal fair hearings or other formal complaint resolution processes it will significantly add to program costs and strain existing resources with no appreciable change in the outcome of the complaints, nor in increased support for children.

We recommend Sec. 403 of the proposed Senate bill be deleted.

EXPANDING SCOPE OF IV-D CHILD SUPPORT CASELOAD TO ALL CASES RECEIVING SERVICES UNDER IV-B

Language in the child support titles regarding public assistance cases which require child support services will be affected by other titles of the Act dealing with child protection. Regardless of the outcome of those discussions, the Title IV-D caseload should not be inadvertently expanded with inappropriate cases. Child support services would be appropriate in any case in which the child is not living with the parent. Therefore, we recommend in section 401 or 701 of the child support title, rather than referring to cases receiving benefits or services under Title IV-E or IV-B, that cases be limited to those receiving foster care or out of home placement benefits under IV-B or IV-E, whichever is appropriate in the final bill.

Also, if child protection is included in the Act, that title should include a requirement for assigning child support to the State in those cases.

90% PATERNITY ESTABLISHMENT RATE

Both bills would raise the paternity establishment rate from 75% to 90% even though experience has shown that is unrealistic. Although it may be desirable to have a higher rate of paternity establishment, threatening sanctions unless an unrealistic rate is attained will not result in attaining that rate.

Despite aggressive efforts to establish paternities there are a variety of reasons why it cannot always be achieved: the mother may not know who the father is, his name or his location; sometimes paternity cannot be pursued because of threats of violence to the mother or child; 30% of genetic tests nationwide to determine paternity result in exclusion of the alleged father, and there is a continual influx of new cases. That means that regardless of the

number of paternities an agency establishes each year it is offset by an ever-increasing universe of cases needing paternity establishment.

We recommend retention of the 75% rate as passed in OBRA '93.

USE OF FORMS IN INTERSTATE CASES

Both bills contain a section requiring the Secretary to develop 3 forms which all states must use in interstate child support cases. However, there is no requirement for state involvement in their development. In order to ensure the forms will contain the information states need for income withholding, administrative subpoenas and the imposition of liens we recommend language be added requiring the Secretary to convene an advisory committee of state IV-D directors to assist in the development of the forms.

ADMINISTRATIVE DEFAULT ORDERS

Both bills contain a requirement for states to have procedures for the IV-D agency to enter an administrative default order if a putative father refuses to submit to genetic testing or a parent fails to appear at a hearing to establish or modify the amount of support. These requirements are what remain of the Clinton Administration's 1994 Work and Responsibility Act's mandates for broader administrative processes. Since the bills passed by the House and proposed in the Senate do not require states to substitute their entire judicial processes with administrative processes, it makes sense that this holdover from the earlier bill be also deleted. States should not be required to fund an entire administrative process just to obtain default orders.

COLLECTION AND USE OF SOCIAL SECURITY NUMBERS

Both bills contain mandatory license sanction sections which include sanctions of driver's, professional and occupational, and recreational licenses. However, the section authorizing and requiring states to obtain social security numbers in connection with applications for licenses does not include recreational licenses. It will be administratively impossible to have a recreational license sanction program without use of social security numbers, but the Social Security Act needs to specifically require applicants to supply the number. We recommend recreational licenses be added to the requirements for social security numbers in Sections 417 and 717.

DEFINITION OF SUPPORT ORDER

The proposed Senate bill has a much broader definition of support order than HR 4 and we are concerned the new language will significantly add to the IV-D mandate on states. The Senate definition includes attorney fees which could be interpreted to mean the IV-D child support agency would be required to enforce orders to pay attorney fees along with orders to pay child support. Although we understand why it may ultimately benefit families to include that in mandated government services, we would prefer to concentrate on child support.

SIMPLIFIED PROCESS FOR REVIEW AND ADJUSTMENT OF CHILD SUPPORT ORDERS

The proposed Senate bill differs from HR 4 in that it requires reviews and adjustments of orders every 3 years if the parent (or State if there is an assignment) requests such a review. States have found the review and adjustment process to be very labor intensive, but the involvement of a parent (or State) actually seeking that service should facilitate the overall process. We support the Senate language.

Both bills also require states to review and adjust an order at any time at parental or State agency request if there is a substantial change in circumstances. The 3 year requirement is reasonable considering the volume of cases, but the mandate to review and adjust anytime there has been the requisite change of circumstances could force states into constant review of thousands of orders, creating a revolving door for many of our cases. We would recommend the deletion of this new mandate.

CONCLUSION

These are summaries of our major recommendations. You are shaping our future and our children's futures and we stand ready to assist in any way we can in providing detailed technical advice, assistance with drafting language or any other request. Thank you again for this opportunity to comment and share our experiences with you.

STATEMENT OF WALLACE N. DUTKOWSKI
MICHIGAN DEPARTMENT OF SOCIAL SERVICES

June 13, 1995

Thank you for the opportunity to submit written comments to the committee. I would like to specifically address three issues concerning child support enforcement: cost recovery; distribution of child support collections; and the financing of the child support system.

Cost Recovery

One of the issues facing the Committee is whether the Child Support Program should try to recover costs for services provided by the program from non-AFDC cases.

Many states recover some costs from non-custodial parents today. In FY '94 Michigan collected court fees of over $10 million (for all IV-D cases). Per current federal regulation these fees were deducted from child support program costs. The reduction in costs associated with these fees is shared between the federal government and the state therefore, the fees saved the federal government approximately $6.67 million. Michigan's experience reflects the difficulty of collecting fees as shown in the following example: The $10 million Michigan collected is about 37% of the fees charged. In other words Michigan's experience in collecting fees is similar to our experience in collecting support. That is, the people who pay their support regularly also pay the fees, and those who do not pay their support do not reimburse the program.

However, this becomes worse as the amount of the fees increase. Along with visitation complaints, non-custodial parents complain most about the excessively large amount of their income required to be paid in support. This issue was highlighted by a non-custodial parent from Michigan on a recent documentary regarding Child Support, called "The Vanishing Father", on PBS' Life Line series. The parent said he was going to be arrested for not paying the full amount of his support order, so why bother to pay any? Fees increase the amount of money a non-custodial parent must pay. Therefore, it is likely that as the fees go higher so will the number of non-custodial parents who reach the point where they decide the amount is too great and begin to withhold support payments. In addition, a payment that does not go to a child is not viewed as a child support payment. This further reduces the likelihood of parents paying the fee.

If we ask parents to pay more for the benefits received from the child support system, it could produce two other types of results. First, due to the Guideline process states must use to determine the amount of child support non-custodial parents have to pay, a higher fee results in lower child support payments. This will reduce the amount of money going to children who are due support. If custodial parents are also asked to pay fees it will, in effect, result in less child support being passed through to the children. The net result is less money will be available to raise children in single parent families.

The second issue revolves around a proposal to have fees charged only to those who can afford to pay the fees. The focus is on the Non-AFDC caseload. This suggestion assumes that the entire Non-AFDC caseload is financially independent. The fact is, this caseload is comprised of many former AFDC recipients, a large share of whom have just left the assistance program due to the combination of earned income and child support. In addition, there are many families with earned income and child support who live near or below the poverty level, yet refuse to apply for assistance payments due to their sense of independence. To require either of these groups to share in a fee or to accept less in child support due to the imposition of a fee would place both groups at substantial risk of turning to the public assistance program for help. The only way to prevent the poorest from paying is to set up a means test to determine who should pay a fee. Such a test would be administratively difficult to implement and would take time away from other more productive activities such as locating absent parents and enforcing child support orders. The additional fee would also most likely fall on the shoulders of the same group of non-custodial parents (the 37% mentioned above) who are already paying their court fees.

Being fiscally frugal is important for government. Fees help pass the costs of services on to the individuals receiving the services. But at the same time we must be careful we are not building disincentives into an already beleaguered program. IV-D was designed to offset the costs of Public Assistance by reimbursing the state and federal government for assistance received. It was expanded to prevent children from coming on assistance in the first place. Cost savings need to be built in to the program but not by putting a further burden on either parent which might result in unintended negative effects on an already *at-risk* population. If sufficient tools are provided to the states to stringently enforce current support orders, cost savings in the Assistance Payments Programs and Food Stamps will produce the savings being sought.

Distribution Issues

Should we change the rules for distribution of Child Support? Are states willing to absorb the CBO estimate of $220 million a year it is expected to cost states to pay all arrears to the client first? Will the provisions in H.R. 4 actually help mother stay off welfare?

The distribution rules in H.R. 4 are close to the ideal for the child support program. Ideally, all payments at all times would be passed through to the families. Reality however, dictates that we must have incentives to keep people off assistance and we must have an affordable, easily administered program. H.R. 4 sets up a distribution process few states can either comply with or afford. Michigan cannot comply with the requirement to go back and establish to whom all of the currently pending *pre arrears is owed. (Pre arrears* are arrears owed to families before they apply for public assistance). We simply do not have such data. One factor is clear to Michigan, the requirement to modify distribution must be only prospective with respect to the issue of pending arrears.

The issue of not assigning pre-assistance arrears creates a situation where there is little lost for a family to go on assistance. It must be remembered that the state can only keep the arrears it collects up to the amount of public assistance it provided. Changing this process will be costly. Michigan calculated the costs to the state to make the changes mandated in HR 4. Michigan will lose, at least, ***$30.8 million*** in net collections annually! In addition the federal government loses ***$50.49 million*** annually. It is unclear whether either the federal government or the state could stand to lose this amount of funding.

Many groups, such as The National Governors' Association (NGA) the National Council of State Child Support Enforcement Administrators (NCSCSEA, whose membership is made up of the States' Title IV-D Directors) and APWA support language which allows the states to have an option on how they distribute payments accumulated pre-assistance and during assistance stays. For a block grant process it is **critical** that states be able to coordinate a process between child support and other programs to generate the appropriate incentives to keep people off assistance and to pass as much money through to clients as possible. Only with state flexibility can this occur. Therefore, any change in the currently mandated distribution process will potentially create design restrictions for states attempting to use the flexibility granted in the Temporary Cash Assistance Block Grant. When distribution changes are coupled with changes in incentives, funding and the $50 pass-through there is a potentially devastating impact on a state's ability to finance either child support or financial assistance.

Financing Child Support

What changes are needed in the financing and incentive system in the child support program?

I recommend a number of changes to the financing plan. First H.R. 4 shifts incentive payments away from any major focus on collections, resulting in a loss of a key program objective. The new formula largely puts emphasis on reimbursing costs with limited rewards for good performance. With the potential loss of the current incentive funding and with only 66% FFP, Michigan could lose up to ***$28.1 m***. Even at an 85% FFP rate (66% regular match plus 19% of

the maximum 24% incentive, a high rate of incentive!) Michigan still loses ***$6.2 m***. I believe that programs that have been cost effective for the federal government (Michigan is one of the few states returning money to Washington) should not suffer under the new funding formula. The child support program is short on resources and this funding plan does nothing to assist the program. In fact, the formula may actually be a disincentive to improve performance.

The proposed incentive formula can produce results which Congress never intended. If states close large numbers of difficult cases and only keep open those with payments or payment potential, the state can score well on most performance factors. The state could have a higher rate of cases with orders, cases with nearly full collection and a good cost benefit ratio by closing cases too soon or not opening them in the first place. This could have the effect of denying services to children who need support. This is not what Congress intended when they addressed the funding issue.

Another major fault with the enhanced FFP incentive plan is that it rewards states for expenditures without putting sufficient emphasis on collecting more child support. The only reinforcement for increasing collections is one performance factor that looks at cost benefit for the program. Through this new formula states could build up their programs to produce results desired with little or no effect on collections. There must be a major focus on increasing the amount and the rate of collection. An enhanced FFP incentive formula does not effectively lead to both desired outcomes.

Both APWA and NCSCSEA have proposed a funding formula that helps keep a major focus on collections. The proposal calls for the *incentive pool* to be built on the amount of support collected by the states. However, the distribution of the incentive would be based on the same performance indicators used in H.R. 4. Increasing the total support collected is a critical program outcome. Increased collections result in additional savings to both the federal and state governments and more money to children to keep them off assistance. Under this plan I recommend requiring reinvestment of all incentive payments in the program.

NCSAC

NATIONAL CHILD SUPPORT ADVOCACY COALITION

STATEMENT FOR THE RECORD

Submitted to

UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON HUMAN RESOURCES

HEARING ON CHILD SUPPORT ENFORCEMENT
and SUPPLEMENTAL SECURITY INCOME

JUNE 13, 1995

Prepared by

Ruth E.(Betty) Murphy
Director of Government Relations
on behalf of
The National Child Support Advocacy Coalition

The National Child Support Advocacy Coalition (NCSAC) is the oldest and largest national network of individual advocates and independent child support advocacy organizations across the nation. The testimony of NCSAC brings a broad based perspective because of its diversified membership representing AFDC, former AFDC and non-AFDC families. NCSAC leaders have long been recognized for their ability to bring a common sense approach to the child support arena. Our cooperative spirit of working in the best interest of the children has earned NCSAC members the respect of local, state and federal government officials. Our members serve on local and state commissions and special task forces assigned to monitor and recommend improvements to the child support enforcement program.

Many of our members have been involved with the child support program since before 1980. As a result, we have seen our children grow into young adults with little financial or emotional assistance from the absent parent. The nonsupport problem has now extended into the next generation. The non-AFDC child support enforcement issue has become a national embarrassment, far outdistancing the AFDC issue. Although typical non-AFDC families come into the state system with paternity already established and an court order for support through a separation or divorce decree, enforcement and collection of support eludes them.

The world of non-AFDC families is an unknown quantity. For every non-AFDC family that applies to a state agency and receives enforcement services, there are probably two families that do not because they: are private pay cases; simply do not want to apply; applied and were closed by the state using case closure criteria developed by OCSE; have given up; have children over 18 and cannot afford to pursue collection; or may not know of the availability of state services.

Of 11.5 million parents surveyed by the Census Bureau in 1991, 4 million had requested assistance from a government agency for obtaining child support and 2.5 received assistance. The Federal Office of Child Support Enforcement (OCSE) 18th Annual Report to Congress reports that states opened a total of 6.6 million cases in 1993. On the other hand using case closing criteria developed by OCSE, 5.1 million cases were closed.

Drawing upon our members' personal experiences from various states, NCSAC believes our observations represent a national perspective. NCSAC appreciates the opportunity to add a sense of reality to this hearing from parents who have had firsthand experience with the issue of child support enforcement.

COST RECOVERY IN NON-AFDC CASELOAD

Over the years this issue has been discussed in various reports:

* Maximus, Inc. (Evaluation of the Child Support Enforcement Program)

* Congressional Research Service in December 1989 (THE CHILD SUPPORT ENFORCEMENT PROGRAM: POLICY AND PRACTICE)

* General Accounting Office (GAO) in June 1992 (CHILD SUPPORT ENFORCEMENT: Opportunity to Defray Burgeoning Federal and State Non-AFDC Costs GAO/HRD-92-91)

* OCSE Annual Reports to Congress

When considering cost recovery in Non-AFDC cases, it is only fair to consider the AFDC (welfare) cost avoidance factors. Of these reports, only the Maximus Report and the CRS Report offer some insight on "intangible benefits" and indirect savings that are derived from the Non-AFDC component of the CSE program.

The following quotes and observations are taken from these two reports.

"...the non-AFDC component of the CSE program can achieve welfare cost avoidance in the following ways:

* by providing non-AFDC families with additional income sufficient to make them decide not to apply for public assistance (AFDC, food stamp, or Medicaid), even though eligible;

* by making non-AFDC families ineligible for public assistance and by continuing to make these families ineligible by reason of income; and

* by reducing the benefit levels of non-AFDC families who do receive public assistance benefits.

* The majority of non-AFDC clients do not go on public assistance even if they do not receive support.

* There is definite evidence that the IV-D (CSE) non-AFDC program is reducing the amount of public assistance being received in cases where the client does receive public assistance.

The CRS Report also notes "that once the CSE system "matures" (i.e., once the majority of existing cases have child support orders), the cost-effectiveness of the system probably will improve. Moreover, because the benefits of establishing paternity or a child support award occur in future years as well as the current year, a static, point-in-time, analysis of costs and collections fails to account for the complexity and dynamic nature of the CSE system".

A study conducted by Advanced Sciences, Inc. and SRA Technologies in June 1987 indicated that there was $1 in indirect savings (welfare cost avoidance) for every $5 collected on behalf of non-AFDC families. (CSR Report - page CRS-76)

OCSE Annual Reports to Congress comment:

"The Child Support Enforcement program produces indirect taxpayer benefits through cost avoidance. Cost avoidance refers to savings in public assistance programs (i.e., AFDC, Food Stamps or Medicaid), in which benefits are either reduced or not paid as a result of the receipt of child support. For example, services are provided to non-AFDC families who, without income from child support, might be forced to turn to public assistance. Similarly, sufficient support is collected on behalf of some AFDC families to eliminate their dependence on welfare and related assistance programs. We do not have current estimates of cost avoidance savings as it is difficult to determine for a variety of reasons how much might have been spent on various assistance programs had it not been for child support income."

In June 1990 in their response to the Subcommittee's request for "Written Comments On Possible Amendments to H.R. 4229 Miscellaneous Human Resources Amendments of 1990", OCSE allows that they anticipate continued cost avoidance from the extension of the non-AFDC tax refund intercept for child support enforcement purposes. Clearly, there is a strong need for OCSE to evaluate the Non-AFDC cost avoidance factor.

<u>Lets examine the ramifications of cost recovery:</u>

* could be considered a tax
* depending upon the percentage imposed on either parent, the case may become eligible for modification and review
* would result in overloading court dockets in some states
* would result in additional legal fees
* Judges would be inclined to include the fee when calculating the initial child support award or modification
* States would incur untold delays required to reprogram computer systems, not yet in place.
* resulting in contract renegotiations
* in turn, adding to the funding problems states face with the enhanced FFP 90% cutoff of 9/30/95.
* ultimately would be viewed as taking money from the children

Now lets examine who would benefit from such a fee:

* Private contractors with state computer contracts
* Private child support collection companies
* Private consultant firms
* Private Attorneys

Who are the losers:

* Federal Government
* Taxpayers
* State Government
* Parents
* and ultimately, the very children for whom the program was supposed to help.

Lets not overlook the fact that Non-AFDC families are taxpayers. Their taxes not only pay the cost to provide services to AFDC families, but also pay the cost for the Non-AFDC families. "The Child Support Enforcement Amendments of 1984 reemphasized the Congress' commitment to the program by establishing new child support services and ensuring that all services would be fully available to both AFDC and non-AFDC families." (GAO/HRD-92-91) I can find no indication in these Amendments that Congress envisioned providing services to only "the low-income population" as inferred by this same GAO Report. Prior to these Amendments, many non-AFDC families were discouraged from applying for services because fees were based on income. This practice varied from state to state and county to county and resulted in a 1984 class action lawsuit in the state of Maryland.

Before regressing to pre-1984 conditions, which in essence created **"PROGRAM AVOIDANCE"** and/or imposing a cost recovery fee on either parent, Congress would be wise to evaluate the far-reaching "domino" effects that such an imposition would create on all phases of the child support enforcement program. NCSAC believes it is in the best interest of Congress to require additional research into this issue by the Congressional Budget Office (CBO) to avoid the appearance of operating an AFDC biased child support enforcement program.

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Statement of
The Honorable Marge Roukema
before the
House Ways and Means
Subcommittee on Human Resources
June 13, 1995

Before starting my testimony, I want to first thank my distinguished colleague, Clay Shaw of Florida, for giving me this opportunity to testify on some important child support enforcement issues facing the Subcommittee during the upcoming Budget Reconciliation process, as well as during the expected conference committee on H.R. 4, comprehensive welfare reform legislation passed by the House earlier this year.

The topic of child support enforcement reform is something near and dear to my heart, because as many Subcommittee members may recall, I had the honor of serving on the U.S. Commission on Interstate Child Support Enforcement (along with, among others, my good friend and colleague Barbara Kennelley), which conducted a comprehensive review of our child support system and issued a series of recommendations for reform in August of 1992. Prior to serving on the Commission, I was actively involved in the enactment of major child support enforcement reform legislation in 1984 and 1988.

Before starting my remarks on the issues of fees for non-AFDC clients receiving child support services and distribution of collections, I want to briefly comment on the paternity establishment provisions of the House welfare reform bill (HR 4) and the Senate Finance Committee-approved measure.

Establishing paternity establishes a potential for future financial support; but, most importantly, it re-establishes a code of conduct that fixes responsibility on the male, as well as the female, in the rearing of children -- Reconfirming these principles are essential to restoring respect for the family unit in our society.

Failure to pay court-ordered child support, which is predicated upon the establishment of paternity, is not a "victimless crime". The children going without these payments are the first victims.

But, the taxpayers are the ultimate victims, when they have to pick-up the welfare tab for deadbeat parents who are evading their financial obligation.

Thus, I was very pleased that the House-passed version of H.R. 4 put some real teeth into our paternity establishment laws so that mothers receiving public assistance understand the basic choice they will be faced with: cooperate with the state in their efforts to establish paternity and protect your eligibility, or refuse to cooperate and accept the consequences of that choice.

In particular, the H.R. 4 included language requiring that mothers provide the state with very specific information about putative fathers, including home and work addresses, telephone numbers, information about the putative father's automobiles, and his family. Under H.R. 4, if the mother fails to meet these requirements, she can be penalized by a reduction in her benefit levels.

Regrettably, the Senate Finance Committee failed to include strong penalties for uncooperative mothers in its welfare reform plan. It is absolutely essential that

mothers who refuse to cooperate with states in establishing paternity not have their behavior rewarded by not facing any benefit reductions.

Without such penalties, the paternity establishment procedures will not have any credibility, and all subsequent efforts to collect child support payments suffer accordingly. Enforcement powers for the states are vital, and we must take strong, corrective action in this area of the law.

The percentage of unwed mothers in the United States, on welfare benefits but without any paternity established, is growing at an alarming rate. In fact, we outdistance all other countries in this respect, and that's one reason why welfare costs have increased so dramatically in recent years.

I hope that the final, Senate-approved version of welfare reform will have language included that ensures uncooperative mothers face serious penalties. If not, I would strongly urge the Subcommittee to uphold this aspect of the House-passed bill during the conference committee negotiations.

Tough new paternity establishment requirements, with strong penalties for lack of cooperation, must be included in any welfare reform legislation this Congress sends to President Clinton.

Absent this action, children will continue to be victimized by deadbeat parents who successfully "game the system", and taxpayers will have to continue absorbing the costs of a welfare system that is in dire need of fundamental reform.

With that said, I understand that the two key child support enforcement reform topics the Subcommittee will be examining today are: Distribution of Collections and Cost Recovery in non-AFDC cases.

DISTRIBUTION of AFDC COLLECTIONS:

With respect to this issue, the Commission concluded that the current system is "a major problem" especially when the custodial parent is receiving, or has received, AFDC benefits.

After extensive review and consideration, the Commission recommended that, other than funds collected by intercepting a tax refund, states should distribute child support payments in the following order:

* First, to the family for the current month's obligation;
* Second, once the current month's obligation has been fulfilled, then to debts owed the family;
* Third, if child support rights had been assigned to the state, then all arrearages that accrued after the child no longer received AFDC benefits are to be given to the family
* Fourth, to reimburse the state making the collections for any AFDC debts incurred.
* Fifth, to reimburse any other state for their AFDC debts.

Consequently, I was very pleased to see that Title V of H.R. 4, the child support enforcement reform title in the Personal Responsibility Act, adopted the essence of the Commission recommendations for changing the distribution system -- namely, that any child support collections above the current obligation amount are paid directly to the custodial parent until all unpaid support (including any amounts accumulated before and after receiving AFDC benefits) has been paid.

In fact, the Ways and Means Committee report that accompanied its portion of the welfare reform bill stated that implementing this change would cost the relatively modest amount of $200 million over 5 years while "helping mothers stay off welfare". The Committee report went on to note that this change "will provide a new source of income for mothers trying to work to support their children without relying on public aid"

In my view, the Ways and Means Committee did the right thing by incorporating the Commission's recommendation into H.R. 4, and I strongly urge the Subcommittee to refrain from any ill-advised attempt to reverse this essential reform.

After all, when we're talking about reforming our welfare system isn't our primary objective helping mothers with children become productive members of society rather than wards of the state?

COST RECOVERY in NON-AFDC CASES:

When the Subcommittee announced its intention to hold this hearing, Subcommittee Chairman Shaw's statement cited a 1992 General Accounting Office (GAO) report on the fees charged for child support enforcement services for non-AFDC families as another area of particular concern.

According to the GAO report, in 1990, almost 5 million non-AFDC individuals collected $4.3 billion under the child support enforcement program. Yet, at the same time, of the $644 million in administrative costs associated with this program, the States were able to collect only $22 million (which represents about 3.5% of these costs) through fees from non-AFDC clients.

The GAO report goes on to note that by 1995, within three years of the report's release date, administrative costs for the child support enforcement program were projected to exceed $1 billion. If states are continuing to collect less than 4 percent of the administrative costs of their child support system from non-AFDC individuals, that means states are collecting less than $30 million from non-AFDC clients receiving child support services.

I certainly share the Subcommittee's concern about this trend, and its implications for the ability of states to provide vital child support services to non-AFDC clients.

With this in mind, I would suggest that the Subcommittee give serious consideration to asking the GAO to determine if this report can be quickly (and inexpensively) updated so that the Subcommittee and its members has the most current information possible.

If not, there might be other ways in which this information can be gathered, so that the Subcommittee can make any recommendations for change based on information more current than the information in the original GAO report, which by now is 4 or 5 years old.

My final comment on this issue is that, whatever changes to the fee structure for non-AFDC clients are proposed, I hope that the Subcommittee will bear in mind that the fact even though some non-AFDC families utilize a state's child support services program that does not mean these families are well-to-do, and thus can afford steeper fee structures.

In many cases, non-AFDC families that use a state's child support services are

hard-working, lower-income people who earn just enough to stay off of the welfare rolls, but not much more than that. Simply assuming that states can, and should, dramatically increase their fees for non-AFDC families using child support services could turn-out disastrous for many of these families.

It is reasonable to assume most wealthy families that need child support services use private sector means (e.g., private attorneys, private collection agencies, etc.) to collect their payments. Consequently, that leaves middle class families, and lower-income families that exceed AFDC threshold limits, as the largest non-AFDC population group that use a state's child support services program.

Just because these families don't receive AFDC benefits, doesn't mean they can afford to absorb large increases in a state's fee structure in order to continue receiving state child support services. If the Subcommittee determines that the existing fee structure must be changed, the income status of non-AFDC families must be taken into account when devising a new fee structure.

I would also like to share with the Subcommittee my concern about certain aspects of the House-passed FY 96 Budget Resolution (H.Con.Res. 67), which assumed $7 billion in program savings from the child support enforcement program over the next 7 years.

While I voted in support of the Budget Resolution, and I have long advocated that we reach a balanced federal budget through spending reductions, not tax increases, I'm not sure that the Congress can achieve such dramatic cost savings without doing very real damage to ongoing efforts to operate strong child support enforcement programs.

I hope that, once a conference report on the FY 96 Budget has been ratified, the Subcommittee proceeds carefully in this respect. Many of the reforms included in HR 4 represent real progress in a long-running fight to ensure that non-custodial parents live-up to their legal, moral, and financial obligations to their children.

Strong child support enforcement reforms are welfare prevention! Efforts to generate large program cost savings could easily jeopardize the strong reforms included in HR 4, and I hope that the Subcommittee will continue to work with me and other members throughout this process to ensure that we move this country forward, not backward, with respect to child support enforcement reforms.

Mr. Chairman, that concludes my statement. Again, I thank Chairman Shaw and the Subcommittee for providing me with this opportunity to testify on this topic.

WELFARE REFORM SUCCESS STORIES

HEARING

BEFORE THE

SUBCOMMITTEE ON HUMAN RESOURCES

OF THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTH CONGRESS

FIRST SESSION

DECEMBER 6, 1995

Serial 104–37

Printed for the use of the Committee on Ways and Means

U.S. GOVERNMENT PRINTING OFFICE

23–528 CC WASHINGTON : 1996

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-052696-5

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[1] Appointed July 10, 1995.

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WELFARE REFORM SUCCESS STORIES

WEDNESDAY, DECEMBER 6, 1995

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

The Subcommittee met, pursuant to notice, at 10:01 a.m., in room B–318, Rayburn 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
November 29, 1995
No. HR-8

CONTACT: (202) 225-1025

Shaw Announces Hearing on Welfare Reform Success Stories

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 current welfare reform success stories. **The hearing will take place on Wednesday, December 6, 1995, in room B-318 of the Rayburn House Office Building, beginning at 10:00 a.m.**

Due to time constraints, oral testimony at this hearing will be heard from invited witnesses only. Witnesses will include State and local welfare program administrators and also former welfare recipients. However, any individual or organization may submit a written statement for consideration by the Subcommittee and for inclusion in the printed record of the hearing.

BACKGROUND:

As the Congress completes action on legislation to reform welfare, the Subcommittee is interested in examining State welfare reforms that have begun improving the lives of families formerly trapped in poverty.

The hearing will highlight the views of two important groups in the welfare reform debate. First, the Subcommittee will hear from State and local officials who have already implemented changes that replace the welfare status quo with policies that emphasize work and opportunity. Witnesses tentatively scheduled to appear include State and local welfare program directors from Virginia, Michigan, and Wisconsin. Programs in each area have succeeded in reducing welfare dependence and getting welfare families into work.

The Subcommittee will also hear from former welfare recipients who no longer depend on government aid. These individuals will offer their own views of needed welfare changes, drawing from personal experience, describing how best to reform welfare.

In announcing the hearing, Chairman Shaw stated: "As Congress and the President enter the final stages of reforming welfare, it's important to focus on the promise that welfare reform holds by looking at what is already happening so successfully in the various States."

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 Wednesday, December 20, 1995, 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 office, room B-317 of the 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'.

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Chairman SHAW. If everybody will take their seats we will proceed with the hearing. There will be one opening statement on either side with all Members invited to submit an opening statement for the record should they desire.

The next 2 weeks will be among the most important in the past half century for the Nation's poor. We have brought reform of many of the Nation's welfare programs to the final lap. The purpose of this hearing is to show that States have already demonstrated that they know how to reform welfare by helping people find work.

At the outset, I want to urge our guests to pay careful attention to the testimony on welfare caseloads in Michigan, Wisconsin, and Massachusetts, and on similar testimony based on scientific evidence from Dr. Gueron and Dr. Mead. Consider two examples, Fond du Lac County, Wisconsin has reduced its single-parent caseload from 689 in January 1994 to 350 in October 1995. That is a 50-percent reduction in less than 2 years. The entire State of Massachusetts has reduced its 2-parent caseload from over 6,000 in October 1993 to 2,600 in October 1995. That is almost a 60-percent reduction in just 2 years.

Here is a wonderful conclusion that we can draw from these facts and from other testimony presented today. The relentless rise in welfare among our citizens is not some inevitable condition of nature. On the contrary, States have learned how to help people get off of welfare. And there is no evidence in any of these studies that former recipients who earn their own way are worse off.

I am also very pleased to call your attention to three mothers who have graciously agreed to testify today. All were once welfare recipients and all have set their sights on removing themselves and their children from the welfare rolls. I want to personally commend them for setting such a fine example, not just for others in their own communities but for the entire Nation. These mothers embodied the very goals of welfare reform—producing strong and independent citizens who rely primarily on their own efforts.

As we approach the moment of truth on welfare reform, we urge Members of this Committee to look carefully at the agreement fashioned by the House-Senate welfare conference. To help in this assessment, we have given members a document that compares the conference agreement with nearly 90 welfare reform recommendations made by the Clinton administration as expressed in a letter to the conferees from Secretary Shalala. Of the 14 major issues, the conference agreement is either in complete or substantial accord with the administration's position. More broadly, across all administration recommendations, the conference bill is either in complete or substantial agreement with the administration on 85 percent of these issues.

Perhaps of greater importance, Members also have a table that compares the conference bill with the Deal substitute bill that every House Democrat supported on the House floor. On 13 reform issues, the conference report is in complete agreement with 6 items, and substantial agreement with the other 7.

Here is a simple proposition for Democrats on this Subcommittee. The legislative process has once again worked its magic. At every step we have responded to the minority's concern and those of the administration and moved the bill in their direction. This bill

is one that many Democrats can and will support, especially given that they have already publicly supported a similar bill.

Turning to the administration, I call upon the President to sign this bill. Welfare reform is too important to play politics with. If President Clinton vetoes this bill, we will demonstrate to the American people that "ending welfare as we know it" was just a campaign slogan, not a meaningful promise. He should sign this bill.

I would like at this time to yield to the gentleman from Tennessee, Mr. Ford, for his opening statement.

Mr. FORD. Thank you very much, Mr. Chairman. Mr. Chairman, I am going to yield to Mr. Levin for an opening statement on this side of the aisle.

Chairman SHAW. Mr. Levin.

Mr. LEVIN. Thank you very much, Mr. Chairman. Democrats favor welfare reform, major welfare reform. For example, I have worked with many of my colleagues here on the Democratic side since the mideighties including an early legislative effort, then again the JOBS bill, and again actively helping to shape the House Democratic alternative that received the support of every single Democrat who voted on this major issue earlier this year. I do believe it is useful to hear today the stories of actions in the States. Our House Democratic alternative provided major new funding for the States.

I also think it would be useful for each of the witnesses reflecting on the experience in their State, to ask themselves seriously and to give their views on the bill that is presently in conference and apparently has the support of all of the Republican conferees except on the outstanding issue of block granting school lunch.

We would be interested in any comments from the witnesses on questions like this: Do they favor the provisions on SSI for children that could cut the ability of 500,000 families to care for children disabled with cerebral palsy, Down syndrome, muscular dystrophy, or cystic fibrosis? And do they favor a bill that has a contingency fund that is so small that it is certain that during the next economic downturn their States, or at least most of the States would be incapable of coping with the increase in demand?

Do they support block granting child nutrition programs, capping funds, and making major cuts in food stamp programs? Do they support a bill with moneys for child care that, in view of the participation rates, clearly will be inadequate? Do they favor block granting foster care?

Mr. Chairman, we have not seen the document you referred to. We will look at it with interest. Thus far, Democrats have not been involved in any part of the conference procedure. We have not been asked our position. We have not been asked for suggestions. We have not been asked to participate in any way. It is not because we have not been involved, it is because of the substance of this conference report that I think will lead to the President, as he has said clearly, vetoing it, and Democrats in the House and the Senate not supporting it.

We want welfare reform. As I have mentioned to you, as our Chairman Mr. Ford has mentioned to you, as Mrs. Kennelly has said very clearly, we are willing to work together on a bipartisan basis for true welfare reform. I am afraid that that bipartisan

effort will only come after a veto. If you are willing to begin it before then, we stand ready.

Chairman SHAW. Thank you, Sandy.

If the first panel would come up to the witness table, I will call you in the order that you will be recognized to testify. Carmen Nazario, who is the secretary of the Delaware Department of Health and Social Services in New Castle, Delaware; Stephanie Comai-Page, social welfare policy advisor and Federal liaison for the director of the Michigan Department of Social Services in Lansing, Michigan; Joseph Gallant, who is the commissioner of the Massachusetts Department of Transitional Assistance in Boston, Massachusetts. Also on the panel is Mr. Schilling from Wisconsin, but I think there is some weather problem involving his transportation by air, so we will recognize him after he gets here.

Ms. Nazario, if you would proceed as you see fit. All of your written testimony will be made a part of the record and you are urged to summarize it.

STATEMENT OF CARMEN NAZARIO, SECRETARY, DELAWARE DEPARTMENT OF HEALTH AND SOCIAL SERVICES, NEW CASTLE, DELAWARE

Ms. NAZARIO. Thank you, Mr. Chairman. Good morning, Members of the Committee. October 1 of this year marked the official start of Governor Carper's welfare reform initiative in Delaware called A Better Chance. Although our initiative is new, our experience with welfare is not. The Governor's proposal represents a combination of Delaware's experience and was developed in conjunction with preeminent public policy thinkers in our State and around the country. The Governor's vision is consistent with many of his colleagues in State houses around the country and with many of his former colleagues in Congress.

I would like to take this opportunity today to describe Delaware's initiative to discuss problems envisioned by the current national reform efforts, particularly in the area of child care, and offer some recommendations for modifications to improve our chance of providing a better chance for Delawareans.

Five key elements form the basis of A Better Chance in Delaware. One, work should pay more than welfare; two, welfare recipients must exercise personal responsibility in exchange for benefits; three, welfare should be transitional; four, both parents are responsible for supporting their children; and five, the formation and maintenance of two-parent families should be encouraged and teen pregnancy should be aggressively discouraged.

Work must pay more than welfare is our first principle. We believe that making work pay more than welfare is critical in our State. A Better Chance will allow welfare parents who take an entry level job to keep part of their benefits.

The exercise of personal responsibility is part of the mutuality of the so-called social contract. Our plan expects clients to cooperate fully in establishing paternity, as well as to complete parenting classes and family planning.

Welfare should be transitional. We believe it should not be a way of life, but rather a time-limited program focused on moving persons back to self-sufficiency. By 1997 there will be a 2-year time

limit for every welfare recipient age 19 or older in our State. If the recipient has no secure private sector employment by the end of that time limit, the State will enable that person to take a workfare job and earn their welfare check for a maximum of 2 more years.

By 1999 the Delaware plan would totally overhaul the system. At that time new welfare applicants who cannot find jobs will be permitted to work in workfare jobs for a maximum of 2 years to earn their welfare paycheck. No able-bodied person in Delaware will receive a welfare check if he or she refuses to work.

Mothers must cooperate with paternity establishment as a condition of eligibility, and young fathers will be provided with job training, job search, and parenting programs, and child support orders against them will be strengthened.

A Better Chance also provides incentives for people to get married, to pool their incomes, and share child-rearing responsibilities. In the short term we will eliminate Federal welfare rules which penalize intact families. On the long term, the current welfare system will be scrapped in favor of a system that supports working two-parent families through forward funding of the EITC and help with child care and health care.

By 1999 Delaware intends to end welfare payments to teen mothers. We will continue to provide child care, health care, and other services to keep teen mothers in school and help them finish their education.

As you can see, Delaware's goals in reforming the welfare system are very similar to yours, Mr. Chairman, and the same as my fellow commissioners, and the same as our President. We all want to see welfare clients working. And I have no doubt that the former recipients who are here today, as is one from Delaware, will support these goals wholeheartedly, and we know the public does.

But as we struggle to reform public assistance to accommodate these goals, we are very concerned that adequate funding is not provided for child care. NGA as well as our State and all States around the country have listed child care as a priority. Let me reiterate that message today. We do not believe that we can succeed in our efforts to provide Delawareans a better chance at self-sufficiency without adequate funding for up front costs which are critical supports in transitional services to clients toward self-sufficiency.

The proposed work requirements will be unattainable in Delaware given the proposed funding levels. Delaware estimates that the proposed funding levels for 1996 to the year 2000 will be $70 million less than the State's anticipated need in order to meet the strident work requirements. Child care needs alone would be $30 million underfunded. This is a 45-percent reduction of the funds that our State had anticipated based on the partnership that we thought we had established in our waiver for welfare reform.

Like many States, Delaware's welfare payments are low compared to the cost of child care, so we cannot completely rely on the savings that are accrued from lower caseloads. Delaware welfare payment level ranks 35th among the State welfare payments. They are 32 percent of the Federal poverty level. Compared to, for example, payments in Wayne County, Michigan, of $459 for a family of

three, Delaware is $338 per month. In Wisconsin, that same family would receive $517.

For our State, once families are required to accept jobs or engage in job training activities, child care becomes a critical support service as well as a major budget consideration. Although I know it is not of primary importance to this Committee, Medicaid as a transitional service plays an equally important role in the support services provided to families in transition.

Our Governor Carper has a commitment to use long-term savings from welfare reform to assist poor families with both of these necessary work supports. But the cost of child care is bound to increase as the demand for that service also increases with putting welfare clients to work.

Our State has made a commitment of State-only dollars in the past years and we, I think, are the only State to my knowledge that can say that we do not at the moment have a waiting list for child care for the working poor in our State. We cannot continue that commitment, and many of the clients that enter employment will have to come back to welfare if we are not able to provide that service.

In a survey that we conducted of recidivism in our State, 35 percent of our clients that come back come back because of lack of support for child care, health care, once they enter employment. If we shift more of the cost of these services to families, it will become very difficult for them to maintain employment.

Under our welfare reform program, over the next 3 years we had intended to serve every welfare family who needs these work transition supports. Services include not just child care and health care, but employment and training services for about 75 percent of our client population who is able to work. The cap of Federal funds would make it possible for only 5 percent of our clients to receive such services, which are also clear components of moving welfare families from welfare to work.

So I urge you, Mr. Chairman, and Members of this Committee, to reevaluate the relationship of your goals to the proposed funding levels in the conference agreement. Child care resources must be increased if we are to successfully refocus our public assistance program, and employment and training services must be more adequately funded in order to move a larger portion of the population to work and to meet the strident participation rates that you have outlined for us.

I want to thank you for the opportunity to testify and will gladly provide any additional information that might be useful to you.

[The prepared statement follows:]

TESTIMONY OF CARMEN NAZARIO

SECRETARY OF DELAWARE DEPARTMENT OF HEALTH AND SOCIAL SERVICES

October 1 of this year marked the official start of Governor Carper's welfare reform initiative, " A Better Chance". Although our initiative is new, our experience with welfare is not. The Governor's proposal represents a culmination of Delaware's experience and was developed in conjunction with the preeminent public policy thinkers in our State and around the country.

The Governor's vision is consistent with many of his colleagues in state houses around the country and with many of his former colleagues in Congress.

I would like to take this opportunity today to describe Delaware's initiative, to discuss problems envisioned by the current national reform efforts, particularly in the area of child care, and offer some recommendations for modifications to improve our chance of providing a better chance for Delawareans.

A BETTER CHANCE

Five key elements form the basis of "A Better Chance" ; 1)that work should pay more than welfare; 2) that welfare recipients must exercise personal responsibility in exchange for benefits; 3) that welfare should be transitional, not a way of life 4) that both parents are responsible for supporting their children and 5) that the formation and maintenance of two parent families should be encouraged and the teenage pregnancy should be aggressively discouraged .

Work must pay more than welfare

Making work pay more than welfare is critical. A Better Chance will allow welfare parents who take an entry level job to keep part of their benefits. It encourages full use of the federal earned income tax credit, and addresses the two most critical barriers to private sector employment for poor families' access to child care and health care. In addition we believe the tax system must provides incentive for low income working families. The EITC program must be sufficiently funded.

Welfare recipients must exercise personal responsibility

Our plan expects clients to cooperate fully in establishing paternity, as well as to complete parenting classes and family planning. Clients are expected to take full advantage of educational and job training opportunities. They must accept a job offered and are expected to keep their kids in school and to see that they are immunized.

Clients who do not take responsibility will face severe, progressive sanctions.

Welfare should be transitional

Welfare should not be a way of life, but rather a time-limited, program focused on moving persons back to self-sufficiency. By 1997 there will be a two year time limit for every welfare recipient age 19 or older. If the recipient has not secured private sector employment by the end of that time limit, the state will enable that person to take a workfare job and earn their welfare check for a maximum of two more years.

By 1999, the Delaware plan would totally overhaul the system. At that time new welfare applicants who cannot find jobs will be permitted to work in workfare jobs for a maximum of two years, to earn their welfare check. No able-bodied person in Delaware will receive a welfare check if he or she refuses to work.

Both parents are responsible for their children

Mothers must cooperate with paternity establishment as a condition of eligibility. Young fathers will be required to participate in job training job search and parenting programs and child support orders against them will be strengthened.

We must not discriminate against two- parent families and we must aggressively pursue reducing teen pregnancy

A Better Chance provides the incentives for people to get married, pool their incomes, and share child rearing responsibilities. In the short term we will eliminate federal welfare rules which penalize intact families. In the long term the current welfare system will be scrapped in favor of a system that supports working two parent families, through forward funding of the EITC and help with child and health care.

By 1999 Delaware intends to end welfare payments to teen mothers. We will continue to provide child care health care and other services to keep teen mothers in school and finish their education.

* * * *

As you can see, Delaware's goals in reforming welfare are the same as yours, Mr. Chairman. The same as my fellow commissioners. The same as our President. And I have no doubt that the recipients here today will support these goals wholeheartedly, as we know the public does.

As Congress has struggled to restructure public assistance to accommodate these goals, we in Delaware applaud your efforts. And although there are a number of important issues I could discuss with you here today, including the contingency fund, the state maintenance of effort and automation needs to name but a few, I want to spend my time on the child care issue. An issue critical to Delaware and all States.

On October 10 of this year the National Governors Association wrote to the conferees on welfare to express their priorities for reform. The Governors listed adequate funding for child care as the top priority for reform. Let me reiterate that message today.

We do not believe we can succeed in our efforts to provide Delawareans a better chance at self sufficiency without adequate funds for upfront costs, critical support services and transitional benefits, in particular child care and health care.

The welfare and child care funding levels proposed are insufficient to pay for the early year investments in child care and other work support services. The proposed work requirements would be unattainable for Delaware given the proposed funding levels.

Delaware estimates that the proposed funding levels for FY 1996 -2000 will be $70 million less than the State's anticipated need in order to meet the strident work requirements. Child care needs would be underfunded by $30 million. This is a 45% reduction anticipated for the State.

Like many states, Delaware's welfare payments are low compared to the cost of child care. Delaware's welfare payment level ranks about 35th among state welfare payment levels. Delaware's welfare payments are about 32% of the federal poverty level, Delaware's AFDC grant for a family of 3 *is* $338 Per month compared to $459 in Wayne County, Michigan and $517 in Wisconsin. For our state, once families are required to accept jobs or engage in job training activities, child care becomes a critical support service as well as a major budget consideration.

A survey of persons who were reapplying for welfare in Delaware over the past year and a half shows that approximately 35% of families were reapplying due to child care problems and/or the lack of health insurance. Delaware's welfare reform program guarantees child care and Medicaid for a two year transition period. After the two year period, we continue to help the family pay for child care if the family income is under 155% of the federal poverty level. Governor Carper has a commitment to use long term savings from welfare reform to assist poor working poor families with both of these necessary work supports.

Delaware's child care payments are not high - about 75% of the market rate. Nevertheless the cost of child care clearly exceeds the cost of welfare payments for most families. Delaware's AFDC payment for a mother and two children (25% of Delaware's caseload) is about $4,000 per year. The cost for child care for two children for a year ranges from $6,400 to $8, 1 00. For this reason, as a part of Delaware's FY96 welfare reform budget, we increased state funding for child care by 61 % over our FY95 spending level. Our FY97 State budget proposes a 52% increase in child care funding over our FY96 appropriation. Naturally, we were counting on federal matching funds to allow us to provide this critical support service as we move families from welfare to work.

We do ask parents to contribute toward the cost of child care on a sliding fee scale up to 26% of the cost of care. If we shift more of the cost to the families, it becomes very difficult for them to maintain employment and more likely that they will fall back on welfare.

The cost of child care is likely to grow as welfare clients are shifted to work. Often, employment will be in low paying service jobs that require evening, nighttime and weekend care which are hard to find and more costly. Also over the next three years, the rapid transition of our program from welfare to work will increase the demand for child care and drive up the cost.

Because of capped federal (JOBS) funds over the past several years, only about 5% of Delaware's welfare families could receive employment and training services. Under our welfare reform program, over the next three years, we had intended to serve every welfare family who needs these work transition supports. Services were to include work readiness, job search, job development, placement and retention services needed to prepare clients for entry into the job market. Such services are a critical components in our plan to move families from welfare to work.

We estimate a minimum cost of about $1,400 per client for employment and training services. Although we could afford to pay for academic and basic skills enhancement services for only about 5% of our clients in the past, Delaware's welfare reform budget plans were to serve about 75% of our welfare caseload as we phase in our program over the next three years. This would be a very significant cost increase which we expected to share equally with the federal government.

The proposed national welfare reform legislation would require Delaware to serve 50% of our population by the year 2002. This would have to be accomplished with 100% of state funds. We estimate that Delaware's funding for employment and training services would have to increase from $1.7 million in FY 95 to $9.8 million in FY 2002 to meet the federal participation mandate. This spending increase would far exceed the loss of federal funds for failing to achieve the participation rate. It would also leave Delaware far short of its own welfare reform goal of serving 75% of our clients.

I urge you to reevaluate the relationship of your goals and the proposed funding . Child care resources must be increased if we are to successfully refocus our public assistance programs.

In closing I must note there is another issue pertinent to this committee and our goals for putting families to work - - the EITC program.

Our tax system must reward work and provide incentives for low income workers to continue to work. The proposed reductions in the EITC program will increase taxes for millions of low income households. This works directly against our efforts to move people to work and to keep people working.

I want to thank you for the opportunity to testify and will gladly provide any additional information that might be useful.

1. In Delaware, the maximum AFDC payment for a mother and one child is $270 per month or $3,240 per year. These families make up 35% of our AFDC caseload.

   If the child is an infant, the cost of child care ranges from:
   - for a day care center - about $4,300 per year
   - for a day care home - about $3,500 per year

   If the child is over age one, the cost of child care ranges from:
   - for a day care center - about $3,800 per year
   - for a day care home - $3,200 per year

2. In Delaware, the maximum AFDC payment for a mother and two children is $338 per month or $4,056 per year. These families make up 25% of our AFDC caseload.

   If the one child is an infant and the other is older, the cost of child care ranges from:
   - for a day care center - about $8,100 per year
   - for a day care home - about $6,700 per year

   If both children are over age one, the cost of child care ranges from:
   - for a day care center - about $7,600 per year
   - for a day care home - $6,400 per year

3. In Delaware, the maximum AFDC payment for a mother and three children is $407 per month or $4,884 per year. These families make up 13% of our AFDC caseload.

   If the one child is an infant and the other children are older, the cost of child care ranges from:
   - for a day care center - about $11,900 per year
   - for a day care home - about $9,900 per year

   If all children are over age one, the cost of child care ranges from:
   - for a day care center - about $11,400 per year
   - for a day care home - $9,600 per year

In Delaware, a family with income at 75% of poverty (about $7,500 per year for a family of 2) pays 12% of it's child care cost.

A family with income at 155% of poverty (about $15,500 for a family of 2) pays 26% of the cost.

In families with older children, the financial burden is less for the state and the parent during the school term and Delaware does not pay for child care for children over age 12..

Chairman SHAW. Thank you, Ms. Nazario.
Ms. Comai-Page.

STATEMENT OF STEPHANIE COMAI-PAGE, SOCIAL WELFARE POLICY ADVISOR, MICHIGAN DEPARTMENT OF SOCIAL SERVICES, LANSING, MICHIGAN

Ms. COMAI-PAGE. Thank you, Mr. Chairman. Good morning. It is a pleasure to be here today. I appreciate the opportunity to share with you today some of Michigan's welfare reform successes to date and also discuss some of our plans for the future.

We began in Michigan implementing our landmark welfare reform initiative, To Strengthen Michigan Families, in October 1992. Since then we have seen a marked increase in the number of public assistance recipients in our State who work and a dramatic decrease in our AFDC, Aid to Families With Dependent Children, caseload.

In October of this year, 30.6 percent of all AFDC cases in Michigan were reporting earned income. Furthermore, almost 70,000 cases have been closed as a result of earnings since our initiative began in 1992. Remarkably, our AFDC caseload has been decreasing for 19 consecutive months and we are now at the lowest caseload we have had since April 1972. So when our final data in October is in, we expect to find that our caseload has declined to about 186,000 cases. That is down from a high recently of about 240,000 cases.

We are also pleased with the success of our revolutionary social contract. This mandatory agreement between clients and our agency expects clients to engage in productive activities, preferably work, for at least 20 hours a week in exchange for public assistance benefits. In September, an impressive 75 percent of our AFDC recipients participated in the social contract.

Under Governor Engler's leadership, Michigan has been effectively changing welfare as we know it for more than 3 years. To Strengthen Michigan Families has often exceeded our expectations, so we are very pleased with the progress we have made so far. But we have achieved our success despite the Federal bureaucracy and barriers to effective and substantive State-level welfare reform that have been erected over the last 60 years.

For example, a current worker in our Michigan Department of Social Services, a current frontline worker only spends 20 percent of their time in face-to-face contact working with clients to get them off welfare. The remainder of their time is spent dealing with the burdensome rules, regulations, and subsequent paperwork that are imposed by the current welfare system.

That is why we are very excited about the monumental changes Congress is in the process of enacting. Block grants will free us from most of the Federal mandates that have made our positive efforts in Michigan such a great challenge, and block grants give us the flexibility to further pursue innovative approaches to helping our clients achieve self-sufficiency.

I want you to know that Michigan is ready to be the first State in the Nation to implement the legislation currently moving through Congress. As we speak right now, the Michigan legislature is in the final stages of enacting a comprehensive block grant

implementation plan with a strong emphasis on helping families become independent of the welfare system.

Under this plan, Michigan Department of Social Services would be changed to the Family Independence Agency, the AFDC Program will be changed to the Family Independence Program, and our assistance payments, our frontline workers will become family independence specialists. All these name changes also mean a very big difference in how we are going to be treating welfare recipients.

New applicants, new families that come in for assistance will be expected to participate in a joint orientation conducted by the new Family Independence Agency, and our job training and employment agency, the Michigan Jobs Commission, as a condition of eligibility for opening a case.

Clients will be enrolled in employment-related activities, or if they are job-ready, they will be referred to prospective employers. If a client fails to comply with our requirements within 60 days, their case will be closed. Clients who subsequently fail to comply after the initial 60-day period will be subject to a reduction in benefits. Then if a client continues to remain in noncompliance for 4 months, the case will be closed.

We will help those who comply manage their child care needs by making payments directly to them. They in turn will be responsible for making day care choices and day care payments. We are also working closely with the Michigan Department of Transportation to develop a plan for removing transportation barriers preventing low-income families from becoming self-sufficient.

To encourage work, we are going to be cashing out food stamp benefits to clients who have earnings of $350 a month for 3 consecutive months. We are also going to require all minors with children to live in adult-supervised settings and to attend school.

We are going to also significantly reduce the length of the assistance application, making it easier to understand and easier to complete. This will also reduce the time our caseworkers and our families are spending doing paperwork. We are going to make the Family Independence Program eligibility requirements, in terms of income and assets and how we count recipient groups, less complex and standardize them when at all possible with food stamps and medical assistance.

The success of To Strengthen Michigan Families proves I think beyond a shadow of a doubt that States, given sufficient freedom from restrictive Federal mandates, can easily accomplish much more than the Federal Government in administering humane, effective, and efficient welfare reforms. If Congress will provide the tools we need by allowing us to consolidate programs, to transfer resources as we see fit, and allow us to carry forward funds to address emergencies and contingencies, I am firmly convinced that the result will be a greater benefit for the people we serve, the families of Michigan, for State government, and for Michigan taxpayers.

Thanks very much, and I would be happy to answer any questions you might have.

Chairman SHAW. Thank you very much.

Mr. Gallant.

STATEMENT OF JOSEPH GALLANT, COMMISSIONER, MASSACHUSETTS DEPARTMENT OF TRANSITIONAL ASSISTANCE, BOSTON, MASSACHUSETTS

Mr. GALLANT. Thank you, Mr. Chairman. It is a privilege for me to appear before this Committee today to illustrate the bold and innovative initiatives that are the key ingredients for welfare reform in Massachusetts. Thanks to the vision and determination of Governor Weld, who refused to accept any plan in which work for the able bodied was not the cornerstone, we have set out to break the cycle of poverty and welfare dependency by insisting that able-bodied individuals and also the heads of households achieve self-sufficiency and personal independence.

Beginning in 1991, statewide programs we implemented have resulted in reduction of our general assistance and AFDC caseloads. In general assistance we have reduced expenditures from about $200 million per year to $90 million as that caseload has plummeted from more than 38,000 cases to about 17,000. An improved economy, better management of the programs, and the onset of welfare reform have helped to drive the overall AFDC caseload down from 113,220 to 90,067, or 20 percent between October 1993 and November 1995.

In 2 years my department will have returned approximately $100 million in AFDC savings to the taxpayers. Still, we are not satisfied. Massive reforms implemented just 5 weeks ago include work or community service for the approximately 22,000 able-bodied AFDC recipients within 60 days, no cash benefits for additional children born to recipients, requirements that teen parents finish high school and live at home or in a structured setting, regular school attendance, strong paternity establishment and child support enforcement, up-to-date immunizations for all children, a 2.75-percent benefit reduction complemented by a generous income disregard that allows working recipients to keep more of the money they earn on the job, and the electronic fingerprinting pilot. These are some of the measures that we have embarked on.

We enter this program with great enthusiasm. Our optimistic outlook is supported by our past and present successes. Specifically, I want to mention the TEMP–UP, Transitional Employment for Massachusetts Parents for the Unemployed Parent. Developed in 1993 it requires work or community service for at least one parent in a two-parent family. The results have been outstanding. While a 20-percent AFDC caseload reduction is commendable, the two-parent caseload during that same period since the development of TEMP–UP went from 6,022 to 2,593; a dramatic decline of nearly 57 percent—57 percent, Mr. Chairman. This chart basically illustrates the dramatic decline in that caseload from over 6,000 down to 2,500.

From the original 6,000 two-parent families on the rolls 2 years ago, only 513 remain on AFDC rolls today. Of that 513, 456 are now either working or in community service. Again, this chart will dramatically show the number of cases that were on in October 1993, and actually the same people who were on in October 1993, the amount of people who are there now is dramatically reduced.

I must point out that we are not talking about 6,000 families, by the way. That is how many families who were on the two-parent

caseload at the outset. While the cases are constantly coming and going, we have actually serviced more than 12,000 such families during the past 2 years. Of them, nearly 10,000 were referred to community service sites and nearly 4,000 opted for work before beginning any community service. Of those who do enter community service, the average stay is around 4 months before they too enter the private work force. Approximately 9,000 of the 12,000 cases have been closed due to an increase in their earnings.

Not all who are required to participate have been willing volunteers, but they have constituted a minority. Despite their relatively small numbers, they remain a segment which must be dealt with sternly in order to achieve our goal of propelling them toward self-sufficiency.

My department has penalized approximately 735 cases in 2 years for none participation. Of that number, approximately 20 percent subsequently agreed to cooperate; 25 percent remained penalized; and 55 percent closed their cases for another reason.

Massachusetts does not favor penalizing anyone, but it recognizes it is an affirmative tool in our bit to reshape the multi-generational mindset of dependency that has existed for 60 years in this country. Children who never witnessed a parent go out the door to work are seeing a different picture now and that is the real meaning of welfare reform. It is not strictly a matter of dollars and cents. It is about encouraging able-bodied parents to not only provide for their own children, but set an example for them. Until now, too many of the examples were negative.

By introducing work-related programs and strictly enforcing them, recipients and taxpayers alike know that Massachusetts is serious about welfare reform and will not tolerate noncompliance.

The benefits of the TEMP–UP Program are apparent on three levels. For the welfare recipient, devise access to the world of work in the beginning of a resume. The nonprofit agencies which is the private sector we primarily worked with, it helps expand a work force that can provide more services to the community. And to the taxpayer, it demonstrates responsibility and accountability.

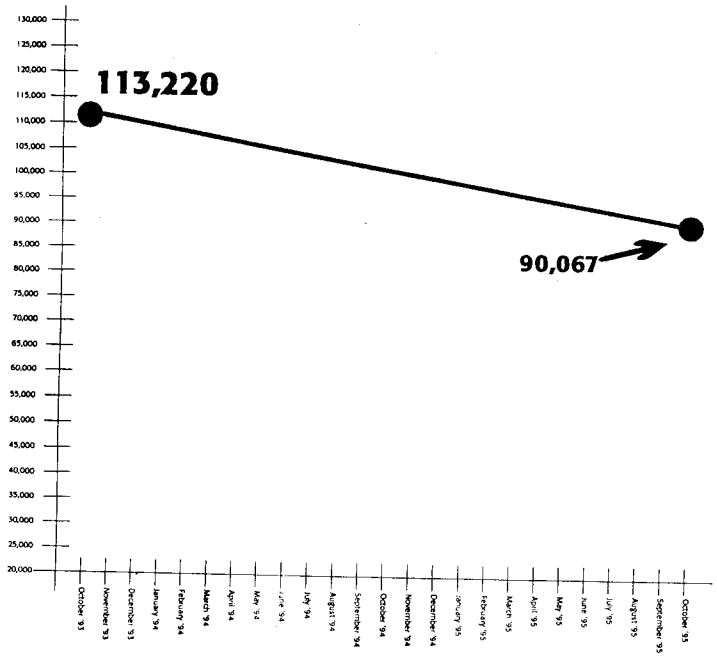
A Boston area hospital typifies the hope that springs from the community service. The director of volunteer services met with the heads of all departments and asked them to develop a wish list of job descriptions to be filled by TEMP–UP volunteers. As a result, new positions that managers felt were lacking were created and in the long run, this hospital has hired five TEMP–UP volunteers as permanent employees.

A recent survey of volunteers and agencies revealed that 97 percent of the volunteers and 100 percent of the providers believed the program was helpful to the community service organizations, while 79 percent of the volunteers and 100 percent of the site supervisors believed that the recipients were learning skills to better prepare them for entry into the paid work force.

In hindsight, there is universal agreement that Massachusetts TEMP–UP has a positive impact on the lives of welfare recipients. That notion, however, was not always shared as some agencies balked at participating in what they considered workfare equal to slave fare. Today, nearly 2,000 agencies in the Commonwealth are changing their lives by realizing its potential value.

In the final analysis, Mr. Chairman, it is the fear of change itself that alarms so many. However unfounded these fears are, it is a reaction that must be recognized. Programs like TEMP–UP dispel the myths that surround reformation of the welfare system. They prove that on-the-job training is the best training for recipients and that work is the quickest and most effective route to self-sufficiency. Thank you.

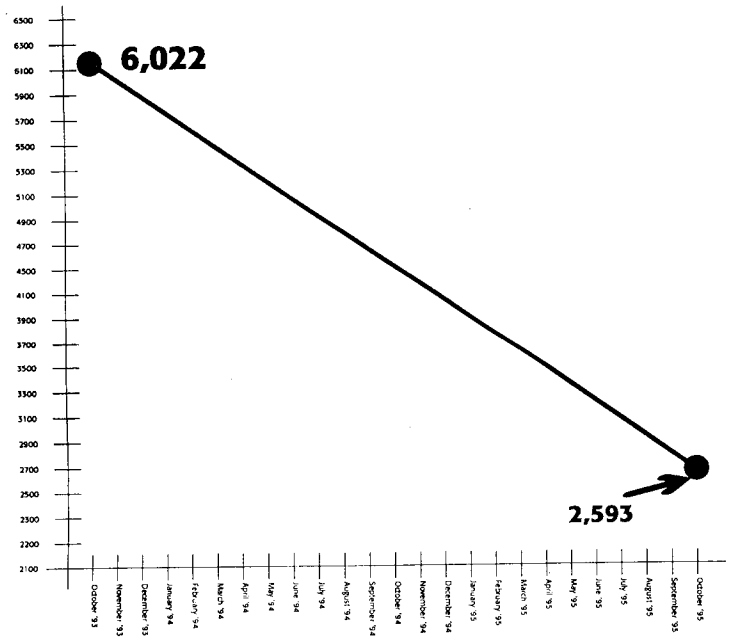
[The attachments follow:]



Since October of 1993, improved management has helped drive a dramatic decrease in the overall AFDC caseload in Massachusetts from 113,220 to 90,067.*

***(10/95 caseload)**

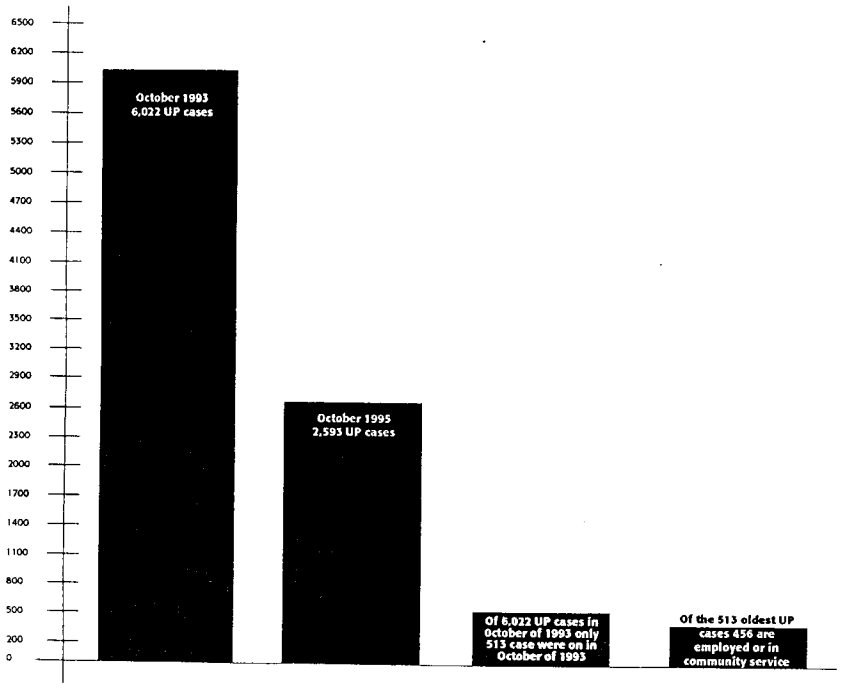
TEMP-UP The Massachusetts Experience with Community Service for Unemployed Parents



Results for the Unemployed Parent caseload have been even more dramatic, dropping from 6,022 to 2,593* in the same period

***(10/95 caseload)**

TEMP-UP The Massachusetts Experience with Community Service for Unemployed Parents



In-depth analysis shows that the TEMP-UP has resulted in lower caseloads, shortened stays and higher case-load turnover in the Massachusetts Unemployed Parent Program

Chairman SHAW. Thank you.

Mr. Levin, you may inquire.

Mr. LEVIN. Let me ask, if I might, the other witnesses to comment on Ms. Nazario's testimony about child care. I wanted to start with child care and then go on to other issues. Do you believe that there is adequate funding as presently provided in the conference document for child care?

Ms. COMAI-PAGE. As I understand, the bill would put an additional $2.5 billion into child care. We are projecting in Michigan that we will have sufficient funds for child care. The bill allows us to transfer dollars between the cash assistance block grant and the child care block grant. We are projecting as well we are going to get additional funds in the cash assistance block grant that exceed our current caseload needs, so we will be able to cover child care for all recipients. In fact, we have made a decision in Michigan that unless child care is available, we will not sanction people, we will not remove them from the rolls if, in fact, child care assistance is not available. But we believe that funds will be available to serve others who need it.

Mr. LEVIN. You would divert some moneys from other places, if necessary?

Ms. COMAI-PAGE. That is correct.

Mr. LEVIN. Mr. Gallant.

Mr. GALLANT. As I understand it, and I am not that familiar with the specific amounts of money available in the Federal bill, but I understand that we would have the ability to transfer funds from other parts of the block grant into child care if, in fact, we needed them. Again, to reiterate what was said earlier, I think that child care is the most important tool, the most important element that we have to assure success of having people go to work.

Mr. LEVIN. Do you think it is an essential component of welfare?

Mr. GALLANT. I certainly do.

Mr. LEVIN. Have you made a careful analysis of the adequacy of child care funds in Massachusetts? Your testimony, as I understand it, focused on the two-parent caseload.

Mr. GALLANT. That is right.

Mr. LEVIN. By definition, I guess that will leave in most cases, one parent?

Mr. GALLANT. Exactly.

Mr. LEVIN. In the vast majority of the cases in Massachusetts, actually you see cases that are one parent, not two parents, right?

Mr. GALLANT. That is true, yes.

Mr. LEVIN. Could you assure this Subcommittee that there is adequate funding, as far as you are concerned, for child care in Massachusetts?

Mr. GALLANT. Additional child care funds to any administrator like myself is always welcome, believe me, particularly when your whole effort is trying to move people off of welfare into work. In Massachusetts I am convinced that right now we have enough funds to adequately handle our current AFDC caseload. In Massachusetts we are going to spend this year about $120 million on child care alone for our AFDC caseload. I also want to point out that even though my testimony did, in fact, emphasize the two-parent family, that there has been a dramatic decrease in the over-

all AFDC caseload of about 20 percent. It has been going down for the last 20 months or so.

I feel that as far as the funds to handle the child care now in Massachusetts for people who are on AFDC, we have adequate funding. However, that does not mean that I would not welcome more funding for our families who are low income who are threatened to come back on AFDC because of low-income circumstances.

Mr. LEVIN. By the way, I am focusing on child care and other aspects because I think that the link of welfare to work is absolutely critical in welfare reform. Would you agree with that?

Mr. GALLANT. Sure.

Mr. LEVIN. The essence of the bill that Democrats fashioned in the House is welfare can work some time limits built in to make sure that it happens. Let me just ask you quickly. There was some reference, I think, in the testimony from Delaware about the times downturns. Have you looked at how much your caseload increased in your most recent downturn period and whether the contingency fund in the conference report is adequate? For example, I looked at the figures from Michigan. In 1983, do you remember what our unemployment rate was in 1983?

Ms. COMAI-PAGE. Probably quite high.

Mr. LEVIN. Do you remember more or less?

Ms. COMAI-PAGE. No, I do not.

Mr. LEVIN. It was 17 percent, as I remember it. Have you analyzed whether, all three of you, there would be adequate funding if a recession of that nature reoccurred?

Ms. COMAI-PAGE. Two points in that area. The first is that in addition to the funds provided for in the bill, we in Michigan are looking very carefully at establishing our own contingency fund of carry-forward dollars that would be available so we could address economic downturns.

Mr. LEVIN. It has not happened yet though, right?

Ms. COMAI-PAGE. Which has not happened?

Mr. LEVIN. There is no contingency fund established yet.

Ms. COMAI-PAGE. That is correct. Until the bill is passed by Congress, we really need to know what the funds are going to be before we can move forward on that. The second point is that we have found in our welfare reform demonstration which is statewide that in a careful third party evaluation that our policies make a difference, no matter what the economic conditions of the State, that by encouraging work we can get caseloads down. We can get families off of assistance. Right now in Michigan, we are in the very happy circumstance of having not enough workers. But in a case of a downturn I think our policies encouraging work, combined with a State established contingency fund, can address the needs of families in Michigan.

Mr. LEVIN. Mr. Chairman, my time is up.

Chairman SHAW. Thank you. Mr. McCrery is recognized.

Mr. MCCRERY. Thank you, Mr. Chairman. I yield to Mr. Camp.

Mr. CAMP. I thank the gentleman from Louisiana for yielding and, Ms. Page, I want to thank you for your testimony today. It is very enlightening and really shows us what States will do if given the freedom and the flexibility to design programs. I think the discussions about a State contingency fund are exactly what we would

like to see the States doing if we can give you the ability to have responsibility and authority for your welfare caseloads.

Going back to the child care funds, you mentioned in your review that they are adequate in the legislation not only because of the amount provided in the proposed bill, but also because of the ability to transfer and changes in the law that we have made that move people from welfare to work. Are there any other sections of the bill that maybe we did not discuss that help you maximize child care benefits for recipients?

Ms. COMAI-PAGE. I think the flexibility that we are looking for in Michigan is to allow us to pay child care funds directly to a family so they can, like most of the people in this room, go out into the child care market, purchase their child care, make a decision themselves about what is best for their children and for themselves. So that is the kind of flexibility we really need in Michigan.

The costs of administering the program right now in Michigan with the current Federal guidelines and so forth are very, very expensive. And those funds could really be better spent instead of putting them toward staff time and paperwork and computers. We could put them in the hands of families and maximize those resources.

Mr. CAMP. I also note in your testimony that in the To Strengthen Michigan Families Program the outcomes have exceeded your projections, that things have gone better than you expected, and I think that is an important point to underscore.

I very much appreciate your being here, and I will yield back to Mr. McCrery.

Mr. MCCRERY. There has been a lot of talk today about child care funding and I assume that is one of the areas that some of my colleagues think needs attention in the conference agreement. I have not heard too many comments about any other parts of the bill, so I assume that they are satisfied with most of the rest of the bill.

Mr. LEVIN. Let me just say, that is not correct.

Mr. MCCRERY. Then you will have your chance, Mr. Levin, to talk some more about it, but so far I have only heard about child care. Frankly, the provisions of the bill are very similar in many respects with the bill that the Democrats presented on the floor on——

Chairman SHAW. Would the gentleman yield to me very quickly.

Mr. MCCRERY. Sure.

Chairman SHAW. In child care we have put more in the conference bill than existing law and more in the bill than the Senate bill.

Mr. MCCRERY. I thank the Chairman, I was getting to that. As a matter of fact, Ms. Nazario, you should know that the conference bill calls for about $17 billion in funding for child care which is more than the original House bill, more than the original Senate bill, and certainly more than current law would provide. So we have put additional funding into the child care provisions of the bill.

I would like to ask you, in your analysis did you figure any dynamic results of the changes in your law? In other words, did you figure that you are going to reduce your caseload at all and does that figure into your cost estimates for child care?

Ms. NAZARIO. Certainly, Mr. McCrery. Let me first say that our caseloads are also at the lowest point since 1992. I think the difference is the savings that we realize and there are at least 15 States with lower levels of payments than Delaware, so we are not alone in this area. The savings that can be realized from the reduction of caseloads are not sufficient to make up for the additional expenses of child care employment and training to meet the participation rates required for transitional Medicaid. There are cuts from all aspects of the areas that would have to be invested on in order to help clients move into the area of employment. In Delaware, our State was one of the handful of States that exhausted quickly the JOBS allowances and put State-only dollars in order to put services there for employment and training and job placement services.

So we, as I said in my testimony, only have enough for 5 percent of our clients to engage in employment and training. We have to put in a lot of State-only dollars in order to meet the participation rate required. We have to put, as we are putting today, a lot of State-only dollars for child care. In 1994, our general fund budget in Delaware was $5.7 million for child care. In 1997, the State dollars are $19.8 million for child care. So that tells you the incredible expansion in our commitment to child care. We do expect our caseloads to go down, as they are going down as all States improve their economic situation.

I think Michigan has evaluated it in their welfare reform. They say that at least half of the caseload reduction is not directly attributable to the welfare reform efforts. So all States are reducing cases. We are benefiting from reducing caseloads partly because of our welfare reform, partly because of the strong economy. What has happened, even though there is more need for child care, it is not more money than current law, because current law does not cap child care for AFDC. It is part of an open-ended entitlement. So now the moneys are capped.

Mr. MCCRERY. Under the bill we will provide about $1.2 billion more than is projected to be spent by the Federal Government for child care in the next 7-year period. So we are, in fact, putting more money into child care. Also, do you like the flexibility that you are going to be given with this new Federal welfare system?

Ms. NAZARIO. We certainly appreciate some of the flexibility, although there are still a lot of strings that are attached to the block grant. There is the maintenance of effort issues. There are participation rate issues. There are legitimacy issues which Delaware is following, but we are doing it as an option to the State. And we support any area in which flexibility can be given to States to exercise the options that are relevant to various State conditions.

We are also concerned that the loan fund, the contingency fund—I'm sorry, the contingency fund was reduced. So if States get back in a cycle of lower economy, they are going to struggle. We all are going to have to struggle with reduced money in that area.

Mr. MCCRERY. There is no question that the States are going to have to maintain some effort to support their welfare system. I would point out to you though that under the conference agreement, the contingency fund was increased not decreased, so we have taken care of part of your concern there at least. But with the added flexibility that we are giving you and with the examples that

you have seen today from Massachusetts and Michigan, it just seems to me that if your State is dedicated to providing services to your welfare population to try to get them off of welfare and into work, then you should be prepared to submit some of your resources in addition to the Federal resources to make that happen, as the other States have and will.

Ms. NAZARIO. I certainly agree with you, Mr. McCrery, and we are doing that. Our waiver was predicated on a 50–50 partnership with the Federal Government and that will not happen now. As I have indicated, we are putting a lot of State dollars into our JOBS Program and into our child care program, State-only dollars, that are not Federal. It is my understanding that the contingency fund was reduced to $100 million.

Mr. MCCRERY. No.

Chairman SHAW. The time of the gentlemen has expired. Mr. Collins.

Mr. COLLINS. Thank you, Mr. Chairman. We appreciate you folks being here and giving us some ideas of how welfare reform has been successful in many areas. Ms. Nazario, I am one of those who would just love to send you a block grant with no strings attached. Of course, there are some people in the Congress who feel that they have more ideas and better ideas about how you should do your job in your State. So therefore, the Congress does decide to attach some strings to it.

You mentioned lowering the contingency fund. We did lower it some. But the $7 billion increase in the total block grant program, I think, will more than suffice for that lowering.

There has been a lot said about what if the economy turns downward and that could happen. It has happened in the past. I think that is what makes the overall picture of what we are trying to do in this town today so important because we are trying to prop this country up from a downward turn in the economy. We are trying to do that through a complete balanced budget within 7 years. It has been agreed by both the House, Senate, and the President that we will do that and it looks like that is going to become a reality. Hopefully, within the next few days, we will reach some type of agreement toward a balanced budget.

Why is it so important to balance the budget? It is because of the economy. It is because of the individuals in this country. It has been said by Greenspan and a number of other economists in this town and across the country that if we reach the balanced budget—in fact, Wall Street is kind of supporting itself with the evidence of what has happened in recent days. But if we reach the balanced budget, just on paper, a potential of reaching a balanced budget in 7 years, it will lead to a stronger economy. It will lead to less inflation, lower interest rates, more realized income of those who work and earn a paycheck.

And another very important portion of the estimates of a balanced budget is it could lead to very little or no trade deficit because of all of the things that go into the cost of manufacturing in this country. The support of the welfare system goes into it. All taxation goes into it. Regulatory requirements go into the cost of manufacturing. Litigation goes into the cost of manufacturing, protection of the consumers, all of this. We are trying to stabilize and

shore up those issues. But it is very important that we not lose focus of the real intent of this Congress and welfare reform is just a small part of it.

But the overall issue is a balanced budget and the vast majority of the people in this country want not only welfare reform, they want tax reform; they want Medicare reform; they want Medicaid reform; they want a balanced budget. That is what is important.

Thank each of you for coming today.

Chairman SHAW. Mr. Ford.

Mr. FORD. Thank you, Mr. Chairman. Mr. Gallant, you were talking earlier about the good things that were going on in your home State. The Family Support Act of 1988, does that play any role in what——

Mr. GALLANT. Sure. It was the Family Support Act of 1988 which mandated the community service and work requirement for all of the two-parent families.

Mr. FORD. With President Clinton's strong commitment to State flexibility, is that helping you with any of your waivers and other things that you are doing in your State?

Mr. GALLANT. I am sorry. What do you mean?

Mr. FORD. The President is committed to State flexibility, no doubt when we see all of the waivers that are coming from HHS.

Mr. GALLANT. To a point, he is interested in flexibility.

Mr. FORD. Although he wants some accountability with that.

Mr. GALLANT. Accountability, but there was a prolonged negotiation, if you will, with Massachusetts before Massachusetts got part of its waiver. And the most important piece, that we felt was the most important piece, the 2-year limit, the Federal Government was not flexible on and would not grant us what we wanted around the 2-year limit.

Mr. FORD. But a lot of the good things that are taking place today in your State is because of this Family Support Act and the things that are going on, other than Democratic leadership in this Congress, not this so-called Republican, mean-spirited welfare package?

Mr. GALLANT. No, I think a lot of it is due to Governor Weld and his initiatives and his foresight in a lot of these welfare issues.

Mr. FORD. Have you studied the House version of this welfare package?

Mr. GALLANT. Not in any depth.

Mr. FORD. Other than certain provisions that you have already talked about today. I mean, you are not that familiar with it?

Mr. GALLANT. Not with a lot of the specifics, no, sir, I am not.

Mr. FORD. I do not know why these witnesses are all here. We are talking about this welfare package that is coming out of the conference committee with the House version and the Senate version being, I guess put together. But what we want to do, and I want to ask you directly, what you have seen so far, do you think that children will be hurt if this welfare package is enacted the way the House version language is reflected?

Mr. GALLANT. Quite to the contrary. I think that there is kind of an attitude here in Washington, and I am talking in general that the compassion is centered only here in this State, that compassion and wanting to help people does not exist in the States. I totally

disagree with that. I think Massachusetts has always been a leader in dealing with the poor and the less advantaged in the State.

Mr. FORD. I am committed to that. I believe that. But I am talking about unfunded and unworkable provisions within this particular vehicle.

Mr. GALLANT. I am sorry, sir, you will have to be more specific on what is unfunded and what is unworkable.

Mr. FORD. We see that about 1.5 million children under the Republican plan will immediately slip right into poverty.

Mr. GALLANT. Again, I may not see it the same way you do, sir.

Mr. FORD. I am asking you to out——

Mr. GALLANT. In my knowledge of what has been going through Congress in both the House and the Senate and the material that I have read, I do not see these provisions differing greatly from what we have already enacted in Massachusetts as State law. But in addition to the funding, we feel that with the block grants we would better be able to use the funds that are available to us in a way that is going to enhance the lives of the poor people in our State.

Mr. FORD. But you have not seen the details of this report?

Mr. GALLANT. No, I cannot say—I said that what I have read, what I have been reading so far. I have not seen anything in detail. No, I have not.

Mr. FORD. Have you looked at the provision in this Republican plan on training and education and will it suffice in your State?

Mr. GALLANT. I think that, without having really looked at or studied the provisions of the education and training portion of the plan as presented here, I feel that we could adequately handle any kind of provision of education and training in our State. We, in fact, in Massachusetts have shifted an emphasis away from education and training as being the primary or one of the primary tools for moving people off of welfare. We still have an education and training program. We still support the education and training program to the tune of $32 million a year.

Mr. FORD. Are they funding education and training enough to satisfy the needs in your State?

Mr. GALLANT. Yes, they are.

Mr. FORD. Under the Republican bill?

Mr. GALLANT. Yes. From what I understand and again, I am not certain as to exactly what numbers you are talking about. What I understand from what I have read and all of the materials that have been going around, particularly summaries from the APWA, I feel that there is available adequate funding for education and training in our State.

Mr. FORD. Mr. Chairman, I know that the red light is on but I did have another question or two, but I can come back I guess to the other Members.

Chairman SHAW. You are the Ranking Member. Go ahead.

Mr. FORD. Thank you. Ms. Page, I just wanted to go over one or two things with you and I will confine it to work in education and training. In 1994, about 30,000 AFDC parents participated under Michigan's JOBS Program, and under the congressional bill between 42,000 and 51,000 work slots would be needed by the fiscal year of 2000. At a minimum, that is about a 41-percent increase

in your State of Michigan. According to HHS, for the fiscal year of 1996 and through the year 2000, Michigan needs between $461 to $517 million more than the block grant would provide in order to carry out the work program and the related child care component to go with that work program. Can you respond to that, please?

Ms. COMAI-PAGE. Certainly. We have been looking at those analyses as well, and it is quite difficult to figure out what the assumptions of those analyses are based on. So I cannot really address the HHS numbers. But let me respond this way. When we have roughly calculated what our participation rate is right now with those who are working, those who are in our JOB training program, we are already meeting the participation rate for the year 2002 which is, as I understand it, about 50 percent for single parent families. So we are well on our way to meeting those participation rates.

Mr. FORD. Mr. Chairman, I have a couple more questions, but I do not want to take up all of the time. If you will let me come back with a couple of questions at the end of it, I would appreciate it.

Chairman SHAW. Mr. English.

Mr. ENGLISH. Thank you, Mr. Chairman. I would like to thank the witnesses for coming here and offering their very real expertise to this evaluation. I want to proceed in my questions on a strictly nonpartisan basis and avoid any kind of rhetoric or pointed questions. I am curious, given your experience at the grassroots level, if you could assess a couple of provisions that were in the bill in principle.

One of the Members here had brought up the changes in SSI that were included in the welfare bill. One of the things we do is cut off cash payments to drug addicts and alcoholics, we turn over a block grant to the States, and part of the savings will go to the States to provide programs for people in those situations. In your view, how would you expect your State to handle that program? Do you expect to be able to innovate with that funding, and do you think it would help strengthen families? If I could start with you, Ms. Page.

Ms. COMAI-PAGE. Certainly, substance abuse treatment is always in short supply, so we welcome additional resources in that area. We do anticipate that a number of the individuals who will be cut off of SSI, who would be eliminated from the program due to drug abuse and addiction, will probably end up in State-funded programs quite frankly. We are continuing to study that right now and look at that issue.

Mr. ENGLISH. Ms. Nazario.

Ms. NAZARIO. Yes, we are looking at that issue as well. And in terms of the SSI changes to children, we estimate that about 300 children in Delaware would be affected by the provisions of the SSI. In terms of the adult population, there are some who believe that the State would not have the ability to reject services to that population; that the Federal Government is allowed to make categorical distinctions in the service definitions; that at the State level, if an individual is determined to be unemployable, that the State does not have the luxury to say that because drugs or alcohol are a contributing part to that disability, that we could exclude them. So we are exploring the validity of that.

Mr. ENGLISH. So additional research might be helpful. Mr. Gallant.

Mr. GALLANT. Again, like my colleagues, we are in the process of evaluating and studying that whole issue. I must say, however, that the more flexibility we feel we have relative to the SSI program, the better we like it. We are what they call a supplement State and in Massachusetts we spend approximately $200 million a year in just supplemented benefits to SSI cases. We have no control over that $200 million that we spend because it is all administered, as you all know, by the Social Security Administration.

We intend very seriously, in fact the Governor has filed two bills thus far in two separate years to withdraw us from the supplement, as a supplement State, so that we can, in fact, get control over the funds that we are spending and to better manage it in our opinion. So that the $200 million that we are currently spending on the supplement would in fact be, in our opinion, better used.

Mr. ENGLISH. Another area where we are looking at providing greater flexibility has to do with an issue which Mr. Camp particularly focused on at the Subcommittee level and I strongly supported him and that is, low-income energy assistance. Given the projected changes in some of the Federal programs and the real needs in all three of your States, would you like the flexibility to use block grant dollars for low-income energy assistance? Ms. Page.

Ms. COMAI-PAGE. Are you suggesting perhaps putting the LIHEAP dollars into the block grant?

Mr. ENGLISH. Or certainly allowing block grant dollars to be used for a LIHEAP-like program.

Ms. COMAI-PAGE. That would certainly be helpful. I would point out that the majority of people on LIHEAP in Michigan are disabled. They are elderly. They are not the typical population we are talking about here today.

Mr. ENGLISH. Ms. Nazario.

Ms. NAZARIO. Since the block grant dollars are not sufficient, we estimate over the 5-year period almost $70 million shortfall from anticipated funds for Delaware. We would not be supportive of including LIHEAP. Like Michigan, many of our people——

Mr. ENGLISH. You would not be supportive of being able to use Federal dollars for LIHEAP purposes?

Ms. NAZARIO. Yes, I thought you were talking about the same block grant to use moneys from the——

Mr. ENGLISH. So if you have savings at one end of the program, you would not be in favor of having the option of using it for energy assistance?

Ms. NAZARIO. Of course, the option should be there. I would support that. We can transfer dollars now, but what I am trying to say is that just to include LIHEAP as part of the block grant would not help Delaware. It seems the shortfall from the block grant are already quite sizable.

Mr. ENGLISH. And that is the general argument you have made. Mr. Gallant.

Mr. GALLANT. I have to beg out of this one because I do not administer the block grant or have anything to do with the LIHEAP funds.

Mr. ENGLISH. Thank you, Mr. Chairman.

Chairman SHAW. Mr. Rangel.

Mr. RANGEL. Thank you. Mr. Gallant, you indicate that there are still some strings attached to these welfare bills that you do not like. What impediments do you see?

Mr. GALLANT. I did not indicate that there were strings attached that I did not like. I am basically saying that we favor the block grant. We favor the block grant completely. What I did with Representative Ford was say that we had difficulties in negotiating waivers with the administration. But I have not addressed the strength and maintenance of effort. It was not a concern of mine.

Mr. RANGEL. Then with what you do know about the bill, you have no objections to mandates that are there?

Mr. GALLANT. From what I know about the bill, no, I do not have any strong objection.

Mr. RANGEL. Ms. Page.

Ms. COMAI-PAGE. I believe Governor Engler has spoken before this Subcommittee and was quite definite about his desire to have as few strings as possible attached to the bill.

Mr. RANGEL. Do you have any independent thoughts?

Ms. COMAI-PAGE. There are some problems I think with the bill on maintenance of effort particularly. Having said that, I believe that the bill is much better, much less onerous for States than current law.

Mr. RANGEL. What is the onerous part that remains in your opinion?

Ms. COMAI-PAGE. The maintenance of effort provision is quite troublesome for Michigan. The baseline is fiscal 1994 when our caseloads were higher. So thus, we will have to spend at a level that we do not have to spend at now because our caseloads are lower because families have gone to work.

Mr. RANGEL. Do you believe that the child born in poverty but not a legal citizen is entitled to welfare?

Ms. COMAI-PAGE. In Michigan, we will continue to provide assistance to immigrant children.

Mr. RANGEL. I am talking about the Federal Government. Do you think we should guarantee that a child born anywhere in these United States who is poor and in need, that there would be services rendered to that child?

Ms. COMAI-PAGE. I think that is an issue for the Congress to decide. As I said, I can speak for Michigan and Michigan will continue——

Mr. RANGEL. The Congress can decide all of these questions without witnesses. One of the reasons that we have called you is to get your view.

Ms. COMAI-PAGE. And as I said in Michigan, we have made the decision to continue assistance for immigrant children.

Mr. RANGEL. What about disabled children, do you think the Federal Government should mandate that if a child is born disabled, the State should not be allowed to decide that States would be mandated to provide that service?

Ms. COMAI-PAGE. We have looked in Michigan, many of the children who would be eliminated from the SSI Program would receive assistance from the State in our cash assistance program.

Mr. RANGEL. And many will not?

Ms. COMAI-PAGE. And many will not. If they are not low income, they would not receive assistance. I think the issue around SSI is as the program was established, it was established as a program to replace the earnings for those people who could not work. Children cannot work anyway. I think there is a need to provide assistance to severely disabled children and this bill continues to do that.

Mr. RANGEL. If a child is born in poverty in these United States and therefore has citizenship bestowed upon it, but the mother is already on welfare with a child, in your professional opinion, should any State be given the opportunity to deny the second child assistance?

Ms. COMAI-PAGE. This issue was debated in Michigan just in the last few days with the Michigan Legislature in considering our welfare reform bill. We decided not to impose a family cap in Michigan. So we will continue to provide assistance with State dollars to children born while the mother is on assistance.

Mr. RANGEL. As reluctant as you are to share your opinion about what the Federal Government should be doing, do you think that we should mandate that a child born poor, whether the mother is below 18 or whether the mother has another child on welfare, in any of these United States should be denied assistance?

Ms. COMAI-PAGE. If I have seemed reluctant, I do not mean to be. Clearly, we think that the bill should be passed without strings attached, with as few strings attached as possible to make States able to flexibly administer their programs and be creative and be innovative. I can tell you what Michigan has decided to do in those areas. We would prefer that the Congress not——

Mr. RANGEL. I am talking about the birth of an American child.

Chairman SHAW. If the gentleman would yield. In the conference report, it is a State option.

Mr. RANGEL. I know that. I will rephrase the question. Should a State have the option to deny a poor child benefits because its mother had another poor child on welfare?

Ms. COMAI-PAGE. I think States should have that option. I think we do not know today——

Mr. RANGEL. That is what I wanted to get.

Ms. COMAI-PAGE. We need flexibility.

Mr. RANGEL. Let us get to this 18-year-old child. Should the State have an option to deny assistance to a child born to a mother that is under 18?

Ms. COMAI-PAGE. I think the State should have the option. I do not think it should be a mandate from Congress.

Mr. RANGEL. Is it your opinion that there is a relationship with the number of people on welfare and their lack of education?

Ms. COMAI-PAGE. I think that we found in Michigan that getting people into a job is the most important thing we can do to getting people off of welfare. Having said that, we also believe that it is very, very important for high school completion or GEDs to happen for minors. So that is a part of our bill.

Mr. RANGEL. And the earned income tax credit? Do you believe that it is of assistance to people by preventing them from having to go on welfare?

Ms. COMAI-PAGE. It certainly is helpful to low-income families. In Michigan, we have asked for a waiver and been denied, and Con-

gressman Camp has promoted a bill before this Committee as a matter of fact that would allow States to advance the earned income tax credit to low-income working families who are on assistance and we support that wholeheartedly.

Mr. RANGEL. Do you support denying benefits to poor working families without children?

Ms. COMAI-PAGE. I support strongly a balanced budget, and we have to make choices in that balanced budget.

Mr. RANGEL. Are you a member of the Republican staff here?

Ms. COMAI-PAGE. No, I am not.

Mr. MCCRERY. We should consider hiring her though. She is quite good.

Mr. RANGEL. I would gather that. Thank you.

Chairman SHAW. The time of the gentleman has expired. We have been joined now by Mr. Schilling. Edward Schilling, if you would come forward and join the panel. Edward Schilling is the director of the Department of Social Services of Fond du Lac County, Wisconsin. I will suspend the questioning and give you an opportunity to present your statement. We have your full statement which will be made a part of the record and we would encourage you to summarize.

STATEMENT OF EDWARD L. SCHILLING, DIRECTOR, FOND DU LAC COUNTY DEPARTMENT OF SOCIAL SERVICES, FOND DU LAC, WISCONSIN

Mr. SCHILLING. Thank you. My name is Ed Schilling. I am from Fond du Lac County, Wisconsin. It is a county of approximately 90,000, and it is kind of a mix of rural and urban kinds of populations. Fond du Lac County is one of two counties in the State of Wisconsin that is piloting a welfare reform project known as Work, Not Welfare.

Work, Not Welfare is characterized by some of the following features. It has time-limited benefits; that is, a recipient can receive benefits only for 24 months in a 48-month period of time. It attempts to duplicate the world at work as much as possible. So for example, there is a benefit cap on Work, Not Welfare. If you have additional children within 10 months of going on the Work, Not Welfare Program, there are no increases in benefit, other than the food stamp portion.

Food stamps, by the way, are cashed out. There are no food stamps. They get the cash equivalent of food stamps. And again, that is attempting to parallel the World of Work where we do not get food stamps or special kinds of tokens. We get cash that we are supposed to use as best we can for our own family. There are limited exemptions for the program. So for people with very young children, there is a one-time exemption for people who have children under one. That would mean that during that period of time, the clock, the 24-month clock of benefits is not ticking. However, if a person has a child after 10 months of being on the program, although they medically may not participate in some of the activities during that period of time, the 24-month clock is ticking.

There is a mandatory work requirement under the Work, Not Welfare Program. What we do in our county is take the total cash grant that someone is receiving, divide that by the minimum wage,

and then by the number of adults in the family. People then have to put in that number of hours on acceptable activities which could be certain kinds of training activities, community work experience, job placement, things of this nature. To the extent that people do not participate, their grant will be reduced by $4.25 an hour for every hour that they do not participate within the program.

We have intensive case management under the program where we utilize a team of an economic support specialist, a jobs' case manager, a child care specialist, and a child support specialist to try to ensure maximum child support and to make sure that child care is available for the person who is going to work. Child care is guaranteed under the Work, Not Welfare Program. As long as someone is participating in activities under the program, child care is provided by the Department of Social Services.

After one has left the program or is transitioning off, they are eligible for transitional child care assistance and transitional medical assistance for a year after the program. One of the key features of the program is what we call a community steering committee that is appointed by our chief local elected official which is the county executive in my county. This committee consists of private industry-type or private businessmen employers who act as an advisory committee to us and frankly, become very, very involved in acting as a liaison between us and the business community to ensure jobs, to try to develop jobs for welfare recipients.

Our results when we started in January 1995, indicated there were 607 families on AFDC in Fond du Lac County. As of October 1995, there are 370 families on AFDC in our county which is approximately a 39-percent reduction. In 1994, for all of 1994, we did have a 20.7-percent reduction because I will say right up front, that welfare cases are declining in Wisconsin generally. It is just that our rate of decline at this point, ours and Pierce County is the other pilot county, are the highest rate of decline in the State of Wisconsin.

Of the families who are left on the Work, Not Welfare Program, 141 of them are exempt for various reasons from participation. One of the things we did not expect is we had in effect 219 diversions. What that means is that applicants and recipients of public assistance who at least as far as we could tell were eligible for cash assistance elected not to participate in the program. They may be receiving food stamps or something else, but they elected not to receive cash payments. We have basically placed 264 people into jobs at this point in time. The average wage now, and that has fluctuated up and down, the arithmetical average is $5.73 an hour. The jobs have varied between $15.38 for a truck driver to some minimum wage jobs. Of the people we have placed in minimum wage jobs, for all of our programs, not just Work, Not Welfare, approximately 21 were minimum wage. So basically, our theory is that everybody enters the work force at a certain point and that is it.

Thank you.

[The prepared statement and attachments follow:]

STATEMENT OF EDWARD L. SHILLING
FOND DU LAC COUNTY DEPARTMENT OF SOCIAL SERVICES

A WELFARE REPLACEMENT PLAN
WORK NOT WELFARE is a pilot project in two Wisconsin Counties, Fond du Lac and Pierce. It is designed as a comprehensive effort to transform welfare from a long-term entitlement to a short-term transitional program.

The project was approved November 1, 1993, by the Federal Government and was implemented January 1, 1995. The project will end December 31, 2005.

The pilot tests whether requiring recipients to work for their benefits in a time-limited program reduces spells on welfare and fosters
self-sufficiency.

Key Components
1. Mandatory Work Requirement
   - Participants must work for benefits
   - Benefits paid to recipients are based on the number of hours worked.
2. Time-limited Cash Benefits
   - Cash benefits are limited to 24 months in a 48-month period.
   - AFDC and food stamps are calculated and issued as one combined cash benefit.
3. Intensive Training and Employment Services
   - The State guarantees access to education and training as defined in each participant's employability plan.
   - An employment team guides each participant through training, job readiness, and job search activities.
4. Guaranteed Child Care
   - Child Care is removed as an obstacle to employment.
   - Funding and placement assistance is provided to participants who need child care.
5. Business Partnership
   - A Community Steering Committee coordinates public and private sector job-creation and employment.
6. Transitional Support Services
   - Child care and health care benefits continue for up to 12 months after the end of cash benefits.
7. Children's Services Network
   - The network ensures that children receive support services regardless of parent's employment status.

WORK FOR BENEFITS
WORK NOT WELFARE participants are required to work in exchange for cash benefits.

Participants meet with a case management team during the first month of elibibility and agree to an employability plan. By the second month. participants begin working on the activities identified in their employability plan.

Work requirements include:
- First 12 months-education and training as needed, combined with work.
  -Participation requirements are based on each person's particular employability plan.
- Months 13 through 24-all participants must be engaged in a work activity.
  -Required hours of work are based on the combined cash benefit of the AFDC grant and the cashed out food stamps, divided by the Federal Minimum wage.
- The maximum required participation will be 40 hours a week per adult.

EXAMPLES OF WORK FOR BENEFITS REQUIREMENT

CASE 1 - One Adult and One Child

AFDC	$440
Food Stamps	$189
TOTAL	**$629**

$629/$4.25 - 148 Hours/Month
148 hours/month/4.3 weeks/month = 34

WORK REQUIREMENT: 34 HOURS/WEEK

CASE 2 - One Adult and Two Children

AFDC	$517
FS	$258
TOTAL	**$775**

$775/$4.25 - 182 hours/month
182 hours/month/4.3 weeks/month = 42

WORK REQUIREMENT: 40 HOURS/WEEK

CASE 3 - One Adult and Three Children

AFDC	$617
FS	$310
TOTAL	**$927**

$927/$4.25 = 218 hours/month
218 hours/month/4.3 weeks/month = 50

WORK REQUIREMENT: 40 HOURS/WEEK

CASE 4 - Two Adults and Two Children

AFDC	$617
FS	$310
TOTAL	**$927**

$927/$4.25 = 218 hours/month
218 hours/month/4.3 weeks/month = 50

COMBINED WORK REQUIREMENT FOR BOTH ADULTS: 50 HOURS/WEEK (e.g., One parent works 30 hours, one parent works 20 hours.)

WORK ACTIVITIES

Categories of work include (listed in priority order):

- **Unsubsidized Employment** - a regular hire in an existing or new job.
- **Partially Subsidized Employment** - a hire into an existing or new job with a partial government subsidy (for example, on-the-job training or work supplementation). These jobs typically become unsubsidized employment at the end of the subsidized period.
- **Community Work Experience** - placement in an unpaid position with a non-profit or government agency doing work that would otherwise have gone undone. These jobs could lead to permanent, unsubsidized employment with the sponsoring agency.
- **Independence Job** - placement in a job created specifically for WORK NOT WELFARE participants. These jobs are less individualized than community work experience. The goal is to minimize the need for these placements by aggressive placement in other types of work activity.

TIME LIMITED ASSISTANCE

All employable WORK NOT WELFARE participants are limited to no more than 24 months of cash assistance.

- Participants receive an INDEPENDENCE ACCOUNT entitling them to 24 months of cash benefits (equivalent to AFDC and food stamps) and 12 months each of transitional support services (child care and Medical Assistance) which must be used over a 48-month period.
- Participants are entitled to make regular "withdrawals" from the account upon completion of training and work requirements.

INDEPENDENCE ACCOUNT

(Benefits must be used within a 48-month period)

Cash Benefits	Transitional Benefits
24 Months*	12 Months Each of:
	Child Care
	Medical Assistance

*Up to 12 months may be earned through participation in employment and training activities as specified in each participant's employability plan, but the balance of the 24 months must be earned through working.

- After 24 months, case benefits end, unless the recipient is determined unemployable.
- People determined to be unemployable are either referred to SSI or, in limited cases, allowed to receive continued cash assistance. WORK NOT WELFARE agency officials will determine whether continued assistance is warranted in hardship cases.
- WORK NOT WELFARE participants are not eligible for cash benefits in Wisconsin for three years from the date they were eligible for their last WORK NOT WELFARE cash benefit.

AFDC RECIPIENT COUNT & BENEFITS ISSUED
JANUARY 1994-1995 - REV
FOND DU LAC

	AFDC REGULAR				AFDC UNEMPLOYED				AFDC TOTAL			
Month	Cases	Children	Persons	Payments	Cases	Children	Persons	Payments	Cases	Children	Persons	Payments
1994												
Jan.	689	1,174	1,789	$284,204	102	355	549	$63,826	791	1,529	2,338	$348,030
Feb.	661	1,102	1,569	$272,277	106	358	554	$65,972	767	1,460	2,223	$338,249
Mar.	671	1,163	1,738	$283,140	108	357	564	$67,275	779	1,520	2,302	$350,415
Apr.	648	1,118	1,671	$274,181	96	329	508	$61,413	744	1,447	2,179	$335,594
May	669	1,143	1,717	$279,075	97	346	527	$59,203	766	1,489	2,244	$338,278
June	645	1,102	1,657	$267,966	98	336	515	$57,597	743	1,438	2,172	$325,563
July	625	1,049	1,593	$259,366	94	346	512	$58,234	719	1,395	2,105	$317,600
Aug.	613	1,041	1,571	$251,585	97	347	525	$55,483	710	1,388	2,096	$307,068
Sept.	598	1,021	1,524	$242,224	86	308	469	$51,386	684	1,329	1,993	$293,610
Oct.	577	970	1,450	$233,996	88	302	470	$49,642	665	1,272	1,920	$283,638
Nov.	551	928	1,390	$225,515	76	260	405	$42,374	627	1,118	1,795	$267,889
Dec.	556	935	1,405	$226,555	71	252	392	$38,309	627	1,187	1,797	$264,864
1995												
Jan.	537	904	1,350	$218,281	70	258	400	$37,476	607	1,162	1,750	$255,757
Feb.	497	855	1,260	$206,317	65	250	380	$34,864	562	1,105	1,640	$241,181
Mar.	486	799	1,186	$190,552	60	203	316	$33,885	546	1,002	1,502	$224,437
Apr.	466	751	1,125	$179,220	49	173	263	$27,258	515	924	1,388	$206,478
May	446	737	1,087	$167,234	50	173	263	$23,466	496	910	1,350	$190,700
June	389	629	938	$139,617	30	117	171	$16,976	419	746	1,109	$156,593
July	361	593	879	$122,579	24	76	119	$12,085	385	669	998	$134,664
Aug.	358	598	873	$123,120	26	89	136	$11,821	384	687	1,009	$134,941
Sept.	358	600	875	$120,468.50	23	84	125	$11,135	381	684	1,000	$131,603.50
Oct.	350	594	861	$112,434	20	72	107	$12,128	370	666	968	$124,562

11/29/95 tam fdlafdc.cs

STATE FOOD STAMP ISSUANCE & PARTICIPATION ESTIMATES REPORT

	***** ASSISTANCE GROUPS *****					******* RECIPIENTS *******					TOTAL FS ISSUED LESS RETURNED
	COUPONS		CASH-OUT			COUPONS		CASH-OUT			
MONTH	NON-PA	PA	NON-PA	PA	TOTAL	NON-PA	PA	NON-PA	PA	TOTAL	TOTAL
1995											
August	442	196	34	210	882	1,299	261	10	789	2,359	116,167.00
September	433	185	35	213	866	1,301	241	9	803	2,354	123,286.00
October	410	185	33	205	833	1,227	252	21	777	2,274	114,009.00

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Mr. RANGEL. Mr. Chairman, parliamentary inquiry.

Chairman SHAW. Yes, you will have a chance to inquire of Mr. Schilling.

Mr. RANGEL. No, I just want to inquire from the Chair. I find this testimony very interesting, but since the House has already worked its will on the welfare bill and it is in conference, I am trying to figure out what benefit the Members of this Subcommittee will get from this testimony. I read your opening statement and I know that you are encouraging President Clinton to sign the conference report, but what can we learn from this testimony that would help us legislatively?

Chairman SHAW. I am not sure that is a parliamentary inquiry, but I will be glad to respond to the gentleman. It is twofold. One is the continuing work that this Committee is going to do after passage of welfare, after the President does finally sign a bill. As you know and you and I have privately discussed, we cannot walk away from this problem. We will continue to see what is working and we will continue to work on this problem. It will be a building situation.

And the second is that the matter has not come back before the House and I think it might be to our benefit to hear how some of these provisions are working in the various States and will continue on through the next couple of panels.

Mr. RANGEL. Basically, it would help us to determine whether we have to vote for the override?

Chairman SHAW. Still after your vote, Charlie. Mr. Ford.

Mr. FORD. Will the Chairman yield on that to the floor?

Chairman SHAW. I will, yes.

Mr. FORD. Mr. Chairman, let me raise a question or make a comment. Could it be that the Medicare bill has embarrassed the Republicans in such a way that now you want to bring the welfare package immediately. However, you know that you have a bad bill on welfare as well. Is that the real answer to all of this?

Chairman SHAW. I am afraid the Ranking Member is abusing his position to make a parliamentary inquiry.

Mr. FORD. Mr. Chairman, I had no intentions of embarrassing you. I just join with my colleague, Mr. Rangel. I do not see why we have these witnesses, taking their time from their busy schedules to come over here to tell us more about consequences of a bill that's already in conference.

Chairman SHAW. Mr. Ensign.

Mr. ENSIGN. Thank you, Mr. Chairman. I just have a couple of brief questions, and that is, first of all several of you have mentioned a decrease in your welfare rolls. What happened to these people? Were they thrown out in the streets? Were they thrown into poverty? I mean all of the terrible things that we have been hearing over this past year and the HHS study that said 1.5 million children that will be put into poverty since nobody really knows where those assumptions come from and obviously your programs are not showing that this is what is going on, so I am just trying to find out what is the truth here. Is HHS right or are maybe their studies flawed? Your experience seems to say something differently.

Mr. SCHILLING. I can state that in Fond du Lac County, first off I guess the one thing we need to know is that in Fond du Lac County which is in Wisconsin and which is a relatively generous welfare State, everybody receiving public assistance is below the poverty line. That is the one thing you can be sure of, that 100 percent of the people who are living on public assistance only are below any poverty line that I have seen.

Mr. ENSIGN. So how could the welfare bill in Congress throw another 1.5 million into poverty?

Mr. SCHILLING. The thing is I am not intimately familiar with that bill. I am pretty familiar with what is going on in Fond du Lac, what is working, and the economic condition of the people who have become unemployed there. The ones that have gone off due to employment for certain have raised their economic level or they could not have worked their way off of welfare.

Ms. COMAI-PAGE. In Michigan, the people who have left welfare have left because they got a job and they are significantly better off with a job.

Mr. ENSIGN. Have you done interviews with the people down the road at all, to find out about their quality of life, how they perceive the reforms? Do they feel better about being off of welfare in jobs?

Ms. COMAI-PAGE. As a matter of fact, we have here today on the next panel a recipient, a former recipient from Michigan, Nancy Peterson.

Mr. ENSIGN. But instead of just one anecdote, have you done studies with these people?

Ms. COMAI-PAGE. We have not done formal studies, but we do have a client advisory committee we meet with regularly to get input and advice about how we should proceed. And I would say that that group of recipients and former recipients strongly support our efforts in Michigan to move people into work.

Mr. ENSIGN. Just one last question that I have. Does the panel here feel that what you are doing—is it more cruel to keep people on welfare or to get them into jobs, as you are attempting to do? Which is more compassionate?

Ms. COMAI-PAGE. If I could just say one thing about that. People think it is demeaning for people to take a low-paying job. They think it is demeaning for somebody to take a low-paying job. I think it is more demeaning to get a check every month for having done nothing. People start out at low rungs in the economic ladder and we do not want people to stay at the low rungs. But people need to start somewhere, and we think it is a prideful thing for them and for their children to go to work.

Ms. NAZARIO. I think the welfare recipients would be the first to say that. In Delaware, we have held many focus groups and town meetings and our clients, the moment they get a job, they are out of welfare because our grants are at 32 percent of poverty. So that is why our cases have also been reduced because they are working and the clients want to work. We have not had a single applicant—the only complaints that we have had from applicants to welfare under our welfare reform system is that they have had to fall in the control group because on their waiver arrangement we have to maintain a control group and those are the only people who have complained. Our clients want to work. The clients that are working

are subsidized in child care and are also assisted with health care, and that is what would be very different if we do not maintain the same level of support that we have maintained for the people who have reduced our caseloads up to now.

Mr. ENSIGN. Thank you, Mr. Chairman. I yield back.

Chairman SHAW. Mr. Camp.

Mr. CAMP. I will yield to Mr. McCrery.

Mr. MCCRERY. I will thank the gentleman for yielding. Ms. Nazario, Mr. Gallant and Ms. Page have both said that they object to the maintenance of effort requirement in the bill. Do you object also to the maintenance of effort requirement?

Ms. NAZARIO. In Delaware we will maintain our effort and indeed continue to reinvest. I think the issue is whether States are mandated to do that and that is what we would object to. Depending on the conditions of the State, a State might be able to transfer moneys or realize their savings in other ways. In Delaware, we have to put every penny and more into the welfare because our shortfall is so big.

Mr. CAMP. So why would you object to the maintenance of effort?

Ms. NAZARIO. We object to the requirement of States. The fact that there are so many strings attached to the block grant. Maintenance of effort being one of them, the family cap. We in Delaware are implementing a lot of the very same provisions that you have in your plan, but we are doing them because we believe they are right for Delaware at this time. What we would object to is the fact that they are mandated. We or our State are more opposed to the job requirements without additional funding, the child welfare administrative cap, the onerous reporting procedures that require a lot of automation. Changes and improvement in our State, also we thought funding. Paternity establishment at 90 percent—we are among the top States in the country in terms of child support. But these requirements would really put some onerous impediments on us.

Mr. MCCRERY. So you do not anticipate having any problem with maintaining the effort at 75 percent of current levels?

Ms. NAZARIO. Not in Delaware.

Mr. MCCRERY. So it is not going to do you any damage, so you should not object to the maintenance of effort requirement, right?

Ms. NAZARIO. We object to the maintenance of effort requirement on the basis that it mandates it for all States, and we have always been a proponent of State option and State flexibility.

Mr. MCCRERY. Thank you very much. I know, Mr. Gallant, I misspoke. You said you did not have any problem with the maintenance of effort?

Mr. GALLANT. No specific problem. I do want to make reference, just to clear the record, that it all depends on the year that is used in terms of what that maintenance of effort would be equated.

Mr. MCCRERY. Thank you.

Mr. CAMP. Ms. Page, you mentioned in your testimony that since 1992 and the State initiatives with regard to welfare that have begun, we have seen an increase in the number of people on welfare who work, and a decrease in the AFDC caseload. We have seen 75 percent of those who are receiving AFDC participating in what we call the social contract in Michigan which is an agreement

in exchange for benefits. Recipients will participate in work or at least in some community activity for 20 hours a week. Those are changes that have occurred, many of them with the Federal rules and regulations in place.

I also note you say that Michigan caseworkers have spent about 20 percent of their time with beneficiaries and the rest of it dealing with other matters—paperwork and whatever. How will the changes in our proposed welfare bill which we hope to see enacted into law help free resources to further get people off of government dependents and on to independence and to work?

Ms. COMAI-PAGE. Two points in that area. The bill will really give us a lot of flexibility because we will not be in the waiver process any more. The changes that I talked about in my testimony that Michigan has made we only could do after intense negotiations and time-consuming negotiations with the Department of Health and Human Services. So we will not have to do that any more. The Michigan legislature, elected officials can make decisions about what our welfare program should be. So that is the first thing.

The second thing that I think is very important is that we will be able to simplify the program. AFDC rules are very complex. They are just mind-boggling. You layer that on top of different sets of rules and regulations for food stamps and yet another different set for Medicaid and you have an application in Michigan that runs to 25 to 30 pages. So the bill will give us additional flexibility to simplify our programs and get us out of a paper-driven, eligibility-determination process and into a system where we are working with families to get them off of assistance.

Mr. CAMP. And I understand the legislature has acted in terms of preparing the State for receiving the block grants and passed the legislation with huge bipartisan majorities in both the House and the State Senate.

Ms. COMAI-PAGE. That is correct. They passed on the Senate yesterday and the House last week, I believe. That is correct. There is bipartisan, wide bipartisan agreement on these bills in Michigan.

Mr. CAMP. Thank you.

Chairman SHAW. The time of the gentleman has expired. There is a vote on the floor. We will break for 15 minutes, come back and complete this panel.

[Recess.]

Chairman SHAW. If everybody would take their seats, the Committee will come back to order. Mr. Neal may inquire.

Mr. NEAL. Thank you, Mr. Chairman. I especially appreciate this opportunity, given that I am not a Member of the Subcommittee but have been involved on the Democratic side in helping to shape what I thought was a pretty good substitute. As one prominent Republican leader in the House said to me 2 years ago, they would have gladly voted for the Democratic substitute if that bill had been offered 2 years ago.

My questioning would be directed to Mr. Gallant and by way of introduction I would just say that in 1980, Mr. Gallant, at the Democratic State Convention I spoke in support of workfare. Believe me the plague would have been more warmly welcomed in those days. But I do think that there is ample room here for middle ground on this proposal and I am not sure that the debate has

moved to the center yet. Let me ask you in terms of the Massachusetts experiment. What is the unemployment rate in Massachusetts right now?

Mr. GALLANT. I do not have the exact number, but it is just below the national average.

Mr. NEAL. The 5.5 percent?

Mr. GALLANT. I would say so, yes.

Mr. NEAL. Would you suggest that the improved economy back in Massachusetts has had some impact or reduced the unemployment rate?

Mr. GALLANT. Yes, I would say it has improved the economy. I think that is part of it, but it has also improved management of the programs. In changing of the program rules and regulations that has a lot to do with it also.

Mr. NEAL. I would acknowledge that. I think that is important. I also think that the model is a Republican Governor working with an overwhelmingly Democratic legislature and has made a series of rational compromises along the way in order to get to the conclusion. Would you agree with that?

Mr. GALLANT. I would agree that it was a compromise, yes.

Mr. NEAL. Mr. Gallant, you cited the example of those five people that had been absorbed into jobs in the health care industry?

Mr. GALLANT. By a hospital, yes, sir.

Mr. NEAL. In Western Massachusetts, one out of eight jobs is dependent upon the health care industry and the State, as you know, is overwhelmingly dependent upon the health care industry as kind of a mainstay of our economy. Have you had a chance to look at the proposed Medicare cutbacks?

Mr. GALLANT. No, I have not. Medicare and Medicaid is not within my jurisdiction. I have not looked at them, sir.

Mr. NEAL. Would you accept my suggestion perhaps that those five people are about to get the ax if, in fact, those Medicare proposals go forward?

Mr. GALLANT. It is hard to say. They may get the ax from the hospital, but I am sure that there are other kinds of employment available for them in Massachusetts. In fact, I had heard recently the Retailers Association in Massachusetts actually are advertising or soliciting help for Christmastime. That the stores at least in the Greater Boston area did not have enough employees to cover the Christmas season, the Christmas rush, and they were actually looking for them. So we feel pretty confident there are a lot of jobs in Massachusetts. They may not continue to be in the health industry, but they are there.

Mr. NEAL. Let us use that example then of seasonal employment and tie that to the issue of the earned income tax credit. Have you had a chance to look at the proposals that alter the earned income tax credit here?

Mr. GALLANT. Generally speaking, as far as the income tax credit is concerned, we think that that is something that is helpful. It is something that we support. That generally speaking, it is an effective tool from our point of view to keep people off of welfare or to give them an incentive to go off of welfare.

Mr. NEAL. Granted, and I think that there is general agreement on this side. I am fond of quoting President Reagan on the issue

of the earned income tax credit. I think he suggested it was one of the most far-reaching visionary things that any Congress and executive had done during his tenure in government. But have you had a chance to look at the proposed changes in it?

Mr. GALLANT. Not specifically, sir, no.

Mr. NEAL. Fair enough. I think that the earned income tax credit relates to the seasonal employment issue that you made reference to in the sense that there has to be some incentive to get people into the work force. Let me use as an example for this Subcommittee which seems to me used time and again, the Massachusetts model, in terms of discussions between Republicans and Democrats. This model could serve a national purpose here. But I think that I cannot suggest to you here today that I have all of the answers. I certainly would offer a critique of the Republican proposal that has been offered. But also point out that along the way that both sides in Massachusetts have been willing to give and the debate therefore has moved back and forth, but generally near the center some place on many of these issues.

I cannot emphasize enough today that I think part of the success here is an improved economy back home. If you have an unemployment rate of 5.5 percent, it seems to me that a lot of people for a host of reasons, with defense cutbacks and other items, have been absorbed back into the work force. Rather than the acrimonious debate that oftentimes centers on welfare, it seems that we ought to be able to find some middle and common ground on these kinds of issues.

And I thank Mr. Gallant.

Mr. GALLANT. Thank you.

Mr. NEAL. I noticed you looking at your airplane ticket before I started the questions.

Mr. GALLANT. I thought I was going to be out of here a little earlier than this, but that is all right.

Mr. NEAL. When it came to my turn of questioning, I hope you did not look at your airplane ticket and say I hope I can be out of here before this guy starts.

Mr. GALLANT. No.

Chairman SHAW. The time of the gentleman has expired. I will say to any of the panel, if you do have a problem with connections, you may be excused without any problem.

Do any of the Members have any questions for Mr. Schilling? Mr. Rangel.

Mr. RANGEL. I do, Mr. Chairman. To get a better understanding of how repugnant the Federal mandates are, could we find some way to reduce the Federal taxes for citizens in your State and just let you do what you want to do? Would anyone object to that? Just do your own thing with no Federal standards at all and States just decide what they want, especially Ms. Page, because I think this is more consistent with your Governor's view. We just get out of it. Do you like that?

Ms. COMAI-PAGE. That would be fine.

Mr. RANGEL. Does anybody else agree?

Ms. NAZARIO. We would not agree with that. We think the Federal Government has a continuing role to play in helping people who need assistance and particularly need assistance getting on

the job market and succeeding in that job market and maintaining themselves in the economy.

Mr. RANGEL. You will never get a job with this gang.

Mr. FORD. Will the gentleman yield?

Mr. RANGEL. Yes.

Mr. FORD. The question was whether you would reduce Federal taxes. Ms. Page responded to the question and said yes. We would like to let the Federal Government butt out of it and we take full control. Would that mean that you would raise all of the funds that would be necessary and that you would not come to the Federal Government for any of the welfare dollars?

Ms. COMAI-PAGE. That is correct.

Mr. RANGEL. Anyone else agree with that view?

Mr. GALLANT. I cannot say I fully agree with the fact that we would want to see the Federal Government out of it totally in terms of contributing to the cost. But I will say, Representative, that as I said earlier, there is some feeling and there is some sense that compassion only lies within the beltway of Washington, DC, and I do not particularly think that that is necessarily true. I think in Massachusetts we have always been a very compassionate State, and we have always looked to and tried to come up with ways to take care of our poor and underprivileged.

Mr. RANGEL. But if you have got a tax refund for every Federal dollar that is designated for welfare, then you can match your compassion with your taxes. I would say for the gap—some people here are talking about a $245 billion tax cut. That will allow the States to do a heck of a lot more really.

Mr. GALLANT. Again, I am not saying that we would like to see the Feds out of it completely as far as funding goes, but what I am saying however is in the general area of would States be compassionate whether they had used 100 percent of their own funds or used partial Federal funds, I for one, am willing to say that Massachusetts would, in fact, be compassionate and would, in fact, take care of its needy.

Mr. RANGEL. I am just talking about a safety net, not compassion, just a minimum standard set by the Federal Government for every poor person.

Thank you, Mr. Chairman. This panel has been very helpful on my decision as to how to vote on the conference report if the Republicans ever agree on school lunches or whatever is holding them up. And I want to thank you for thinking about this. I cannot wait to hear from the successful mothers that have gotten off of welfare.

Chairman SHAW. Mr. Ford.

Mr. FORD. Thank you. Mr. Schilling, in your opening statement, you talked about the substantial reduction in the caseload of AFDC recipients after your State's demonstration project.

Mr. SCHILLING. Yes, sir.

Mr. FORD. Let me ask you this. Could any of this been due to a strong economy in your State?

Mr. SCHILLING. Wisconsin has a very strong economy at the current time. There is no question that the strong economy in Wisconsin is contributing toward the reduction in welfare caseload. Caseloads are declining all over the State of Wisconsin and have been for the last couple of years. The caseload in my county and in

Pierce County, the experimental county, is dropping at approximately twice the rate of the rest of the State. Unemployment in Fond du Lac County right now is approximately 2.7 percent.

Mr. FORD. So it is a strong economy. What about a well-funded JOBS Program in your State, did that attribute to your State's success?

Mr. SCHILLING. Our programs are definitely well funded. There is no question. I believe that the position of the State was, you cannot do welfare reform cheap as far as the State goes. The State did guarantee, for example, child care, and I think we all know that the demand for quality affordable child care is virtually a bottomless pit.

Mr. FORD. And you also had benefit cuts as well to——

Mr. SCHILLING. No, we did not.

Mr. FORD. You did not have benefit cuts?

Mr. SCHILLING. No benefit cuts.

Mr. FORD. I thought you had benefit cuts to welfare recipients?

Mr. SCHILLING. That would have been years ago. There have been no benefit cuts in recent years.

Mr. FORD. In the late eighties, there were benefit cuts, when we started this program?

Mr. SCHILLING. There was a freeze, yes. Wisconsin has not had an increase in benefits in years, but I believe that we are still in the top, probably within the top 10 States regarding our benefit levels.

Mr. FORD. But explain to me how were you all so successful in removing a lot of these children from AFDC to the SSI rolls which is another Federal program? How were you all so successful in doing that? I cannot usually connect that way in my home area. How were you all able to do that?

Mr. SCHILLING. Basically, we have had a very active JOBS Program attempting to place people in employment as well as we could.

Mr. FORD. I meant to supplemental security income.

Mr. SCHILLING. Clearly after evaluation, when we have determined that in our best judgment someone is totally and permanently disabled, we first refer them to our own State DVR, division of vocational rehabilitation, for assessment. If DVR concurs with our opinion that someone surely is disabled, we do everything we can to facilitate that application process and we will basically accompany our client through the whole system, including appeals, if necessary.

Mr. FORD. So you took them off of AFDC and moved a lot of them on the Social Security rolls which is the supplemental security income?

Mr. SCHILLING. We have moved—I am trying to think of how many since we started—but right now of the people who are exempted from the program right now, approximately 141, I believe something like maybe 20 of them or so or maybe 30 of them are on SSI and that is the reason.

Mr. FORD. Do you see a lot of that, Ms. Page? You talk about your success stories in Michigan, but was not Michigan one of those States that shifted a lot of these general assistance recipients from general assistance to SSI in the State of Michigan?

Ms. COMAI-PAGE. We certainly made efforts to connect people to benefits that they would be eligible for.

Mr. FORD. So you were just cutting general assistance funds from the State of Michigan, but shifting that cost to the taxpayers under the Social Security Entitlement Program basically?

Ms. COMAI-PAGE. We made sure that people who were eligible for assistance got the assistance they were eligible for.

Mr. FORD. But they were not eligible for general assistance in Michigan, but you thought they would be eligible for taxpayers' assistance on the Federal level under the Social Security Administration?

Ms. COMAI-PAGE. If they were disabled, yes.

Mr. FORD. And that made up for a large portion of your——

Ms. COMAI-PAGE. The figures that I have been quoting in my testimony about decreases in AFDC caseload are independent of any movement to SSI.

Mr. FORD. Even with the children?

Ms. COMAI-PAGE. That is correct. But let me clarify. The evaluation that we had that showed that there were differences in families in terms of increased work effort, in terms of $100 million in savings for our program, the first 2 years, those were independent of changes in SSI received by children.

Mr. FORD. Michigan got about 80,000 adults from the general assistance program in 1991. Two years later only one-fifth at final study were working, and another 17 percent found jobs every now and then, and many needed to find assistance from other government programs. So you moved disabled people and children from the general assistance which is State funds to the federally funded SSI program, right?

Ms. COMAI-PAGE. That is correct.

Mr. FORD. So, the whole general assistance program is not one only of AFDC. So a lot of the things that you are discussing here today is not directly related to AFDC. This is your own State's general assistance program?

Ms. COMAI-PAGE. That is correct, the people who were eliminated from the general assistance program in Michigan. I would term that elimination not welfare reform. I would say that that was an effort. We had a $1.8 billion State deficit and we had to learn how to deal with that. The way we dealt with it was to protect children and families.

Mr. FORD. But those were mostly men, not women with children at home?

Ms. COMAI-PAGE. They were. Anybody who was on general assistance——

Mr. FORD. I know they were anybody, but the majority of those——

Ms. COMAI-PAGE. There were families on general assistance and we have continued to provide assistance to those families. The people who were eliminated from general assistance were single adults.

Mr. FORD. There was one report by a scholar at Michigan State that indicated most of the people that we are talking about were worse off 2 years later after all of this took place in Michigan than they were prior to this move that was made in 1991 with 80,000

people being removed. But thank you very much, Ms. Page, and thank you, Mr. Chairman.

Ms. COMAI-PAGE. If I could just comment on that. I would say that afterward, 20 percent of those people were working which is 20 percent more than were working previously.

Mr. FORD. Absolutely, and I applaud you for that part of it. There is no doubt about it. But I do not want to mix the two, women with children versus this general assistance program that is something that the State created for their own welfare program. Is it the case that you found a way to remove many who were able-bodied men, and ready to go to work when the economy got better. And, in areas where they did not find jobs, your crime rate went up, and I do not know how much you have already appropriated for more jail cells in the State of Michigan since that time.

Ms. COMAI-PAGE. Actually we have done careful analysis of crime rates and that is not correct.

Mr. FORD. It is not true in Wayne County?

Mr. CAMP. The crime rate has gone down in Michigan.

Mr. FORD. It is not true where you have the heaviest population of your general assistance recipients in Wayne County, it has not gone up?

Ms. COMAI-PAGE. We looked at a 10-percent sample of recipients who were on general assistance and tracked them for several years, and we did not find an increase in the number of those people who were incarcerated.

Chairman SHAW. I want to ask Ms. Nazario a question. You stated in your testimony that by 1991 Delaware intends to end welfare payments to teen mothers. We will continue to provide child care, health care and other services to keep teen mothers in school and to finish their education. As you probably know that was one of the more controversial parts of the welfare bill that came out of this Committee. And as the conference report now stands, that would become a State option. And I assume that Delaware has opted to hold cash benefits back but to give other types of benefits to these teen moms. Have you received a waiver to do that?

Ms. NAZARIO. Not at this point. That is phase two of our waiver and that would be after 1999. So that was not part of the waiver that we negotiated for the current phase and we are waiting to see what happens with the Federal law, to determine if we still would need a waiver or if we can do it with law.

But I would like to point out that Delaware is doing that after 4 intense years of working with the teen population. We have established an alliance for adolescent pregnancy prevention that incorporates over 35 private agencies working with the public sector to provide intense services to teens that range from education to media campaigns. We have wellness centers in every high school. We have a lot of services for teens. So we are putting this within a context and it is not just dropped on the teens that all of a sudden you will not receive assistance. So we are working with them to provide real options for their future so that they are more capable of making decisions.

Chairman SHAW. I would like to ask each one of the witnesses a question with the exception of Ms. Page because she has already answered it. In her statement she said:

Under the current system, Michigan Department of Social Services' workers spend only 20 percent of their time actually working with clients. They spend the rest of their time dealing with the burdensome rules and regulations imposed by the Federal welfare bureaucracy.

Mr. Schilling, what has been your experience as far as the time spent actually working with a client versus with compliance with bureaucracy?

Mr. SCHILLING. Since we have switched to Work, Not Welfare, the percentage has gone up as far as client contact, but our economic support specialists, those persons who actually work with determining eligibility and benefits, I would have to say that their face-to-face time with clients is not dissimilar from that of Michigan's. It is because it is extremely complex. Our JOBS case manager on the other hand works as part of a team. They spent the majority of their time in face-to-face contact with AFDC clients.

Chairman SHAW. Ms. Nazario, what has been your experience with that?

Ms. NAZARIO. I am not prepared to say what exact percentage of the time they spend, but certainly we are reorganizing our division of Social Services to make the cases totally generic and to have workers really work with a family tracking families across services, as opposed to services across families. And there is no question that the eligibility requirements are onerous. We are still looking at how much they will be simplifying it in the future—still a lot of overlay that we now have to track clients across the country to be sure they have not received services in other States. So there is a lot more reporting than we are used to. So I am not sure how much they actually will be simplifying in the future versus what we are doing today. But we certainly are looking toward more direct case management and more time spent with the client.

Chairman SHAW. Mr. Gallant.

Mr. GALLANT. We are definitely moving into more of a recipient/client contact than a case management mold, particularly since we have passed welfare reform in our State and we started to implement it on November 1. However, those people who do not directly participate in helping people find jobs, 100 percent of their time is spent filling out forms and paperwork and that includes the vast majority of about 2,000 staff people we have across the State. The overwhelming majority of the 2,000 spend all of their time filling out forms and looking at and meeting requirements, most of which are in the Federal regulations.

And I think that any chance that any State has to streamline the regulations, particularly if it has a block grant and it has the authority to cut back on various Federal definitions, various Federal QC requirements, various error rate issues, I think that will go a long, long way toward lifting the burden of doing paperwork and allowing people to do more one-on-one direct service kinds of functions.

Chairman SHAW. I would hope that we would be able to assist you in slowing that down. I know yesterday in speaking with some reporters Eloise Anderson, who is the State director from California, was commenting on some 9 feet of regulations that she had to comply with and that is absolutely incredible. I think we have just gone nuts with bureaucracy and we are trying to do everything we

can to cut back on it. Democrats and Republicans certainly want to do that. And we do have representation here from both Democratic and Republican Governors, and your States have certainly been outstanding leaders in the Nation in reforming welfare.

I thank you all for being here.

Mr. LEVIN. I just have a couple of questions for my colleague from Michigan. I have not heard from the State. Does it support the provision in the bill, and of course, there is no final conference bill, but it would appear this is in it to stay until it will be vetoed and then we will get back and talk on a bipartisan basis, the 25-percent cut in cash payments for the families of children who meet the medical listings?

Ms. COMAI-PAGE. I certainly think that those people have been determined to be disabled.

Mr. LEVIN. These are people who meet the medical listings, are severely disabled, and in the House bill there was a change in the cash payment beyond what is now in this bill, but there is a provision for a 25-percent cut in the cash payment. Do you support that?

Ms. COMAI-PAGE. I think in terms of an overall effort to balance the Federal budget, Congress passed a budget resolution which clearly laid out what kind of savings Congress needs to achieve and I think that that is a reasonable way to achieve that savings.

Mr. LEVIN. That is the formal position of the State to be supportive of that cut?

Ms. COMAI-PAGE. That is correct.

Mr. LEVIN. Have you consulted with the people who work on SSI?

Ms. COMAI-PAGE. Yes, I have. Not on this particular issue, but we talk regularly.

Mr. LEVIN. I mean on this issue.

Ms. COMAI-PAGE. Not on this particular issue, no.

Mr. LEVIN. I would appreciate a communication from you on this because I had a chance to talk to the people who run the program. We need to get at the abuses, but I called them without any notice and they felt for the State of Michigan—I did not ask them about this specific cut. I asked them about the House provision. I would very much appreciate your getting back in touch with me on that.

Ms. COMAI-PAGE. I would be happy to do that.

Mr. LEVIN. What is the child poverty rate is in Michigan today?

Ms. COMAI-PAGE. I think it is around 13 percent.

Mr. LEVIN. Are you quite sure of that?

Ms. COMAI-PAGE. If you want to correct me on that, I would be happy to be corrected.

Mr. LEVIN. Actually, I am not sure. I will give you the Census Bureau information and the latest, I think, they have is 1992–93. You may have later information. Again, I would appreciate your giving that to us for the record. In Michigan, the child poverty rate in 1987–88—the average of the 2 years was 17.8 percent. In 1992–93, it was 22.4 percent. So I would very much appreciate your responding and telling me what the child poverty rate is today in the State.

Ms. COMAI-PAGE. I would be happy to get back to you on that.

[The following was subsequently received:]

The poverty rate for children under 18 in Michigan is 21.2 percent. This is a Michigan Department of Social Services estimate based on the 1994 U.S. Census and the State of Michigan data.

The proposed changes in supplemental security income for children allow for children to continue to receive 75 percent of the benefits that they now receive. This benefit level will allow parents to continue to meet basic needs of their children.

Mr. LEVIN. Quickly, you say about 80 percent is spent on rules and regulations imposed by the Federal welfare bureaucracy. I very much join with Mr. Shaw in wanting to cut out paperwork, any unnecessary paperwork. Are any of those rules and regulations State rules and regulations?

Ms. COMAI-PAGE. Certainly, we can sometimes be our own worst enemies, but——

Mr. LEVIN. Just tell me yes or no.

Ms. COMAI-PAGE. No, I do not believe—I think that the vast majority of what we are dealing with are Federal rules and regulations.

Mr. LEVIN. There are no State rules and regulations involved in DSS workers' work?

Ms. COMAI-PAGE. We interpret the Federal regulations to make State policy with regard to AFDC and food stamps. There is some leeway in AFDC for waivers and so forth to simplify policy, but the vast majority of what we are dealing with are Federal regulations.

Mr. LEVIN. What percentage of the people who have been on AFDC are part-time employees and still continuing to receive some AFDC moneys?

Ms. COMAI-PAGE. I cannot give you an exact figure but we have an earned income disregard, a waiver where we disregard the first $200 plus 20 percent of earnings——

Mr. LEVIN. So is it a substantial portion of those?

Ms. COMAI-PAGE. Right now 30 percent of our caseload is working and they make an average of around $473 a month. Those people are continuing to receive cash assistance.

Mr. LEVIN. Mr. Chairman, I have tried to figure out the child care provisions in the conference bill that is under consideration. I hope we can work with you on this. I just want to read what we can figure—it will be very brief—because I hope at some point we will be able to work on it. If this is wrong, I would like to be corrected. I think it very much reflects your testimony, the Delaware testimony.

For the first 5 years the conference report—it is not yet a report—would provide States with fully $1.2 billion less in child care funding than they would have been provided by the Senate welfare bill. The conferees essentially responded to an administration request—and I want to point out, I do not think child care is the only issue here. In my opening statement I mentioned a number of others, including other aspects of this vital work-to-welfare linkage that has to happen.

The conferees responded to an administration request to make the $3 billion child care funding stream included in the Senate welfare bill a permanent funding stream by taking the same $3 billion—by making it permanent. Instead what was done was to take the $3 billion and stretch it over 7 years instead of 5 years. I think that is what happened. This results in less child care funding in the first 5 years.

The conference report mandates work participation rates far exceeding those in current law—and Ms. Nazario, you have referred to that—and those achieved in the most successful welfare-to-work programs to date statewide. Mr. Schilling, you are just representing what, one county?

Mr. SCHILLING. Yes, we have a county-administered, State-supervised program of assistance in Wisconsin.

Mr. LEVIN. While it is true that the conference report includes somewhat more child care funding than is projected to be spent under current law, just $843 million over 7 years, this additional funding is likely to fall far short of what would be needed to meet the expanded work requirements.

Chairman SHAW. Let me say to the gentleman that in the scoring that we have, we have $10 billion as entitlement and the balance of seven in there. It has been scored by the Congressional Budget Office as an actual increase over the Senate language, and it is certainly an increase over the original House language, and an increase over existing law.

I would be very quick to say, however, that as we get into a reformed system of welfare and turning it into a work program, it is my thought that we are going to have to revisit that and increase it even above what is in the bill. That I think is a fair criticism, but we are just going to have to wait and see and watch the program and be sure that we do take care of it because child care is a very important part of welfare reform. I think all the witnesses at this table have certainly said so.

Another area where your side has criticized us is in the question of the contingency fund. I think there is $800 million in there. That may not be sufficient. If we get an economic downturn, just as we do in unemployment compensation, we will have to go back and revisit that to be sure that that area is also funded.

In my view of welfare reform—we are simply taking the first step, and there are going to be a number of steps afterward. There will be some things that we had not thought of, and there will be some results that will surprise us. But the question is and the problem is, we have a system that has been likened to that of a 60-year-old car, nobody would want to drive it. It is time now for us to reform it.

The architects of this present system put it together about 60 years ago. The States have been very innovative in moving away from that, and I can say that this administration and previous administrations have been willing partners in granting waivers to let some of these new and innovative systems be in place. It is now time for us to have more faith in the States and to give them the opportunity to go forward and craft these programs within the guidelines that we have set forth without the necessity of coming to Washington for waivers.

But I view this welfare reform as an ongoing system. We cannot simply brush our hands off and say, now it is done. We are going into areas on a nationwide basis which we have to be very cautious about. But there is one thing we all agree on, and all of us on this Committee, and as a matter of fact every Member of Congress agreed with their vote either on the Deal proposal or on H.R. 4, that the present system is lousy and we need to reform it. It is a

system that has trapped people, and it is a system that has failed us. We must not be afraid of change.

I think one of the things that we have been missing on this is we have got to have faith in the human spirit to go forward. We have to realize that just because people are on welfare, does not mean they are somewhat inferior and have to be paid just to exist, and that we should have no faith in their ability to pull out of welfare.

Now I am not saying that anybody said that or anybody really thinks that, but I think we need to get that into our thinking process and move forward. I think we will form a partnership to work and to be sure there are jobs in those areas of the country where there are additional problems. I am sure that all of us on this Committee, the Ranking Members and all of the Members of this Subcommittee on both sides of the aisle will be anxious to work together to see that this thing works. Whether you vote for this program or not, in the final analysis all of us, because of our concern for fellow human beings, want it to work.

Mr. LEVIN. Mr. Chairman, could I just briefly respond in terms of your comments on child care and otherwise? There is complete agreement the system is broken. It needs to be changed. As I mentioned, I introduced a bill on this subject—early in terms of welfare reform in the mideighties. We have to link welfare to work. I am in favor of time limits.

The problem is, and I think at one point or another we are going to get back to that, I hope this year on a bipartisan basis, is we have a structure proposed with participation rates which we very much favor. And I think there will be things that are surprises or that we did not take into consideration. But what is not going to be a surprise is that the participation rates are going to have an impact on the need for child care. That is not a surprise. You yourself have said this is likely inadequate. Let us put together a system that is adequate.

The same is in terms of recession. Everybody knows that in the next 5 to 7 years, if history is any guide, we will have an economic downturn. Everybody knows that. Now $1 billion or $800 million in a contingency fund, we used more than that in less than 1 year, and this is a 7-year program. So I very much agree with the spirit and I think what we need to do is to create a structure that is likely to work, and resolve these now on a bipartisan basis.

Chairman SHAW. I would say to the gentleman that we have increased the funding on child care. Maybe we have not done it enough. I tend to think that we are going to have to come back and revisit it. But that does not mean we have to dump all the money in now. We have already increased it, so let us see how it works——

Mr. LEVIN. It is not dumping the money. This is child care.

Chairman SHAW. By the way, let me say this. The bill provides that some of these moneys in these other categories can be shifted into child care. But they cannot be shifted out. So the States, at their option, can put more in child care as the needs arise. So with that flexibility it may very well be that we have adequately funded it. We are just going to have to wait and see.

Mr. LEVIN. If we know the problem, I think we should solve it now. We ought to listen to Delaware and other States.

Mr. CAMP. Mr. Chairman, could we move on with the witnesses? We all have a lot to do today and I know this discussion is going to be ongoing.

Chairman SHAW. I am going to have to dismiss this panel.

Mr. FORD. Mr. Gallant has been waiting to leave.

Chairman SHAW. I told Mr. Gallant to leave, so if he misses his plane now it is his fault.

Mr. FORD. Mr. Chairman, I wish you would yield just for about 2 seconds. You gave some closing remarks. I think the intent under this welfare reform package is to protect children in this country. We have seen from the Office of Management and Budget that about 1.5 million children will be thrown below into the poverty thresholds. This bill that the Republicans are fashioning today will not protect children, poor children in this country.

I know some Republican Member of Congress said early on, it is just fine for us to lose a whole generation of children. We, on this side of the aisle, do not buy into that concept at all. According to some of the witnesses today, the 1988 Family Support Act and other Democratic policies have worked over the past 10 years. You have strong JOBS Programs today that place people in the work force and take them off the welfare rolls.

I think that when the President vetoes this particular bill that we will be able to come back hopefully, Mr. Chairman, in the spirit of bipartisanship to work together and fashion a bill that would be good for the welfare population and will be good for the taxpayers.

Chairman SHAW. I will respond in 2 seconds. The study that you refer to changes the definition of poverty, which you are not supposed to do, and it also uses the JOBS Program as a model, which you cannot do. So it does not have faith in American people to go to work, and it only assumes that 40 percent of those people are going to go back into the jobs market. I think that is incredibly low. I think they wanted to accomplish a result in the study and then designed the study to come out that way. I have yet to get a copy.

Mr. FORD. Let me give you a copy of it, Mr. Chairman.

Chairman SHAW. I am glad you did give me a copy. I will look at it. I see it is a two-page document. I think that there is no question that those people that say that you are going to end up with the same percentage of people going to work, those people simply have no faith in the poor of this country or in the human spirit.

I think it is somewhat of a disaster. I think it is somewhat of a disgrace to come in with a report like this. I think the President is getting ambushed by his own staff, and I think that is wrong. I think this President genuinely wants welfare reform. And if he does, I invite him to join with us in partnership.

With that, this panel is definitely excused. I want to thank each and every one of you for giving us so much of your time.

I would like to introduce the next panel, Nancy Peterson from Fremont, Michigan; Debora Haskins from Fond du Lac, Wisconsin; and Pier Geter from Wilmington, Delaware.

Ms. Peterson, if you would proceed, please.

STATEMENT OF NANCY PETERSON, FREMONT, MICHIGAN

Ms. PETERSON. First of all, I wanted to say that it is indeed preferable to work and spend the money that I earn than to be given money by somebody to spend for my needs; definitely preferable to work.

There were a few things brought up, like time limits for benefits. I pursued a nursing career and went to school. It took 4 years altogether to get myself to a place where I graduated and I have received a licensed practical nursing degree, at which time I exited and entered the job market at $9.92 an hour: a salary that can indeed support me and my three children, which is more than adequate. But it would not work—I was only allowed 2 years in a program of assistance.

I liked what you said, Mr. Shaw, about the spirit, the human spirit. I brought a great deal of that with me when I signed up to get assistance. I brought drive. I brought determination. I brought a support system with me. I had family. Not everyone has those things.

There is a tremendous need for face-to-face contact with people who can mentor you, individuals who do not have the drive, do not know how to go about helping themselves. I think they talked about 20 percent of the time spent in face-to-face contact. It is wholly inadequate. There are many people that need more than that.

I had listed some barriers that I had to overcome. One of them, the biggest actually was transportation. As a full-time student I did not work during the time that I was in school. It meant 12 credit hours per semester, winter, spring, summer, and fall, for 4 years. I have three children and often I asked myself, when am I parenting? That was something that was seriously lacking was time to parent. The nursing program is a grueling program and the time spent at home was spent studying so that I could maintain a 3.5 grade point average throughout this time.

I put up with cars that did not have heat for 60 miles a day, 30 miles each way to get to school, batteries that vibrated off into fans so you had to stop on the side of the road and push them back where they belonged, fumes in the car. Just a lot of things that were not covered anywhere for somebody who was not working. Going to school did not seem to count the way it probably should have.

I also dealt with a hearing impairment. I am seriously hearing impaired. There were services, other Federal services that I could tap into that gave me help, like a wake-up device so that I could be here on time today that I brought with me. It vibrates the bed; it is really raucous. And a hearing stethoscope to allow me to perform the duties I need to as a nurse.

Another barrier was, again child care, and yet in my situation, I have older children. I came with the children. I did not have children after I entered assistance. I had a 14-year-old, I had a 10-year-old, and an 11-year-old and I was denied assistance for child care because the 14-year-old supposedly could care for the younger ones. Well, siblings make terrible sitters. Anybody with kids knows that they make terrible sitters for their younger siblings. It is a problem and I think it is one that I am having to deal with now

after the fact. We are needing counseling to learn how to deal with each other again because there was so much time spent without outside child care available. There was no money for it.

I talked about what it took to get off. You also have to deal with your own doubts about yourself, your personal skeletons in your closet, your fear of failure. Those things are all important issues that need to be addressed when you go about trying to help somebody toward self-sufficiency. It is not a single thing. People are multidimensional. You cannot just throw money at it and expect it to be better automatically.

I guess that it is about it.

Chairman SHAW. Thank you.

Ms. Haskins.

STATEMENT OF DEBORA HASKINS, FOND DU LAC, WISCONSIN

Ms. HASKINS. I am Debbie Haskins from Fond du Lac, Wisconsin. The problems I had were the child care and medical. I have five children. The child care I pay so much, along with having help with that, and next month I will be putting the children under my insurance. So things have come a long way in the year that I have been working.

We have had a lot of rough times like Ted said. But there are a lot of things that do need to be changed because I am not proud of being on the system for as long as I have. But there are so many loopholes. I was told years ago that if I tried—because I had told them I would like to form some kind of a committee and get some of the things changed that needed to be changed. They said, even if I tried to start on the inside all I would manage to do was lose the job that I had, because those people would be losing their jobs also if we put an end to certain of those.

So they have so many loopholes that I feel need to be closed. I was able to stay on the system for a lot longer than I should have been able to. Now that I am working, I have got more of that self-esteem back. Within the system, it takes that away from you. I thought, I have been home for so long, what can I really do? Once I got out there I found out I can do a lot.

I weld. I am the setup person at Power, Inc., which is a small, family run business. Each day I am learning more new things. I do not think there is anything that I would not be willing to learn.

Other than that, child care is the biggest issue with us because I have three that are needing day care. Even though I pay part of it, there is a substantial amount that gets paid for them. Without that child care they would be either taking it away from the shelter or food. Really with both of them, you really do not want to have to take from either one of those. My children, the ones that are in day care are 4, 6, and 9. Next year the 9-year-old will not be in child care, so I will just have the two. So my biggest concern is child care.

Thank you.

Chairman SHAW. Thank you.

Ms. Geter.

STATEMENT OF PIER GETER, WILMINGTON, DELAWARE

Ms. GETER. Good afternoon, Mr. Chairman, and Committee Members. I would like to thank you for this opportunity to speak. My name is Pier Geter and I am a resident of Wilmington, Delaware. During the course of the last 2 years my life has changed dramatically. I am a proud mother of three children. I have a daughter who is 6 years old and 1-year-old twin sons.

I am a graduate of the First Step employment and training program. I was employed as a receptionist at the Western Neighborhood House and within the last year I was promoted to administrative assistant for the very same program that I graduated from.

My annual salary is $18,000 per year and transitional day care has assisted with annual day care costs of $9,504. Over half of my income would have been devoted solely for child care. It would have been impossible for me to take care of four of us on my salary of $18,000 a year. We would not be able to eat, have a roof over our heads, or heating for my home. Thanks to transitional child care, I no longer have to worry about how I will pay my child care bill, and I can rest at ease knowing that a program such as this one that has helped me can help others trying to get into the successful working world that cannot afford child care.

Please support transitional child care. Thank you.

Chairman SHAW. Thank you.

Mr. Ford.

Mr. FORD. Thank you, Mr. Chairman. I would like to commend all three of the witnesses for coming here to talk with this Subcommittee. As one of my colleagues said earlier, I am not sure what is the real purpose of these witnesses testifying today but I do want to thank you.

Ms. Peterson, you mentioned that certainly working is a lot better than being on welfare. But it took you 4 years to get off of welfare, right?

Ms. PETERSON. To get off of cash assistance. There are still some transitional services that I am receiving.

Mr. FORD. But, do you know under Mr. Shaw's plan and Newt Gingrich's plan that you would have been cut off 2 years ago? Not just off of cash benefits. You would not have been able to stay on for 4 years under Mr. Gingrich's welfare package that we have before the Congress today.

Ms. PETERSON. But I think what needs to be in place there is flexibility and a judgment call as to whether or not that time can be extended.

Mr. FORD. Under their plan, under the Gingrich plan and Mr. Shaw's plan you realize that you would not have been able to maintain those cash benefits.

Mr. CAMP. Would the gentleman yield for just a moment?

Mr. FORD. I only have 5 minutes, Mr. Camp.

Mr. CAMP. Our plan is 5 years, not 2 years. So if you are going to speak about it, please speak accurately.

Chairman SHAW. You used my name, Mr. Ford——

Mr. FORD. Yes, I will yield to you, Mr. Chairman.

Chairman SHAW. I will tell you, just get it right, because she would have another year. It includes on-the-job training, educational programs, and so forth. The only thing that they can do

for 2 years is stay at home and do nothing. After that they have to be making some effort toward work, and Ms. Peterson is a perfect example of someone who did that.

Mr. FORD. But it has been over 5 years now, right, Ms. Peterson?

Ms. PETERSON. It has been about 4 years.

Mr. FORD. Been about 4 years, and you are still dependent upon some of the transitional services.

Ms. PETERSON. I do not get food stamps anymore. I do get some help from a rental assistance that is escrowing money toward the purchase of a house at this point, and Medicaid which is extended 1 year beyond when my case closed.

Mr. FORD. I am not sure under their plan that you would have that transitional child care for your children.

Ms. PETERSON. One thing being on welfare teaches you is that you make do with what you have, and you find a way, and you make it work. I think that most of us have had to do that whether it is——

Mr. FORD. Right, and I find it to be true that you are good budget managers.

Ms. PETERSON. Another case in point for having more time with the caseworker who can look you in the face and provide encouragement, look you in the face and say, I know how that will work, or here is a place where you can get this service or get this item or something that you need cheaper. Somebody to work with you.

I am actually in favor of the welfare reforms that have come down. The changes that Michigan has made have been positive changes. We do not need to be as soft as it has been. I am motivated. But other people are not. There needs to be a little bit of a push to motivate people to work, to get a feel of what that is like, to make them be responsible.

Mr. FORD. Are you familiar with the welfare bill that is before the Committee?

Ms. PETERSON. I looked it over somewhat and, for the most part, I was in agreement with it.

Mr. FORD. When they invited you to the Committee, did they send you a copy of the bill?

Ms. PETERSON. No, I looked it over after I——

Mr. FORD. Did you look over the bill with Ms. Page? Did Ms. Page talk with you about it?

Ms. PETERSON. No, nobody showed me what to look at. I found information for myself.

Mr. FORD. I do not know, Ms. Peterson. I still do not understand why we are here today. I said earlier——

Chairman SHAW. I think you learned something. You just learned that Ms. Peterson would qualify under the plan and that she would have been a success story under the plan. So I think any day you come to a hearing and learn something about a bill that you are voting on, that is a good day.

Mr. FORD. I did not necessarily say that I learned that. I am still confused about the Newt Gingrich welfare plan that is before the Committee and how Ms. Peterson would be impacted by this bill. I certainly agree with you, that work is a lot better than welfare. I think that most welfare recipients are just like you. You are able

to work; you want to work, and you do not want to be trapped in that vicious cycle of the welfare system.

I find that to be true all over the country. I do not find the witnesses here to be isolated cases. I find that to be true with the general population. There are people trapped in the welfare system for many, many reasons that might be different from the three who are testifying here today. But by and large, the people that receive cash assistance do not want to receive a check rather than having a job. Maybe Mr. Shaw and Mr. Gingrich have found otherwise.

Now, if you find a situation where a teen mother has experienced multiple pregnancies, dropped out of school, and faced a dead end, we find these people stay on welfare for a longer period of time. But ordinarily, people who are forced out of the work force and onto the welfare rolls for whatever the reasons might be, want to come off welfare as soon as possible. They want to work. They want a job. They do not want to draw welfare checks. Ms. Peterson, I find that to be true in your case. But I find that to be true in the vast majority of the cases of people that I have talked with who are welfare recipients.

Chairman SHAW. Mr. Camp is recognized.

Mr. CAMP. Thank you, Mr. Chairman. I want to thank all of you for coming. I have found all of your testimony extraordinarily helpful. It is not often I get an opportunity to hear from people all over the country. I know it was not easy to get here. I know it is not easy to sit through these hearings, but it is very, very helpful for us to hear, because this process is not over yet. We are still working on a product and over time we will be wanting to amend and improve that product.

Ms. Peterson, I would like to direct my remarks to you because I am from Michigan and so are you. I just wanted to ask you, are there any particular things—and that can be related to the Department of Social Services or not—that you found helpful as you made this really tremendous change in your life and positive step forward, that we ought to know about?

Ms. PETERSON. The most helpful individuals were those that took a little extra time. I worked with Michigan Rehabilitative Services, Joyce Ryan who helped me get my hearing assistance. I had to have new hearing aids right at the beginning because mine were very old; and my assistive devices. She had more time for me. I did have to send her report cards each semester, and she would write back, wow, you are doing a great job. Those little things meant far more really for morale, for keeping me going than some of the other financial things.

Yes, the financials were necessary and needed, but you are still dealing with a multidimensional human being who needs to be encouraged in a really hellish time in their life. It is not a pleasant thing to be on assistance, to need help given to you.

Mr. CAMP. Under the plan as it is drafted the States would have the flexibility to extend child care longer if they decided to design the plan that way. I know that you mentioned with preteens and teenagers that that might be something that would be worthwhile. That would be something the States would have the ability to do. Would that possibly be helpful?

Ms. PETERSON. Yes, I think it would be helpful. I think any amount of increased flexibility that the States get is definitely going to be an improvement and will give a greater chance for creative solutions to some of these problems.

Mr. CAMP. In understanding your particular situation, you really started on this change in—was it 1992 that you began?

Ms. PETERSON. I began in 1991, so it was under the old program. Then Michigan reformed and so there were new things.

Mr. CAMP. So you experienced both the old system in Michigan and the changes and the reforms as they went along?

Ms. PETERSON. Yes.

Mr. CAMP. For example, the idea of entering into a social contract. Did that have an impact on you?

Ms. PETERSON. I had no problem with the social contract. I was going to school full time so that really fulfilled that contract. Before they made the changes though, I was required to take a clipboard with me to every class and have every teacher sign. That was highly demeaning. It was highly difficult to do that and have to explain why it had to be done. I do not know whether that was a Federal or a State rule, but that was very difficult.

Mr. CAMP. But that rule was changed and that helped?

Ms. PETERSON. That was changed because the social contract replaced that. I could fill in where my time was and where I was for that time instead of having somebody sign it.

Mr. CAMP. So you were given the responsibility and the trust, if you will, to complete your work and hand it in.

Ms. PETERSON. That is right, yes.

Mr. CAMP. Did you then meet with someone to go over your progress?

Ms. PETERSON. No, that was a downfall because I had to keep them in case there was question as to validity or whether I was doing my part. It probably would be better if that was sent in every month or something. It did have to be signed once a month.

Mr. FORD. Mr. Camp, would you yield on that point?

Mr. CAMP. I just have a little bit of time. I will yield for just a few seconds.

Mr. FORD. Now, she was in school for 4 years from 1991. Under the Republican bill, I think after 2 years of school she would not be able to receive the cash benefits.

Mr. CAMP. She would have had to have worked on a part-time basis under our plan.

Mr. FORD. So what I said earlier, after 2 years, Ms. Peterson would have been cut off because she was in school, right?

Mr. CAMP. Not cut off, no. What you said was wrong. She would not be cut off. I will reclaim my time.

I am just trying to get at what some of the things were that helped you. Were there any services that the Department of Social Services provided or things that you did that you found particularly helpful?

[Pause.]

Mr. CAMP. That is fine. You have done an excellent job here today and I really want to commend you on the changes you have made in your life and helping share those with us so we can do a better job.

Ms. PETERSON. I start my RN program January 4. I am going back to school in January to get my RN.

Mr. CAMP. Super. Thank you very much.

Chairman SHAW. Mr. Levin.

Mr. LEVIN. Thank you, Mr. Chairman, and thanks to all the witnesses. I think we all admire your initiative.

I do not really have any questions. I do think there has been some clarification. Ms. Peterson, you were going to school for 4 years full time?

Ms. PETERSON. I believe it was a flaw in the way the system was managed. I do not know whether it was Federal mandates or whether it was State, but I was required to go full time even though a good portion of that time was spent on a waiting list to get into the actual nursing program. I had fulfilled my prerequisites for that program, but I was still required to go full time.

Mr. LEVIN. So your course would not have otherwise required 4 years?

Ms. PETERSON. It may not have required that length of time, correct.

Mr. LEVIN. It might be a provision we want to look at. That is one that will be the value of bipartisan discussions. I am not sure what the answer is. Four years is a long time. But it may well be that we should give States flexibility when somebody is enrolled to not require them, especially depending on the number of children, to work a job part time. I am not sure of the answer either, but I think we need to look at that.

We very much admire your efforts and I hope we will take seriously what each of you said about child care. You mentioned, Ms. Peterson, time limits. But the time is late. If you have any thoughts on that, drop us a note. Mr. Camp and I are both from Michigan. Of course, it is the same postage even if you send it here. So either way, if you have any further thoughts on that, let us know. Again, thanks to all of you.

Chairman SHAW. I have one question for Ms. Haskins. I think I heard you say something that I want to be sure that we fully understand. How long were you receiving AFDC before you got into some type of a job or job program?

Ms. HASKINS. I started in 1981.

Chairman SHAW. Let me tell you what I am getting to and then you can fill in the blanks and see if I am correct. I think I heard you say that the longer you are sitting home doing nothing, the more you lose your incentive to move forward. Is that a correct statement?

Ms. HASKINS. Yes, it is. Also, being home you do not get a chance to improve the skills you do have. Once you go and try to get a job after being home for a while and they ask you, What experience have you had? Without the experience, they do not usually give you a chance, because I applied at different places.

Chairman SHAW. So I am right in saying that you believe the type of welfare system that we should have should place the emphasis on getting people on their feet and out of the home as quickly as possible, and that the longer that is prolonged, the tougher it is going to be to mold the individual into a job?

Ms. HASKINS. Yes.

Chairman SHAW. Thank you very much. I want to add my thanks for these three success stories and for their getting out of the web that we have created. Hopefully, we will be able to help a lot more people by the welfare reform system, but you all three are to be congratulated. Thank you very much.

For the next panel, these will be researchers. We have Judith Gueron, who is president of the Manpower Demonstration Research Corp. in New York City; Lawrence Mead, Ph.D., professor of—by the way, Judith Gueron is also a Ph.D. Dr. Mead is a professor of politics at New York University, visiting fellow at the Woodrow Wilson School of Public and International Affairs at Princeton University in Princeton, New Jersey; and Sharon Schulz, who is the executive director of the New Hope Project in Milwaukee, Wisconsin.

Welcome. We have your written testimony which will be made a part of the record, and we would encourage you to summarize it.

Dr. Gueron.

STATEMENT OF JUDITH M. GUERON, PH.D., PRESIDENT, MANPOWER DEMONSTRATION RESEARCH CORP., NEW YORK, NEW YORK

Ms. GUERON. Good afternoon, Congressman. I appreciate the opportunity to appear here today.

Americans in numerous public opinion polls have stated that they favor three conflicting goals for welfare reform. They want to put people to work, they want to protect children from severe poverty, and they are interested in controlling costs. In the past two decades reformers have identified one approach as the most promising way to advance on all of these goals—redefining the bargain between government and welfare recipients so that government provides income support and work-directed services and recipients must participate or face sanctions.

Happily I can report at this hearing that we now have reliable evidence that this approach, mandatory welfare-to-work programs, when done right offers a way to advance on meeting all of these goals. Careful evaluations in diverse and real world conditions have shown that programs that are tough and adequately funded can be fourfold winners. They get parents off of welfare and into jobs, support children, save money for taxpayers in the long run, and make welfare more consistent with public values.

Interim findings from a federally funded study of three such programs in Grand Rapids, Atlanta, and Riverside found that they reduced the number of people on welfare by 16 percent, decreased welfare spending by 22 percent, and increased participants' earnings by 26 percent. Data on the Riverside program showed that over time it saved more than $3 for every $1 it cost. This means that ultimately it would have actually cost the government more, far more, had it not run the program. On any measurement, this is a successful initiative.

Not only can these programs work, but we now know some of the causes for success and have strong reason to believe that other cities and States can match these accomplishments. In order to do so, it is necessary both to provide work-focused employment serv-

ices and child care, and equally important to fundamentally change the tone and message of welfare so that it is more prowork.

It is my conviction that if welfare everywhere resembled these programs, the system would convey a radically different message, the public would see some advancement toward each of its goals, and the debate this year would have been very different. But we are far from that point. Most welfare offices still do not look like the three I described, and while many factors—philosophy, inertia, differing goals—explain this, a key reason is also lack of money. Simply put, as this Committee knows, it requires a substantial up front investment of funds to reap the downstream benefit of more people working and reduced welfare costs.

Now how do we spread the successes? This year's congressional debate has resonated with almost unanimous prowork messages, and the Personal Responsibility and Work Opportunity Act calls on States to get unprecedented numbers of people participating in work activities eventually for 35 hours a week. While this would seem to promote the replication of the successful practices I have described, there is a real risk that it will do the reverse and instead threaten the very programs we are celebrating today.

The risk comes from three sources—first is money. In work programs, time is money. Congress can legislate higher participation rates. As this Committee's earlier actions recognized, States will need more up front money to make them real. Yet the bill eliminates the JOBS Program which funded the Grand Rapids, Atlanta, and Riverside successes, and folds the money from JOBS into one block grant with AFDC cash grant programs. It freezes funding for the combined block grant at current levels despite the requirement that States meet participation rates that escalate sharply in future years. Under fiscal pressure and with short time horizons, States may hesitate to make the up front investments.

My second concern comes from what we know about the feasibility of the rates in the bill. Despite their well-earned reputation for being the most mandatory in their States, the Grand Rapids and Riverside programs would have failed the rates ultimately called for in the legislation.

My third reason is the risk that meeting the bill's mandate will undermine the very successes that people in Congress and the States hope to promote. Past research provides a warning against spreading program resources very thinly and pushing for higher and higher participation rates and hours, particularly the push from 20 to 35 hours of activity in every week, requires States or someone to dramatically increase child care outlays. Yet, we have no evidence that the longer hours will lead to any corresponding increase in program accomplishments.

In conclusion, everyone claims to favor work and a new work-based bargain. In the past, reformers have succumbed to the temptation to promise more than they are willing to pay for. This is one of the reasons why the reality of reform has always fallen short of the rhetoric and why reform has usually generated much heat but little light. We are now, in the successes that we are celebrating today, starting to see some light. We should move toward it. Matching resources to our words is one way to do it.

[The prepared statement follows:]

Testimony of Judith M. Gueron
President, Manpower Demonstration Research Corporation
Before the
Committee on Ways and Means, Subcommittee on Human Resources
December 6, 1995

Good morning. I am Judith Gueron, President of the Manpower Demonstration Research Corporation. I appreciate the opportunity to appear before this Committee today. The focus on welfare reform success stories is a welcome contrast to much of this year's debate, which has centered more on the failures of the system, on which level of government should be responsible for redesigning welfare programs, and on how much money the federal government should be spending. The debate has strayed from the more critical issue of how to create a welfare system that succeeds in meeting the three goals that Americans, in numerous public opinion polls, have stated they favor: putting recipients to work, protecting their children from severe poverty, and controlling costs.

It is because these goals are often in conflict – with progress toward one or two often pulling us further from the others – that reform has been both contentious and difficult. Yet, when the dust settles in Washington, real-life welfare administrators and staff in states, counties, and cities will still face the fundamental question of how to balance this triad of conflicting public expectations.

In the past two decades, reformers have identified one approach as the most promising way to do this: redefining the bargain between government and welfare recipients so that government provides income support and a range of services to help recipients prepare for and find jobs, while recipients must participate in these activities or have their checks reduced. Sometimes recipients have been required to work for their checks – as opposed to looking for jobs or participating in education or training – but this has not been the primary focus, in part because funding has been limited.

Happily, I can report at this hearing that we now have reliable evidence that this approach – mandatory welfare-to-work programs – when it is done right offers a way to advance in meeting all three goals. Careful evaluations of large-scale programs implemented in diverse and real-world conditions have shown that those that are tough and adequately funded can be four-fold winners: they can get parents off welfare and into jobs, support children (and, in some cases, make them better off), save money for taxpayers in the long run, and make welfare more consistent with public values.

Recent interim findings from a federally funded study of three such programs – in Atlanta, Georgia; Grand Rapids, Michigan; and Riverside, California – found that they reduced the number of people on welfare by 16 percent, decreased welfare spending by 22 percent, and increased participants' earnings by 26 percent. Other data on the Riverside program showed that, over time, it saved almost $3 for every $1 it cost to operate the program. This means that, ultimately, it would actually have cost the government more – far more – had it *not* run the program. On any measure, this is a successful government initiative.

Not only can these programs work, but we now know some of the key ingredients of success and have strong reason to believe that other cities and states can match these achievements. In order to do so, it is necessary both to provide work-focused employment services and child care and, equally important, to fundamentally change the tone and message of welfare. When you walk in the door of a high-performance, employment-focused program, it is clear that you are there for one purpose – to get a job. Staff continually announce job openings and convey an upbeat message about the value of work and people's potential to succeed. You – and everyone else subject to the mandate – are required to search for a job and, if you do not find one, to participate in short-term education, training, or community work experience. You cannot just mark time; if you do not make progress in the education activities, for example, staff will insist that you look for a job. Attendance is tightly monitored, and recipients who miss activities without a good reason face swift penalties.

If welfare looked like this everywhere in the country, we probably would not be reforming welfare again this year. Instead, the system would convey a radically different message to welfare recipients, and the public would see some advancement toward each of its goals.

But we are far from that point. Although the Atlanta, Grand Rapids, and Riverside programs are not the only strong ones, most welfare offices around the country do not look like the one I just described. In part this reflects a lack of know-how; in part, a conflict over goals

and different views as to the causes of poverty; in part, the enormous inertia that makes it so hard to change large systems. But in part this also reflects a lack of money. Simply put, as this Committee knows, it requires a substantial up-front investment of funds to reap the down-stream benefit of more people working and reduced welfare costs. Moreover, these efforts are no panacea. Even in these three locations, many people remained on welfare and many children in poverty.

While the success is only partial, it is dramatic nonetheless, posing a clear challenge to administrators and policymakers: to spread best practices to other locations and identify even more successful ways to require, encourage, and support parents in moving into the labor force.

This year's Congressional debate has resonated with an almost unanimous pro-work message, and the Personal Responsibility and Work Opportunity Act of 1995 calls on states to get unprecedented numbers of people on welfare participating in work activities, eventually for 35 hours a week. While this would seem to promote the replication of the successful practices I have described, there is a real risk that it will do the reverse, and instead threaten the very work programs we are celebrating today.

I want to conclude my testimony with the three reasons for my concern.

The first is money. In work programs, time is money. Congress can legislate higher participation rates, but, as this Committee's earlier actions recognized, states will need more money up-front to make them real. Yet the bill eliminates the Job Opportunities and Basic Skills Training (JOBS) program – which funded the Grand Rapids, Atlanta, and Riverside successes – and folds the money from JOBS into one block grant with funds from the AFDC cash grant program. Further, it freezes funding for the combined block grant at current levels, despite the requirement that states meet rates for participation in publicly supported work activities that escalate sharply in future years. Under fiscal pressure and with short time horizons, states may hesitate to make the up-front investments that can both produce future savings and transform welfare into the work-directed programs favored by most Americans. This is because, unless states are willing to raise taxes to cover the short-term costs of these programs or really can substantially reduce outlays on grants (and withstand pressure to return the savings to taxpayers), the new combined block grant for benefits and work programs may create perverse incentives as states trade off maintaining monthly benefits against expanding work programs.

The second is what we know about the feasibility of the rates in the bill. Despite their well-earned reputation for being the most mandatory in their states, the Grand Rapids and Riverside programs (as well as the one in Atlanta) would have failed the participation rates ultimately called for in the Personal Responsibility and Work Opportunity Act. Not enough people were reached; they were involved in activities that the bill does not count; and they participated for fewer hours per week than the bill accepts.

The third is the risk that meeting the bill's mandates will undermine the very successes that people in Congress and the states hope to promote. These three programs were effective because administrators made smart choices about the use of resources, the management of staff, and the message they communicated. Past research provides a warning that spreading program resources very thin or spending them on activities that do not promote unsubsidized work can reduce success. It can also reduce cost-effectiveness. Pushing for higher and higher participation rates and hours – particularly the push from 20 to 35 hours of activity in every week – requires states to dramatically increase child care outlays. Yet we have no evidence that the longer hours will lead to any corresponding increase in program accomplishments.

In conclusion, everyone claims to favor work and a new work-based bargain. But this is only talk unless there is an adequate initial investment and clear incentives for states to transform welfare. In the past, reformers have succumbed to the temptation to promise more than they have been willing to pay for. This is one of the reasons why the reality of reform has always fallen short of the rhetoric and why reform has usually generated much heat, but little light. We are now – in the successes we are celebrating today – starting to see some light. We should move toward it. Matching resources to our words is one way to do it.

Chairman SHAW. Thank you.
Dr. Mead.

STATEMENT OF LAWRENCE M. MEAD, PH.D., PROFESSOR OF POLITICS, NEW YORK UNIVERSITY, VISITING FELLOW, WOODROW WILSON SCHOOL OF PUBLIC AND INTERNATIONAL AFFAIRS, PRINCETON UNIVERSITY, PRINCETON, NEW JERSEY

Mr. MEAD. Thank you, Mr. Chairman. Earlier this year I testified in another hearing where I advocated a somewhat different approach to welfare reform. H.R. 4 unentitles and time limits welfare while passing most responsibility to the States. I would have preferred keeping the legal entitlement, avoiding time limits but enforcing work on the adults much more stringently.

In other words, I would have ended the entitlement in a behavioral way but not in a legal way. It seemed to me that this was the best way to meet the two main imperatives of welfare reform, which are to put the adults to work, but also to maintain support for the needy. These things can be done. They are not contradictory but it does require maintaining open-ended aid and tough up front job enforcement. That would have been my preference.

But it is clear that we are going to go toward legislation involving block grants and a somewhat different mix of reforms. So tonight, or rather today. It is not yet tonight.

Chairman SHAW. We are headed in that direction.

Mr. MEAD. This afternoon I am going to ask a different question. Not what reform might be ideally but how H.R. 4 is likely to affect the process of reform that is already going on at the State level. And I am going to recommend some fine-tuning.

Now as Judy has just indicated, it is clear that, at their best, welfare employment programs can have large effects on the caseload. I think the effects on dependency on welfare rolls forecast in the MDRC studies are probably somewhat understated because they do not capture the deterrence effects that States like Wisconsin are seeing from tough work policies up front.

The effects that MDRC finds are for people who are on the caseload and they do not include the effects of people who never go on the caseload because of the work policies. The indications in Wisconsin are that these effects are quite large and the effect could well be to allow work policy to drive the caseload down on a scale that we have not seen up till now, nor would we expect based simply on the evaluations.

Now looking at H.R. 4's main provisions I see a set of new work standards that are tougher than those we have now and which are in themselves attractive. My concern is that they are not fully credible given the overall structure of the bill. They require a 50-percent participation rate in the year 2002. That is an improvement. It seems to me we have to aim for 50 percent in order to make work the norm on welfare.

Also, the 50 percent is calculated using all welfare adults rather than making assumptions about which are employable. I think that is realistic. That is more effective. There is also a shift in the preferred activities away from remediation of the kind that was fa-

vored under the JOBS Program and toward actual working, activities involving actual work.

Indeed, I would go a little further. The bill, as I read it, does not require up front job search. I would have mandated that as well. I would have said people in this program have to look for work up front. That has to be a mandated activity.

So in these ways, the standards are tougher. But the bill, I think, goes too far in one particular area especially, and that is the 35-hour activity criterion for the years toward the end of the period we are talking about. Judy has alluded to this. I do not think 35 hours is enforceable. I would rather have the 20 hours that we now have as the norm under the current regulations and have that be really enforced. I think that is a more effective way of changing welfare than aiming for 35 hours.

The problem I see is that these standards, although in general they are desirable, are not fully credible because of the rest of the bill. Judy has mentioned the dismantling of the JOBS Program and the lack of any dedicated money for work programs. States might decide to use the JOBS money simply to maintain benefits in the face of Federal cuts rather than using it to go on enforcing work. Particularly, the penalty that States face for failure to meet the work requirements; namely, a 5-percent cut in the block grant, is probably not enough to keep many of them from deciding that it might be better simply to take the penalty than embark on the difficult business of enforcing work.

Now I do not entirely agree with the position of CBO and some other estimators that building up work programs has to involve significant new dollars. I do not think that is true. MDRC finds that good programs save money for government. As far as I can see, the main need is to reprogram money from education and training into case management so as to enforce participation in the programs and enforce job search. If you do these things you save money very quickly. There may be a very short run of front-end investment in terms of additional staff and child care, but I do not see that as nearly as large an investment as some people have maintained.

I think well-structured programs can save money for government very quickly by driving the caseload down. The main difficulty in getting to those programs is not money primarily but administrative reforms: gearing up the programs in such a way that they actually have the case management and the oversight capability, and the computer capability to follow the caseload and get on top of it.

Nevertheless, having said that, there is no question that the combination of less money plus the relatively limited sanction for noncompliance is going to tempt a lot of States, especially the large, liberal States with big caseloads to opt out of these work requirements. I think that would be disastrous. The effect of that would be effectively to dismantle work enforcement in the United States.

These States might take the penalty. If there are many of them, they would probably come back to Congress and try to get exempted from the penalty, change the standards, negotiate over this as they have over other penalty welfare provisions going back a couple of decades. The effect will be to eliminate effective work enforcement as part of welfare. Then the States will have no way to con-

trol the caseload except simply to cut people off by trimming benefits or eligibility. That is not what the public wants. It is not the most effective way to reform welfare.

So my recommendation would be to raise the penalty to noncompliance to something over 5 percent of the grant. At the same time, cut the hours requirement from 35 to 20 and enforce it more seriously. That is a more realistic combination of requirements. Perhaps earmark some funds for work enforcement rather than fold JOBS into the block grant. As a final step—I would avoid this if possible—maybe stretch out the implementation for a couple more years, because the 50 percent is going to be very tough for a lot of States to reach.

In the end what you are facing here is an ambiguity about the block grant. Congress is saying we are turning over welfare policy to the States. On the other hand, we have these tough work standards. I think in the end you cannot have it both ways. H.R. 4 has to be either a work program or a block grant.

I would recommend that you turn it into a work program, that you give some serious attention to these details I am talking about either in the remaining legislative process or later in the regulatory process. Mr. Chairman, you said there is going to be ongoing attention in this area and these are the sort of things that I think you are going to have to keep looking at in the years ahead.

Thank you.

[The prepared statement follows:]

TESTIMONY OF LAWRENCE M. MEAD
PRINCETON UNIVERSITY

I appreciate this change to testify on the nation's next reform of welfare, which is foreshadow in the Personal Responsibility and Work Opportunity Act (H.R. 4). I am a Professor of Politics at New York University, and currently I am a Visiting Fellow at the Woodrow Wilson School of Pub and International Affairs at Princeton University.

I must say at the outset that H.R. 4 is not the welfare reform I would have chosen. Its purpos is mainly to block-grant welfare, ending its entitlement status, and to time-limit the period during which recipients may draw aid. The JOBS program is eliminated and its funding folded into the same grant with AFDC. I would have preferred ending the AFDC entitlement through tougher wo requirements rather than block grants. I would have kept JOBS and used it to insist much more strongly than current law that welfare parents immediately look for work and take jobs. However, would have allowed open-aided aid for adults unable to get off the rolls, provided they worked or looked for work half-time. This, I think, is the best way to satisfy the imperatives that emerge fron both public opinion and the nature of the welfare problem--enforcing work for the employable whi supporting the vulnerable. I testified to this effect before this committee on January 23, 1995.

However, H.R. 4, or something close to it, is likely to become law. Accordingly, today I ask different question: What will this bill accomplish? What are its effects likely to be on the process (reform that is already going on at the local level? I will concentrate on the areas I know best, whic is welfare employment programs, although H.R. 4 would affect other realms as well. My verdict is mixed. The bill proposes much tougher work requirements than current law, which is good, but whether it would realize them is unclear.

In general, enforcing work is the best way to reform welfare. This strategy directly responds the main problem of welfare adults, which is lack of employment, while maintaining support for families in need. It is better than either paying welfare without expectations, AFDC's traditional policy, or denying all aid, as some conservatives propose.[1] Some argue that unwed pregnancy is a greater problem on welfare than nonwork, but the main cause of nonmarriage and marital breakup among poor parents is itself the failure of the adults as breadwinners. Further, we know how to enforce work while we do not know how to curb unwed pregnancy. It is unclear whether cutting welfare benefits or coverage would reduce births out of wedlock, but it is very clear that work requirements raise the share of welfare recipients who work, more than does any other policy.[2]

These considerations explain why the main purpose of the Family Support Act, the last national welfare legislation, was to create the Job Opportunity and Basic Skills Training program (JOBS), the nation's most ambitious welfare employment structure to date. The implementation of JOBS, so far as FSA mandated, was completed in FY95, when states were supposed to have at leas 20 percent of their employable recipients active in the program on a monthly basis..

The key to effective work programs is enforcing participation and requiring that participants actually work or look for work rather than go into education or training. Remediation can help, bu only after clients are working at least part-time. Preliminary findings from a national evaluation of JOBS shows that a "labor force attachment" approach is much more successful than "human capita development," at least in the short-run.[3]

Evaluations establish that programs with these features can have large effects on the caseload In the recent evaluation of California's Greater Avenues for Independence (GAIN), the most successful county (Riverside) raised the proportion of its clients working by a quarter and their earnings by a half.[4] Most such programs show more modest gains, but the reasons are mainly that they do not enforce participation and actual work as effectively as the better programs. In principl to enforce much higher work levels on welfare is within the capacity of government.

In evaluations, welfare work programs typically raise employment and earnings by more than they reduce the welfare rolls. Recent evidence suggests, however, that work programs can deter people from going on welfare in the first place. Assessments of what happens to people on the roll fails to capture that effect and so understate how much the programs reduce dependency.

It appears, for example, that JOBS has some power to restrain growing dependency. Betwee 1989 and 1993, state welfare rolls grew an average of 35 percent, but states that achieved high participation in JOBS had noticeably lower growth. A few states have been able to use tough work enforcement to help drive their caseloads down.[5]

The most notable case is Wisconsin. Between 1987 and 1994, the state's AFDC caseload dropped 23 percent, despite the fact that welfare was growing virtually everywhere else in the country. In this period, the average Wisconsin county cut its dependency 42 percent, and even Milwaukee, with the largest and most disadvantaged caseload, reduced it by 5 percent, according t state figures.[6] The reasons probably include a favorable economy, some decline in benefit levels--

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[1] Lawrence M. Mead, Beyond Entitlement: The Social Obligations of Citizenship (New York Free Press, 1986).

[2] Lawrence M. Mead, The New Politics of Poverty: The Nonworking Poor in America (New York: Basic Books, 1992), chs. 4-8.

[3] Stephen Freedman and Daniel Friedlander, The JOBS Evaluation: Early Findings on Progra Impacts in Three Sites (New York: Manpower Demonstration Research Corporation, July 1995).

[4] James Riccio, Daniel Friedlander, and Stephen Freedman, GAIN: Benefits, Costs, and Thre Year Impacts of a Welfare-to-Work Program (New York: Manpower Demonstration Research Corporation, September 1994).

[5] Lawrence M. Mead, "The New Paternalism in Action: Welfare Reform in Wisconsin" (Milwaukee: Wisconsin Policy Research Institute, January 1995).

[6] Department of Health and Social Services. JOBS Annual Report. State of Wisconsin

and a highly effective JOBS program. Recently, some Wisconsin counties have implemented experiments designed to divert people from welfare, by persuading them to get a job immediately (seek help from families, and these appear to have driven the rolls down further.

Would H.R. 4 make effective work enforcement more or less probable? The best work programs in the country, such as Riverside's or Wisconsin's, did not result from federal policy. Th arose from initiatives taken at the state or local level. JOBS, however, has clearly forced states wit big caseloads, which have been the most loath to reform, to take the work mission more seriously than they did before 1988. These states have had to meet JOBS' participation rate thresholds, whic forced work programs to serve a much higher proportion of welfare adults than previously.

The main effect of H.R. 4 would not be on the leading states in welfare reform. Wisconsin ar a number of smaller states already have realized participation rates high enough so that they could probably attain the 50 percent threshold on schedule. The large urban states with the largest caseloads raise much more question. For them, H.R. 4 offers more freedom from many federal rul but it also cuts funding. And because there is now no dedicated money for work enforcement, ther is now no assurance that states will spend enough on it to achieve the required work levels.

To promote serious reform, it is crucial that Congress manifest that the work requirements ar serious, and also that it is possible to meet them. I fear that the new stipulations are not credible as they stand. They call for participation rates never before realized except in a few localities, yet the provide no specific funding or program comparable to JOBS to realize them. The demands made look excessive, but it is also doubtful whether Congress really means to enforce them.

If implemented, some provisions of the bill clearly would improve work enforcement, compared to JOBS:

- The participation rates required of states are raised to 50 percent by 2002. It is essential to rea that level to make work, rather than nonwork, the norm on welfare. For states to reach this lev will be difficult, but several years of implementation are allowed.
- Participation rates are calculated using a base of all welfare adults, rather than employable adu as in JOBS. The JOBS definition of employability never was as closely related to job entries a the participation rate for all adults, and some states have manipulated who was defined as employable to exclude some recipients and make the participation thresholds easier to meet.[7] States, however, are allowed to exclude mothers with children under 1 from the base.
- The activities that count as participation are shifted toward actual work and away from the presumptions in favor of education and training that dominated JOBS. Evaluations since FSA has established that remediation in advance of work serves mainly to postpone work and seldo helps recipients get better jobs.
- Although child care funding remains, the obligation to arrange care is shifted from the agency the mother, who can now claim exemption on grounds of child care only if she proves that car is unavailable.

In some respects, the new legislation is less demanding than, experience suggests, it should have been:

- Up-front job search is not mandated. Merely, recipients are supposed to work within two year This will allow programs to continue to postpone work for the bulk of recipients and thus fore much of the potential deterrence effect of a work requirement. If job search is postponed, a tir limit on aid becomes less enforceable and less credible.
- The work obligation is more clearly defined for the state than the recipient. The law should sa explicitly that welfare adults are obligated to work or look for work half-time as a condition of aid.
- Vocational education, within certain limits, can be used for satisfying the first 20 hours of "wo activities" requirement, although experience has shown it has little impact. Better to exclude i as training is excluded, until the recipient is working at least 20 hours.
- The "sense of Congress" provision asking states to require "noncustodial, nonsupporting father under 18 "to fulfill community work obligations" should be extended to such fathers of all age
- No provision is made for performance measures for work programs other than the participatior floors. While the latter are primary for forcing change on the welfare system, Washington should also develop such other outcome measures as job retention rate or job entry wage, to assess how good the jobs are that recipients enter.

But in some other respects, the new rules are more demanding than is practicable, in light of experience:

- School attendance is not allowed as a permissible activity or mothers under 20 who have not completed high school for the first 20 hours, as it is for hours beyond 20. The priority should to have these mothers graduate, and after that to work, rather than the other way around. Teen mothers who did now show "satisfactory attendance," however, would have to work.
- Especially, hours requirements as high as 35 are mandated for the years 1999 and beyond. Th is too high to be enforceable given the need of single mothers to devote some time to caring fc children. States have had enough trouble with the "20 hours rule" in current regulations. It is far more important to levy a half-time requirement that is enforceable than a higher one that is only symbolic.

Having mandated such standards, Congress proposes to enforce them only by penalizing stat 5 percent of their block grant if they fail to meet them. Since the Congressional Budget Office has already estimated that to meet the rules might take up the bulk of the entire block grant, states have little incentive to do so. Better to take the 5 percent penalty and be rid of the work requirement.

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[7] In FY93, the share of welfare adults states judged to be mandatory for JOBS varied from 21

I do not believe that reforming welfare really would take up the bulk of the grant. It would only if one invest unnecessary sums in child care, training, and government jobs, as the Clinton welfare plan proposed to do. Rather, one should invest in case managers and computer systems to enforce participation and work on the caseload. If one does that, some up-front investment is needed, but one saves money due to caseload reductions within a couple of years, to judge from the Riverside and Wisconsin cases. The cut in funding, however, may still make it harder for the large states to set out to enforce work aggressively.

Two responses can be imagined. States that have not reformed significantly may get serious about it and devote much more attention to enforcing work. Or they may decide to change little an take the 5 percent penalty as the lesser evil. Indeed, they might even use money that once went for JOBS to pay for benefits and thus offset the federal funding cut. If many states did this, they would also go to Congress seeking to ease the standards and avoid any penalty at all. Work requirements would then collapse, returning welfare to the policy of entitlement without serous work expectation that prevailed prior to the Family Support Act.

The success of H.R. 4 depends critically on making the work rules more credible. I believe that will take at least two changes in the bill, either now or later:

- Raise the penalty for failing to meet the rules to much more than 5 percent of the block grant.
- Reduce the hours requirements in 1999 and beyond to 20 hours.

It may also require the restoration of some dedicated funding for work enforcement.

Politically, an ambiguity lurks at the heart of the block grant. Congress cannot both give state control over welfare and still demand that they put most of their adult recipients to work. I hope the Congress and the Administration will decide that the work provisions are more than *pro forma*. That amounts to saying that they should become a national program embodying national intentions, comparable to JOBS. And careful attention should be paid to their implementation, including both some changes in the law (such as I have suggested above) and careful drafting of regulations. If Washington makes that effort, than indeed H.R. 4 could mean a new and brighter day for welfare in America.

Chairman SHAW. Thank you, Dr. Mead.

We do have a vote on the floor. Ms. Schulz, if you could stay around we will be back in about 15 minutes. Thank you. We will stand in recess.

[Recess.]

Chairman SHAW. The Committee will now come back to order. Ms. Schulz, if you could proceed, please?

STATEMENT OF SHARON F. SCHULZ, EXECUTIVE DIRECTOR, NEW HOPE PROJECT, MILWAUKEE, WISCONSIN

Ms. SCHULZ. Thank you very much, Mr. Chairman, and Committee Members. Thank you for the opportunity to speak about the New Hope Project, a welfare alternative in Milwaukee, Wisconsin. My comments will be addressed in light of the New Hope experience. The New Hope Project is a national antipoverty demonstration. The ultimate goal of the project is to provide State and national policymakers with information on work-based option.

The most powerful stories of success come from the mouths of New Hope participants. The most powerful decisions which will affect the ability of many to live above the level of poverty are being made here in Washington.

The New Hope Project is being evaluated by MDRC, the Manpower Demonstration Research Corp. MDRC is monitoring and will report on the implementation of this antipoverty strategy, assess the number of individuals getting into the labor market, their stability and working toward economic independence.

Over 1,300 people came from two central city neighborhoods in Milwaukee to participate in the project. They came understanding that due to random assignment, there was a 50–50 chance that they might not be an eligible participant. They also understood that their increase in income through a wage supplement, as well as help in paying for health insurance and child care, would only be available if they worked at least 30 hours a week.

New Hope participants are 52 percent black, 25 percent Hispanic, 13 percent white, 16 percent Asian, and 4 percent Native American. Sixty percent were receiving public assistance in the form of AFDC or general assistance at the time that they enrolled in the project. The range of family size is from one to nine, with an average family size being three. Over 40 percent have no high school diploma or GED. Making work pay is attractive to low-income persons with varied backgrounds and experiences.

New Hope has been enrolling participants since August 1994, therefore some of them have been in the project for only a few weeks, while others have been in over 1 year. Of the 661 eligible participants, 48 percent are employed full time. For us, that means 120 hours or more per month. Five percent are employed part time and 5 percent are employed through a community service job through New Hope. Of those who have had a community service job placement, 30 percent have moved into regular employment.

Twenty-nine percent of the New Hope participants are childless. The value of offering support to childless couples and individuals means that noncustodial parents will make child support payments. According to one teen adult in the program, her concentration on work and her opportunities lead to goal setting, personal

development, rather than having a child. Since those without children require no child care, the cost of support to these individuals and couples is minimal in our budget.

The provision of community service jobs for those unemployed after an 8-week job search is an integral part of the transition to regular work. It reinforces that if you work, you will be above poverty. If regular work hours are suddenly reduced, the provision of a community service job to supplement in order to meet the requirement of 30 hours of work to get the New Hope benefits is important.

Flexible programming enables participants to meet their needs. Many participants have opted not to, in fact, accept a community service job but to continue to look for work on their own. So about 38 percent of those eligible for community service jobs have accepted it.

The power of welfare reform lies in adequate funding to support State programs; that is, support for demonstrations. The private corporate sector validates the importance of research and development. Demonstrations aid in the appropriate and effective development of public policy. New Hope has been able to provide direct information to the State of Wisconsin in its development of Works for Wisconsin, the welfare alternative under Governor Thompson.

Child care and health care benefits have been accepted as necessary and basic components of reform. The availability of these supports permits individuals to start and stay working. Community service jobs, as child care and health care, are an important part of a work package. Not everyone needs it, but limited utilization should not necessarily negate the importance and the value of it being a part of the package.

New Hope's wage supplement builds on the State and Federal earned income tax credits. The earned income tax credit and the tax system work together with welfare reform, and so while we look at that I would hope that tax reform would be a part of welfare reform. While I understand that this Subcommittee's focus is on welfare reform, tax reform and welfare reform do work hand in hand in order to help and enable people to move out of a condition of poverty into being wage earners and into independence.

The power of New Hope does not lie in it being the total answer, but the power is the provision of a flexible and adaptive work-based model as a key to welfare reform.

Thank you.

[The prepared statement follows:]

TESTIMONY OF SHARON F. SCHULZ,
EXECUTIVE DIRECTOR, THE NEW HOPE PROJECT
MILWAUKEE, WISCONSIN
BEFORE THE WAYS AND MEANS SUBCOMMITTEE ON HUMAN RESOURCES
DECEMBER 6, 1995

Mr. Chairman and Committee members: Thank you for the opportunity to speak with you about the New Hope Project, a welfare alternative in Milwaukee, Wisconsin. My comments will be addressed in light of the New Hope experience. The New Hope Project is a national anti-poverty demonstration. The ultimate goal of the project is to provide state and national policy makers with information on a work-based option. The most powerful stories of success come from the mouths of New Hope participants. The most powerful decisions, which will affect the ability of many to live above poverty, are being decided here in Washington, D.C.

Introduction: The New Hope Project's ultimate goal is to provide state and national policy makers with data on how well the New Hope offer helps individuals get into the labor market, remain there, and what percentage of them make progress toward economic independence. The New Hope Project is an effort to document the effects of incentives to work for long- and short-term AFDC recipients, and General Assistance recipients, as well as individuals who are not currently in the welfare system, but still poor.

The New Hope Project has been developed over the past several years through a painstaking process involving representatives of the Milwaukee business community, state, county and city officials, community organizations, organized labor and religion, and those directly affected by poverty and unemployment. It is a bi-partisan effort whose proponents have grown to include a cross-section of the Milwaukee community, because it is making a different kind of social contract with the able-bodied poor: if you work, you will not be poor.

Over 1300 people, from two central city neighborhoods, came forward to participate in the project. They came understanding that due to random assignment, there was a 50-50 chance that they might not be an eligible participant. They also understood that an increased income through the wage supplement, as well as access and help in paying for health insurance and child care, would only be available if they worked at least 30 hours per week. New Hope participants are: 52% Black, 25% Hispanic, 13% White, 6% Asian, and 4% Native American. 60% were receiving public assistance (AFDC or General Assistance) upon enrollment into the project. The range of family size is from one to nine, with the average family size being three.

Over 40% have no high school diploma or GED. Making work pay is attractive to low income persons with varied backgrounds and experiences.

New Hope is being evaluated by Manpower Demonstration Research Corporation (MDRC). MDRC is monitoring and will report on the implementation of this anti-poverty strategy, and assess the number of individuals getting into the labor market, their stability in working, and progress toward economic independence.

The program has four key components:

-- **access to a job**: through non-subsidized private or non-profit employment, or if the participant cannot find a job after an eight week job search, a community service assignment will be offered.

-- **a wage supplement**: the combination of the federal and state Earned Income Credits and direct additional supplements paid by New Hope. This combination is calculated to raise a person's gross income above the federal poverty line (up to a family size of six).

-- **health insurance**: equivalent in benefits to Medicaid, for families and individuals not covered by Medicaid or employer insurance. The Project has a consortium of four HMOs from which participants can choose. Participants pay on a sliding fee scale.

-- **child care**: in a certified or licensed in-home or group facility. New Hope has a sliding fee scale.

New Hope has been enrolling participants since August of 1994. Therefore, some of them have been in the project for only a few weeks while others have been in the project for over one year. Of the 661 eligible participants, 48% are employed full time (120 hours or more per month), 5% are employed part-time, and 5% are employed in a community service job. Of those who have had a community service job placement, 30% have moved into regular employment.

29% of the New Hope participants are childless. The value of offering support to childless couples and individuals is that non-custodial parents will make child support payments. According to one adult teen, her concentration on work and her opportunities led to goal-setting and personal development rather than having a child. Since those without children require no child care, the cost of support is relatively minimal.

The provision of a community service job for those unemployed after an eight week job search is an integral part of the transition to regular work. It reinforces, "If you work, you will be above poverty." If regular work hours are suddenly reduced, community service jobs are available to enable participants to continue work and to meet the required 30 hours of work to receive New Hope benefits. Flexible programming enables participants to meet their needs. Many participants (38% of those eligible for a community service job opted to accept one) choose to continue to look for work on their own.

There are three primary objectives for the New Hope demonstration:

1. Document the responsiveness of people to the offer and the impact of their participation on income and non-economic effects.

2. Document what is learned about how to most effectively implement the offer, with an eye toward replicating the project on a larger scale.

3. Document the costs and benefits of the program.

Policy Relevance: New Hope has multiple policy objectives: to reduce poverty, make work pay, increase employment, respect and support individual circumstances and efforts, and create a more cost-effective system of income support than now exists. If the New Hope offer is shown to be successful, it will also affect the opportunity structure in poor communities, and the attitudes and expectations of children in participating families. New Hope is uniquely designed to address the problems of the welfare system and the working poor.

There are four ways in which the New Hope Project is unique among current welfare reform efforts:

1. Work-based offer: the New Hope offer is only available to participants working 30 hours or more per week. Due to decreases in regular full-time work, 30 hours is a more realistic expectation.

2. Access to a job: if the participant has not obtained a job within the first eight weeks of job search, New Hope will offer him/her a community service assignment, up to six months at a time at minimum wage. These are jobs that are meant to fill the gap until the participant is able to find regular sector employment, an important option for some participants.

3. Eligibility: the Project uses income level and the willingness and desire to work as the primary eligibility criteria. The participant's household income must be at or below 150% of poverty to enter. Participation is not limited to those currently or recently on AFDC. This can be a support to non-custodial parents and adult teens ready to work.

4. Means-Tested: participants are eligible for the components of the New Hope offer until their income reaches 200% of poverty level. Their payments for health insurance and child care increase as their income increases.

It should also be noted that the wage supplement component, while not unique, does offer a greater level of supplement than is currently available through the Earned Income Credit to enable families to get above poverty.

Some valuable aspects of welfare reform have been experienced by New Hope. States will need adequate support to replicate effective work-based models.

Support will be needed for:

Demonstrations: the private corporate sector validates the importance of research and development. Demonstrations aid in the development of appropriate and effective public policy. New Hope has been able to provide some direct information to the State of Wisconsin in the development of its Wisconsin Works welfare alternative.

Child care and health care: they have been accepted as basic components of reform. The availability of these supports permits individuals to start and stay working.

Community service jobs: like child care and health care, they are an important part of the work package. Not everyone needs them, but their limited utilization should not negate their value as part of a package.

EITC: The New Hope Project's wage supplement builds on the state and federal Earned Income Tax Credit. The EITC and a tax system to enable workers to contribute to Social Security, Medicare, and pay some income tax does have direct implications to moving low income people out of poverty.

The power of New Hope does not lie in being **the** answer. The power is in the provision of a flexible, adaptive, work-based model as a key part of welfare reform.

Chairman SHAW. Mr. Levin.

Mr. LEVIN. Thank you very much. I am sorry I missed part of your testimony, Ms. Schulz.

The hour is late. I just wanted to ask the three of you a question. In many respects, I think if we left writing the bill to the three of you, we could come up with a bill that would make a lot of sense and would be signed into law, but there are some differences. So if you would, talk a bit, the three of you, about the role of training, of education. Here Dr. Mead and Dr. Gueron have some differences. You are closer in your testimony than I think a lot of people tend to think.

But let us talk about that. Why do we not just go right to left.

Mr. MEAD. I do not think we differ much. I would give a priority in work programs to actual work, actual job search. But once a person has part-time work, I would also promote education and training for better jobs. What I want to stop is the excessive preference given for education and training in the Family Support Act, as implemented through the JOBS Program.

For too many people in JOBS today, education and training is a substitute for employment, a way of postponing the day when one comes in contact with the labor market. We have got to put an end to that. But having said that, I think training and education, in conjunction with part-time work, can be quite constructive.

Ms. GUERON. I agree a lot with what Larry said. I think we have learned from the research that work-focused programs that start with job search but may include short-term education and training that are designed to get someone into a job, have the greatest potential to save money. However, I would add that it is somewhat ironic to combine block grants with too many restrictions on the ability of States to use other components. A staff may favor achievements like the woman we just heard from who went through a 4-year nursing program. She particiapted in long-term education and training in order to obtain higher wages—she said she was getting $9 an hour at the end of that program. It is funny to come at a block grant and say that those other goals would not be supported by the participation standards and by what is countable activity.

So I think the research shows that if your goal in running a work-focused program is to save money and get more people into jobs, you should start with job search and not have extensive education and training. But if your goal is to increase skills and wages, some training programs have shown they are able to do that.

Ms. SCHULZ. I would agree with both of those things. The New Hope experience is that it is a work-based program, so when individuals are coming in, they come in with that understanding, that this is a viable option if and only if they are prepared to work.

But what we have seen demonstrated is that there appears to be a developmental process by which the next step, once someone is employed and they are looking to be able to increase and move forward in their income, is that they are then more likely to want to seek out training and educational programs that will be beneficial to them.

Mr. LEVIN. Thank you.

Mr. Chairman.

I think it is hard to know what will happen next in welfare reform. As I have expressed to you, I think the preference would have been to try to develop a bipartisan bill. I think that is doable.

I think a course has been chosen so far different than that, and I think if it is pursued the President will veto the bill and then we will sit down and try to work this out. And when we do, I think very much we will be referring to the testimony of the three of you. I hope we will take the warnings and the suggestions seriously because we need welfare reform so badly that we need to make sure it is workable welfare reform.

There is no use in going through the motions here or instituting a bill that is sufficiently off the mark that we just have to not revisit it, we will always do that, but restructure it. I think the present conference report is that far off the mark, but I think there is enough common ground for us to pursue it.

So my guess is that you will be hearing from us and we will be reading you, all three of you. Thank you very much.

Chairman SHAW. Mr. McCrery.

Mr. MCCRERY. Thank you, Mr. Chairman.

Dr. Gueron, you talked about work requirements and how perhaps the legislation is too restrictive in defining how a State can satisfy its work participation requirements. First of all, let me just point out that there is no restriction in the bill to States using the block grant funds to continue assistance for someone who is in training or education. They just cannot count that person toward satisfying the work requirements in the bill.

How do you think we should define work requirements? Do you think we ought to have specific participation requirements in the bill? If so, how do you think we ought to define work to allow States to satisfy those participation rates?

Ms. GUERON. I think the American public has said over and over again that they think people on welfare should be doing something. I take that to heart. I think participation requirements reflect what people want to see. So that is for starters.

I think, unfortunately, it always appears as if one ought to be able to meet a 100-percent participation rate and that 50 percent is not a high standard. What I tried to say in my remarks is that the most successful programs we have ever measured reliably in research would have failed the participation standards in the bill. I do not want to send a message to those programs that they have to do something different, because they are doing the most successful thing we have seen so far.

So it seems to me that if the most successful programs are going to fail your standard, you have a problem. One of the things that I see as a problem is only counting activities that are 35 hours a week. I do not want to pay for seat time. I do not think the American public wants to pay for child care for people just to fill up the hours. It is too expensive.

When we were studying programs during the eighties, I was always struck by the ingenuity of States running workfare programs for women. They used to schedule them around the school calendar to save child care money. It was not that they were soft, but they did not have the child care money, so they would schedule workfare slots around school hours and they actually, in West Virginia I re-

member, closed them during school vacations. It was only a money saving device. It was not a political philosophy.

So I think that one has to recognize that there are not the resources to provide child care, and I know you might not have to count women with children under one, but think of the costs of paying for that. Who wants to pay for it? So I think marching up to 35 hours, you know, it got there in a sort of macho rhetoric about being tough, but I think it is a real mistake to require States to do that.

When I look at the other reasons why these three States would not have passed the proposed standards, some of it has to do with the activities that are counted. I am not a great fan of basic education as it has typically been delivered in the JOBS Program. I agree with Larry that we should look at the results and be very sobered about what has been accomplished.

But these three programs have managed to combine their work focus and tapping into some of those activities and they could count them. I do not see why you would not let them count a certain amount of basic education and training followed by job search.

I also think you are mistaken to limit the number of weeks that you can count for job search. Job search is a proven commodity. People should be cycling back through it. It should be part of work activity. So I would not limit it to 4 weeks.

I think there are a number of steps that one can take to make these rates more reasonable, and I think there is a lot of explanation short of failure by administrators for the reason that it is very hard to meet these rates.

Mr. MCCRERY. Dr. Mead, do you have anything you would like to add?

Mr. MEAD. Yes, I was mystified that vocational education is included as a preferred activity but finishing high school is not. I would have done the reverse. I would have said that for people who are under 20, staying in high school would still be the preferred activity, or it could be counted toward the 20 hours, but not vocational education.

As Judy has said, job search is highly constructive. I would have mandated it up front. I would have had that it be not just a favored activity, but something that everybody has to go through at the outset, unless you are disabled, in which case you are in SSI. But short of disability, people on this program should be in job search up front.

Now they should not be in it forever. I mean, if it does not work, then you have to talk about something else. That something should still involve work rather than something else.

The thing I want to emphasize is that the hours are less critical than enforcing a real requirement on the bulk of the caseload. If you have a 35-hour requirement, you will be able to get some people to satisfy it, and you will generate some appealing success stories about people whose lives were changed. But you will not change welfare.

What changes welfare is to have a lower requirement that can be enforced consistent with the other demands on a mother's life which can become normal at least for the majority of the caseload. That has never been done, and that is an administrative problem.

That is not primarily a money problem. The key is getting the organization to supervise the caseload closely enough to obtain the 20 hours.

If you could enforce 20 hours on even a majority of the employable adults on welfare, you would transform welfare. If you could do that in even one locality, you would transform welfare.

Mr. MCCRERY. Why?

Mr. MEAD. Because then it would be normal, in some sense, for people to be working at least half time. You would have at least half the people working at least half the time. That would change the entire atmosphere surrounding welfare and low-income areas in this country, especially in the cities and, to a lesser extent, outside the city.

Mr. MCCRERY. Why?

Mr. MEAD. Because now people would understand, as they do not really understand now, that going on welfare involves clear cut work obligations. Right now the majority of the caseload has an impression that when you go on welfare, you get aid for sure because you are income eligible. Then what else you have to do is incidental and somewhat capricious. It depends upon who happens to get called in to JOBS. It depends on how you are assigned. It depends on a whole lot of things.

As a result, it is seen as busy work, as a formality, as something that might hit a few—it is like the draft used to be in Vietnam. A few people might be drafted, but you did not expect that most people were going to have their lives interrupted.

Well, you have got to change that. You have got to make it clear that if you go on welfare, it is like going into the Army today. You really are going to have to do something for sure, not just a few people have to do it, not just a minority, but a majority of the adults and potentially all of them, those that are defined as employable.

Mr. MCCRERY. What beneficial effect will that have on the welfare recipients?

Mr. MEAD. Well, from what we can tell, the first thing it produces is sharply higher earnings and employment and somewhat lower dependency as the rolls drop. It is not enough to eliminate welfare, but to judge from the Wisconsin experience—and I think we are going to see this in other States—it is enough to drive the rolls down 20 to 30 percent fairly quickly, if you are determined about it.

So you reduce the welfare rolls, you improve the life of the people who are on the welfare rolls. We have some information that this is also good for the kids. Although the mother has less time to worry about child-rearing since she is working, the quality of the time with the child improves, morale improves. The child has an example of someone functioning outside of the home and adopts a more positive attitude to school.

So it is very clear that morale improves for the welfare recipient. This is not a punitive thing. For them work is positive, and that is true even for clients who were assigned to the most apparently thankless assignment, namely unpaid work. We have surveys that MDRC has done that show the surprisingly positive reaction of the

majority of clients assigned to unpaid work, something that might surprise some middle-class people.

They feel good about this. Their children feel good about the situation. The long-term prognosis is better for the family. I do not claim it transforms the situation and turns them into middle-class people, but the impact is highly positive.

Mr. MCCRERY. Thank you for that answer. It is very good. Mr. Chairman, I have just one more question regarding work requirements.

Would you suggest that we simply put in the legislation the participation rates and leave it up to the States to define work so as to meet the participation rate requirements?

Ms. GUERON. I would. I mean, I think that under the block grants States have strong incentives to try to run programs that are cost effective. Suddenly the last buck is their buck. So I agree with Larry, the key issue is participation.

I also think, which I did not mention when I discussed the 35 hours, that what you do not want to do is make the success of this reform look less than it is. And by saying that you cannot count people unless they are active 35 hours every week in the month, you then end up with statistics that understate the accomplishments of programs and you can end up saying they failed. In fact the countrary is the case. These were very tough programs, and let me tell you that if you got the country to do what Grand Rapids and Riverside were doing, you would have an entirely different system.

These were not coddling administrators. These were very tough programs. And they did not meet these rates. So you have to say what is our goal? Showing these folks up or accomplishments and recognizing those tough measures?

So I favor sticking with 20 hours. I think insisting that it be met every week in the month, for some technical reasons like people go on and off, can also make programs look worse than they deserve to do. I agree with Larry that the key is that there be activity by a very fair share of the people on welfare. And believe me, the 50-percent requirement is an enormous stretch, enormous.

You heard people from Michigan say it would be easy for them. There are some very specific reasons it would be easy. But in low grant States in this country, it is going to be extremely difficult, much more difficult than in Michigan.

Mr. MCCRERY. Mr. Chairman, if we have a chance to revisit this question of work requirements, I am of the opinion—and it has been buttressed by the testimony I have heard today—that the work requirement section of this bill got caught in a political death spiral. Everybody was trying to outdo everybody else in being tough on work requirements to the point that we got ridiculous with it.

I would support either lowering the requirements or letting the States define work. If the Democrats want to complain or the President wants to complain about us not being tough on work, so be it. But let us do the right thing and let the States handle their business, to construct a program that is productive and that accomplishes our goals.

Mr. LEVIN. Mr. Chairman, could I just add a word, because I think what the Chairman said provides some real possibilities. I think that issue did get caught up.

There is the additional question, and maybe you might want to comment now or later on. There is no additional money here for work. If there is community service, it is not clear who is going to pay for it. I am basically not in favor of any emphasis on community service, rather than private sector employment, anyway.

There needs to be some real effort in terms of training and retraining. More than half of the AFDC recipients do not have a high school degree, as I understand. If it is not half, it is close to it.

So I do think we need to take a hard look at it, and I think we need some hard requirements that are achievable. I do not know if you want to comment on the work provisions. That is one reason we said it was weak on work. I think it is unrealistic to have a 50-percent participation requirement and to eliminate what was in Mr. Shaw's bill of last year, or the year before.

Chairman SHAW. I think it was 20 hours.

Mr. LEVIN. But you had $8 or $9 billion for the States to assist them in terms of work efforts, and that has been completely—Judy, do you want to comment?

Ms. GUERON. The first version of the Personal Responsibility Act had participation requirements and $10 billion over 5 years. This Committee, quite sensibly, when it did not have the $10 billion, did not have the participation requirements. Then it got caught up in this, as you said, in a debate about who was tougher.

But you recognized on this Committee that this was a package, and that got lost in the debate later.

Mr. MCCRERY. It got lost because of the political game playing that went on and, Mr. Levin, you know that we did not have those high requirements until we started getting attacked for being weak on work. It was only then that we put in these, what I think are less than——

Mr. LEVIN. There was not any money, though. Maybe Dr. Mead wants to comment. Let me ask Dr. Gueron, will it take some additional money in terms of these work requirements?

Ms. GUERON. I share Larry's concern that it is not only money in the block grant, but dedicated money. I am concerned that by putting the cash grant and the work program money into the same block grant, that there will be a lot of pressure not to use it for the work program. You know, a recession comes along and when caseloads go up people have to choose between paying grants or running work programs. There are also cuts in other places in this bill, for SSI, for food stamps. The maintenance of effort is at only 75 percent, and there is a 30-percent flexibility to use money for other programs.

There will be a lot of pressure by lobbyists that are much more effective—you know, nursing homes and other folks—to divert money into other areas and work programs may shrink rather than grow.

And as Larry said, a 5-percent penalty when CBO estimates that you are going to have spend $4 billion in the year 2000 to meet these requirements, you take the penalty. And they estimate that many States will. That would be an unfortunate outcome.

So I think not having dedicated resources for work programs is also a mistake.

Mr. MCCRERY. Are you aware that we are about, we hope in the not too distant future, to send to the President a bill that consolidates over 100 Federal job training programs and block grant the funding to the States? Five billion dollars' worth of training funds that they can use for these purposes?

Ms. GUERON. I am aware, but I am also aware that at a State level there will be a great tension on whether welfare recipients or displaced workers or who gets these resources.

Mr. MCCRERY. These will be dedicated funds for only job training and education. And yet, the States can use it for displaced workers, but they can also use it for people on welfare. And many of those displaced workers, as you know, become welfare recipients if they do not find work soon after being displaced.

So the whole package, the flexibility with the block grant that they can use for job training and education if they want, this new $5 billion program in block grant that the States can use for job training and education, the child care money that we are going to put into this bill, amounts to $17 billion.

It just seems to me, if you look at the whole package and the flexibility within that package, that the money is going to be there for States who want to construct a program that is innovative, productive, and accomplishes the goals that we all want to accomplish. I do not think money is the question. I think the more important question is the restrictive nature of the provisions in our bill that are unattainable, unrealistic, and would cause unnecessary burdens on the States to comply.

Mr. MEAD. I just want to speak to that matter, if I could. I would not recommend that you deal with the excessive standards by allowing the States to define what constitutes work activities. I think that that could lead to sophistry on the part of States that are going to present their programs as more demanding than they actually are.

The Michigan program, for example, based on presentations I have heard, includes a lot of self-reported community activities as work activity. To me, that is not accountable enough. That raises the specter of mothers doing things that are allegedly in conformity with the bill, but really do not involve a change of lifestyle, do not involve consistent organized accountable effort, which is the thing that we have reason to think has results for lives.

I would continue to define nationally what counts as work activity and which would have to be specified in regulations, but rather cut back the hours requirement. Cut that back to 20 and have it be seriouly enforced.

One of the strengths of the Family Support Act is that while the definitions of employability were somewhat soft, participation was precisely defined. The regulations set hard standards and they were fairly well measured by the survey process at the State level. And that meant the States really worried about meeting them.

There was one loophole, and that was the matter of how many adults were mandatory. I would therefore shift to an all-adults criterion, as you do in the bill. That is an improvement.

But the idea of a clear cut standard against which one can measure progress year after year, that is very important to the public. If you could show every year that you were increasing your participation rate, measured in an accountable manner, and that those people were putting in serious hours—I would recommend half-time—and effort is defined in a way that people understand really involves work—some of which is already in the bill. And even if the initial levels appear low, if you can show progress year after year, that more people are participating, that caseloads are falling, work levels are rising among the remaining recipients, and so forth, that will do wonders for the public perception of what government can achieve.

The worst thing about the welfare problem has been to feed a perception that government is not competent, that these problems are beyond us. But they are not beyond us. The problem is overwhelmingly administrative. It has to do with organizing welfare in such a way as to attain these goals.

Money is involved, but money is not fundamental. I would encourage Congress to stop thinking of this program in terms of investment, in terms of resources, in terms of budgets. This really is not the—that the problem will manifest at the local level. Overwhelmingly what States have to do is reprogram the money they already have away from expensive investments in education, training, government jobs, and move it toward case management. Be sure people can be supervised in order to be sure that they really participate, that they really look for work, that they really go to work.

The significant pot of money you still have to have is for child care, but child care is much less of a problem at the local level than it is made out to be in Congress. You have got a child care market out there. You have to pay for care, but the market will respond. It is not as if there is a crisis, that there is a problem of supply, that care is unavailable in some fundamental sense. That is wrong.

It is important not to let that issue drive the debate. The focus ought to be on the administrative problems and especially on case management and obtaining participation, following up, pursuing clients so they do not drop out, making sure that people are sanctioned if necessary—although you should try to avoid that and you can avoid it if you have effective followup—getting people into job search quickly, having that up front.

All of this will not only improve the lives of people on welfare, but drive the rolls down substantially and allow you to finance the whole thing with the savings. So it is not the case that this takes a large amount of new money up front. It takes some up front money, but not very much if you do it right, with the focus on the administration.

Chairman SHAW. Ms. Schulz, I would like to bring you into this. In your community service provisions, I would like to know, how many hours do you require for community service and what type of community service do you provide?

Ms. SCHULZ. In order to meet the basics of receiving New Hope benefits, it still is that 30-hour requirement in community service jobs. Now they are free to be able to use 10 hours of a 40-hour

work week, they can use 10 hours toward education or skills kinds of improvement, which would include pursuing a GED.

The kinds of community service jobs are, in fact, standard in the sense they are mostly through nonprofit organizations, including such things as food service, receptionist, office support, things of that sort. We have more recently been concentrating on developing alternatives in order to hopefully be able to make that bridge for people to get into real work. So that has meant that we have actually developed a contract with the local Goodwill Industries for manufacturing kinds of training to be able to move people into higher paying jobs.

Chairman SHAW. Do you think that the 30 hours is a current figure or do you think 20 hours would be the correct figure?

Ms. SCHULZ. I think that 30 hours is workable and understandable, again for New Hope participants. I think it is important to understand that as this is a part of a work-based model, it does not mean that we are not supportive of the fact that there are people that will need some other kinds of support.

So 20 hours is reasonable, I think, for people transitioning into work, because 30 hours for some people who have not worked for a long period of time, which does include New Hope participants, making that transition to 30 hours is not easy.

There are also some market issues that exist as well. When I talked about the flexibility of being able to use and partner community service jobs with regular employment, there are situations where someone's hours are suddenly cut. So there are some market reasons why 20 hours makes sense.

I think the whole idea of while New Hope's utilization of child care has been somewhat lower compared to the State of Wisconsin, and specifically Milwaukee County's utilization of child care, we do know that the provision of 20 hours and being able to couple that with child care will make it more expensive and does make a realistic provision for the expectation of someone to be the care giver as well as working.

Chairman SHAW. What do the rest of you think about the possibility of transitioning into the work program 20 hours the first year, 25 hours the second year, 30 hours the third year, and then perhaps—or maybe in the alternative, to make it 20 hours but give the States bonus points for anything over that?

Mr. MEAD. I think it is worth discussing but only after you achieve 50 percent participation at the 20-hour rate. Raising participation by the caseload as a whole at 20 hours is vastly more important than raising it to 35 hours for some part of the caseload.

The other thing that is important to note about New Hope is that this is a program that right now is operating in a sense on a voluntary basis. That is, to be in New Hope you have to do 30 hours. There is no question there is a work expectation. But you do not have to be in New Hope at all. You can remain on welfare or other programs that are available under current law. We are talking here about a reform that would take away the option of welfare without a work requirement as it now exists.

Chairman SHAW. You are competing against the welfare system, are you not, in a way?

Ms. SCHULZ. In some respects you might say that. I think that I would just like to respond to the issue of voluntary.

One of the aspects I think of New Hope that can stand is that this could be a strategy. So that as you talk about phasing in, that the idea of who so ever will, let them come, and let them come first, may be a way in which to identify those people that are, as we might define, New Hope ready. That I am ready to work. That this seems reasonable with the kinds of supports that can be given.

I would agree absolutely that that is not, and we have not said that we think that New Hope—my final words—is the answer for everyone. But there is a way in which I believe that New Hope can be effective as a strategy for determining who might come in in a voluntary method. There are some ways in which, again there is a lot that we have already learned about, as Larry has talked about, the administration of this kind of mechanism.

Ms. GUERON. I would strongly agree with Dr. Mead that achieving a 50-percent participation rate at 20 hours a week would be an extraordinary change from the current system. It is way beyond where the current system is. It is dramatic. You should not think of the rate in JOBS as 20 percent compared to a proposed 50 percent. You have to also realize that you are tripling the denominator. So that it is not just moving from 20 to 50 percent, it is an enormous change from where we are right now.

Sometimes people forget that there is this huge denominator change in the current bill that makes this very demanding for States to do. It is all adults, as Larry said, not the JOBS-mandatory group. So it is very different. I think it is a mistake to have 35 hours.

I also ask, what are you paying for? What is the goal? Is the goal a kind of pound of flesh? Do you just want to say that the welfare mother at this, probably unpaid, activity is there more hours and you are paying child care? Or is your goal to get her off of welfare?

Just keeping people busy—to have the whole system run with a vision that its goal is keeping people busy versus getting people off—is a mistake. Your ultimate goal is getting people off of welfare. Do not divert the system to keeping people busy. Twenty hours a week is a lot of busyness already. Then focus your energy on getting them off. So I think that this march up in hours is a mistake.

Chairman SHAW. A couple of our Members indicated at the early part of this hearing, questions as to the point of this hearing. I think it is clear that Congress is continuing to go through a learning process and as we get further and further into welfare reform, we are going to have to make midcourse adjustments. Our witnesses today have certainly made some strong cases of some things that we should be taking a look at at an early date.

I want to thank each one of you for bringing your thoughts and positions to this Committee. It has been very important to us. Thank you very much.

The Committee will stand adjourned.

[Whereupon, at 2:14 p.m., the hearing was adjourned.]

[A submission for the record follows:]

STATEMENT OF PAM CAVE
CHANTILLY, VA

Only People Can Be Parents....

Only people can be parents. Government services certainly cannot adequately replace the tangible benefits of parents for children. Of course situations do exist where there are not parents for children. These situations are heart-wrenching. But, these situations are not the "norm".

The average family that receives an Aid to Families with Dependent Children check in our country today is headed by a twenty-six year-old, caucasian, female, divorced, with two, young children. (National Woman's Law Center). This family qualifies for assistance because they are not receiving support and/or provision from the absent parent. If they were, they would not qualify for AFDC. It's that simple.

We can make "these" people work. We can get them jobs. We can get them healthcare. We can provide transportation. We can even provide twenty-four hour a day childcare. But, we will not solve the "welfare problem". The problem is much deeper than meeting these needs.

Our American conscience must take the stand that parents must provide for our children. We should take this stand in our courts, in our families, in our communities, in our government, in our policies, in our places of employment, but most of all, in the examples that we set as individuals. If parents did provide for their children, there would be no need for long, life-entrenching relationships with AFDC. Too often, we have become a culture of listening to and accepting excuses. We are blessed to have wonderful, individual freedoms in our country, but, lately, the desire to pursue individual freedoms seems to overshadow and overpower the consequences of individual actions.

Late one evening several years ago, my husband left our apartment. I was expecting at the time. I had several small children to care for, and my husband was working for the family. He simply took the car and left. He gave me no explanation. No number at which I could reach him. In a panic, I called his employer for information. He would give me none. My husband was not concerned about me or the kids, but he did take the cable television box. It was this act that enabled me to find him living with another woman in the same town.

I sought help from the family court to ask for child support. After waiting three weeks for an appointment, I was then told I would have to wait several months for a court date. But, I had children to care for and expenses to meet. What about these ongoing needs? The court staff advised me to go to social services. I have learned since then that they must often make such referrals and that subsequent to such a situation, a family may never receive child support but may need social services for years.

What about this? How will present welfare reform ideas deal with this? I have been attempting to find out, and the answer I have discovered is disheartening. The focus of welfare reform measures is perceived behavior. It is most often the behavior of the parent that remains with the child or children that is addressed. Yes, legislators have talked about tougher child support enforcement, but the answer to real welfare reform is not going to come from tougher "talk".

Our collective American conscience must do its "homework" regarding the welfare issue before we cry out for getting "those" people to work. We have to throw away assumptions and look for facts. People should be parents. People should provide for their children. The government cannot be a sufficient surrogate parent. Reforming "welfare as we know it" is an admirable and needed goal, but do we really "know it"? We'd better. Or, we'll certainly "flunk" the test of reform and our children will pay the price for our failure.

-written by: Pam Cave
Single, yet married, parent of five
Member, Fairfax Co. Welfare Reform Task Force

The Other Side of Welfare

Now that the welfare reform bill has been safely tucked into the bill for budget reconciliation, we will likely not hear much more about it. That's too bad because there is a lot about this issue that the public needs to know. Welfare is not specifically for the "lazy" or "unmotivated". It is not a hand-out available simply upon asking or approaching an office counter. Entitlements, all types, equate to approximately 1 percent of the federal budget. Food stamps and other nutrition programs are often accessed by members of our armed forces and by other workers who receive low levels of base pay, yet have families to feed. You can own your home yet still qualify for food stamps. The average recipient of an Aid to Families with Dependent Children payment in our country today is a divorced, caucasian, female with two young children. The only reason she qualifies for assistance is that she receives no support for the children from the absent parent involved. Public housing waiting lists are often three to five years long.

Most of us would have no reason or desire to learn the ins and outs and ups and downs of social programs. Public opinion generally associates such programs with shame and embarrasment. Many people who make public comments on these programs are not familiar with the requirements and specifics involved. Emotion often smothers opportunities to learn about some of the facts, and loud, "in your face" activism often turns those willing to listen to "another side" away. The foundation of the welfare "problem" in our country is not laziness. It is not a lack of opportunity. It is simply a lack of accountability.

"Welfare", in its purest sense, is a payment to a parent for temporary provision for a child and/or children who are missing the benefit and support of an absent parent. It can be a parent of any age, color, or background. They just must be shown to be both "absent" and not providing. A welfare payment is intended to be temporary pending the initiation and proper implementation of a child support order. How many people would know or understand this relationship? Not many. Welfare is intended to be replaced with child support. The focus of the debate has never centered on this fact.

In my capacity as a married, yet single parent, I have tried to share some of the information I have learned from first-hand experience. It has been unpleasant and difficult. Being a single parent is not always glamorous or desireable. It is not fun to have your young daughter go alone into receive stitches while you have to wait outside the room and tend to the other children. There is value in taking care of our children. If we do not do it ourselves, we must pay someoneelse to do it for us. Our economy often dictates that both parents in a family work outside of the home to provide for the family. We have overlooked this fact in the welfare debate.

Our American conscience needs to take the time to understand the facts and realities of this issue before we take a national stand. Yes, people do abuse the system. But, many people in many various positions abuse "the system". It seems to be a sad, but integral part of human character. We have to address the big concerns of our country. Our economy. Taxes. The social and moral direction of our legislation and leadership. In doing so, we have to throw out the assumptions and superfluous stereotypes and deal with the facts. When it comes to welfare, we have got to do the same. Legislating on assumption will get us nowhere. There has to be a call from the "people" that all parents be held accountable to provide for their children. It is not the government's job to raise our children. That responsibility, with few exceptions, lies with parents. But, when a parent refuses to be responsible to provide for their child, only the government can demand that he or she be held accountable.

→ written by Pam Cave

THE OTHER SIDE OF WELFARE

There's another side of welfare,
You'll likely never see.
I know that because I've been there.
It's not the place to be.

I've also been in your place,
Quietly considering "*those*" people with disdain.
I've heard the reports of "*freeloaders*",
But I never considered their pain.

My husband left our family.
I was expecting at the time.
Although my heart was breaking,
I was filled with fear inside.

When children are depending on you,
You put your pride aside.
They need your love, your time, your world.
Now alone, you must provide.

The courts are long and slow to move.
Civil justice is not swift.
Therefore, you pray, you hope, you cry.
Your lives are simply adrift.

The agency offers some provision.
For that, you are relieved.
But the forms, the waits, the humiliation,
Your character may never be retrieved.

Being "*on the dole*" is not a sweepstakes.
It is not a productive way to live.
The stereo-types, the looks, the stares,
At times, you have no more to give.

But, when children are depending on you,
You put your pride aside.
They need your love, your time, your world.
And alone, you must provide.

In this debate let's put aside,
The old thoughts and ideas review.
Let's look at the beginning and remember,
To create a child, it takes two.

When legislating to where we will go,
Let's look at where we have been.
Please Congressmen, Senators, Mr. President -
DEMAND PARENTAL ACCOUNTABILITY, before - you use your pen.

Written by:
Pam Cave

○

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

FEBRUARY 20, 1996

Serial 104–48

Printed for the use of the Committee on Ways and Means

U.S. GOVERNMENT PRINTING OFFICE

25–708 CC WASHINGTON : 1996

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-053590-5

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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 client's, 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 responsibiiities 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 GOVERNORS' 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 nations' 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.

<u>Funding for Child Care</u>

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.

<u>Work Requirements</u>

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 the 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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San Diego, CA 92106

Telephone: 619-222-0770 **Facsimile: 619-222-8591**

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.

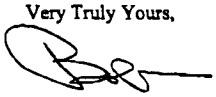
We should not quibble about truly insignificant details and let this opportunity slip away, maybe forever. Those who worry about the budget should observe that the repeal of this historically "uncontrollable" open-ended program and its replacement with finite appropriations will for the first time make 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 bi-partisan 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

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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 Ackley, 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

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 that $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, CALIFORNIA

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:

- **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.

- **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.

- **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.

- **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.

- **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:

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

We have improved work supports by:

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

To promote education and training, we have also implemented:

- The Cal-Learn program to encourage pregnant teens and teen parents to graduate from high school.
- 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:

- 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.
- 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.

- Family cap needs to be a national policy.
- 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.
- 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.
- 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]

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[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 the 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 polices, 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 polices.*

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 poosible 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.

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[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

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SUBCOMMITTEE ON GENERAL OVERSIGHT AND INVESTIGATION

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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.

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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 Medigrant 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.

CAUSES OF POVERTY, WITH A FOCUS ON OUT-OF-WEDLOCK BIRTHS

HEARING

BEFORE THE

SUBCOMMITTEE ON HUMAN RESOURCES

OF THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTH CONGRESS

SECOND SESSION

MARCH 5, 1996

Serial 104–52

Printed for the use of the Committee on Ways and Means

U.S. GOVERNMENT PRINTING OFFICE

25–608 CC WASHINGTON : 1996

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-053680-4

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CAUSES OF POVERTY, WITH A FOCUS ON OUT-OF-WEDLOCK BIRTHS

TUESDAY, MARCH 12, 1996

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

The Subcommittee met, pursuant to notice, at 1:07 p.m., in room B–318, Rayburn 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
March 5, 1996
No. HR-10

CONTACT: (202) 225-1025

Shaw Announces Hearing on the Causes of Poverty, with a Focus on Out-of-Wedlock Births

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 the causes of poverty, with a focus on illegitimacy. **The hearing will take place on Tuesday, March 12, 1996, in room B-318 of the Rayburn House Office Building, beginning at 1:00 p.m.**

In view of the limited time available to hear witnesses, oral testimony at this hearing will be heard from invited witnesses only. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Subcommittee and for inclusion in the printed record of the hearing.

BACKGROUND:

The welfare reform debate has focused national attention on illegitimate births, which now constitute more than 30 percent of all births.

Witnesses are expected to describe the consequences of illegitimate births on children and families: children born into never-married families fare worse than any demographic group in our country; and a mother's long-term physical health suffers as a result of early sexual activity with multiple partners. The Subcommittee also will hear testimony about policies designed to reduce the rate of illegitimate births. Finally, the Subcommittee will receive testimony from representatives of family groups and others who believe that poverty can best be fought by focusing on abstinence and returning to two-parent families.

In announcing the hearing, Chairman Shaw stated: "Out-of-wedlock birth is the driving force behind surging welfare caseloads and long-term dependence. Children, mothers, communities, and taxpayers all suffer as a result of welfare policies that subsidize irresponsible and self-destructive behavior. Welfare reform will not work if illegitimacy continues out of control. In order to solve the problem, we must face facts and deal with one of the nation's greatest problems. Ignoring it won't make it go away."

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 26, 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 office, room B-317 Rayburn House Office Building, at least one hour before the hearing begins.

(MORE)

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. OK. If the meeting will come to order. This afternoon should be a most interesting hearing. I am looking forward to the witnesses. I will give the opening statement for the majority and Mrs. Kennelly will follow me and give the opening statement for the minority.

The rise in births outside marriage is a specter haunting our Nation. I think we all agree on that. The rates are unacceptably high and the consequences are severe for both mother and child.

H.R. 4, the congressional welfare reform bill that was vetoed by President Clinton contains many provisions addressed to out-of-wedlock births. We have provided a list of these provisions in the members' folders and copies have been provided for our guests and members of the press.

Today's hearing will explore consequences of this surge in out-of-wedlock births. The sad truth is that the fastest ticket to poverty is to have a child without being married.

Too often, out-of-wedlock births, especially for our Nation's poor, mean homes in which fathers are absent, mothers struggle, and children suffer. The data is clear and it is stark. Sixty-four percent of children born to single parents live in poverty, while only 8 percent of children born to two-parent families live in poverty. That is why I have reached the conclusion that the best thing we can do to fight poverty is to encourage marriage and to discourage out-of-wedlock births.

How do you do that? The first action the government and compassionate people must take is to recognize that you do not fight poverty by spending more money; you fight poverty by changing values. A primary cause of the trend toward births outside of marriage is the dramatic increase in sexual activity outside marriage that has afflicted the culture since the sixties.

As shown by survey data, this increase has been especially evident among adolescents. According to recent research, for example, the percentage of women who have had intercourse by the age of 18 has more than doubled in the last 30 years. As witnesses on our first panel will show, those trends have led to disastrous increases in out-of-wedlock births, an epidemic of sexually transmitted disease and dire long-range health effects on young girls who are sexually active at an early age.

A decade ago, calls for abstinence were met with derision or laughter. Now, we have prominent Americans, and even television commercials urging young people to save themselves for marriage. Several of today's witnesses will discuss projects designed to promote sexual abstinence among adolescents.

For now, I think it is fair to characterize these programs as hopeful, but we would be wrong to assume that they produce large immediate impacts on either rates or consequences of birth outside of marriage. Despite the fact that most Americans abhor both sex among teenagers and births outside of marriage, Congress nevertheless continues programs that provide billions of dollars in subsidies for precisely these behaviors.

Here is what we do. If a young girl has a baby and keeps it, we provide her on a guaranteed basis, cash, food stamps, and medical care. In the median State, this package of benefits is worth $12,000 per year. The traditional view has been that this approach for re-

warding young mothers for violating the rules is compassionate. Indeed, any politician who questions this policy is accused of all sorts of evil motivations.

House Republicans are now challenging the conventional wisdom by trying to end the use of Federal dollars for cash payments to unmarried minor mothers. These mothers could retain their Medicaid and food stamps and States can provide the mothers with vouchers to help care for the children's needs. States would be barred from providing minor mothers with cash, the biggest incentive for unacceptable behavior.

The bill that finally passed this Committee and Congress, but vetoed by the President, made it a State option to change that.

Federal policies can no longer have it both ways. We cannot continue to say that we are against out-of-wedlock births and then turn around and provide a substantial set of subsidies for precisely the behavior we condemn. Sooner or later, the Nation's rate of births outside marriage and the terrible consequences of these births will force States to cut back on government subsidies. More and more people will conclude that it is false and self-deluding compassion to continue subsidizing failure.

Finally, the House and Senate agree that States should not be able to use Federal dollars to increase the cash welfare benefits of mothers already on welfare who have additional children. Because the States objected to a Federal mandate of this type, we gave the States the option of exempting themselves if they do not agree with this policy. We continue to think that it is disastrous social policy to provide more welfare for families who already rely on the taxpayers for their support. The correct birth rate for mothers already on welfare is zero.

Today's hearing is addressed to calling the Nation's attention to the consequences of early sexual activity and of childbearing outside of marriage. We have also invited a wide variety of witnesses to testify about what should be done to reduce out-of-wedlock births.

Above all, we want the public to know that if the President continues to defend the status quo, the small but important steps taken in welfare reform to combat births outside of wedlock will die and the dreadful problems outlined in such graphic detail during today's hearing will continue unchecked.

I want to thank all of our witnesses for taking time out of their busy schedules to appear before our Committee and I look forward to the testimony.

[An attachment to the opening statement follows:]

Provisions to Combat Rising Out-of-wedlock Birth Rates
Conference Report on H.R. 4
March 1996

Cash welfare block grant

- Creates a $127.6 billion cash welfare block grant for states to use to "prevent and reduce the incidence of out-of-wedlock pregnancies," among other purposes.

- Requires state plans to *establish goals and take action to prevent and reduce the incidence of out-of-wedlock pregnancies, with special emphasis on teenage pregnancies, and establish numerical goals for reducing the illegitimacy ratio of the State for calendar years 1996 through 2005.*

Added grants for reducing out-of-wedlock births

- Provides additional grants for states that reduce out-of-wedlock birth rates without increasing abortions (5% increases for reductions of one percentage point; 10% increases for reductions of two or more percentage points).

Family cap

- Allows states the flexibility to end the practice of increasing cash welfare benefits when mothers on welfare have babies (20 states currently have applied for or are operating family caps; under the new block grant, states can use family cap savings to pay for more child care or child protection services or save funds for use in a recession).

Combatting teen pregnancy

- Allows state flexibility on limiting cash welfare for unmarried teens.

- Requires teens to be in school and living at home or with an adult to receive assistance.

- Allows states to use block grant funds to provide, or assist in locating, adult-supervised living arrangements, such as second-chance homes, for teen mothers.

Added funds for abstinence education

- Provides $761 million for abstinence education.

Encouraging paternity establishment

- Allows states to reduce cash welfare for families that include a child whose paternity has not been established. As with the family cap and teen provisions, states have an incentive to reduce benefits both to deter out-of-wedlock pregnancy and to save money for use elsewhere.

National goals to prevent teen pregnancy

- Within one year, the Secretary of Health and Human Services must implement a strategy for preventing teenage pregnancies and assuring that 25 percent of U.S. communities have teen pregnancy prevention programs in place.

Annual ranking of states and review regarding out-of-wedlock births

- The Secretary of Health and Human Services must annually rank the five most and five least successful states in reducing out-of-wedlock births.

Congressional findings

- Includes section of findings on the crisis out-of-wedlock births pose for children, families, and the nation, which concludes: *It is the sense of the Congress that prevention of out-of-wedlock pregnancy and reduction in out-of-wedlock birth are very important Government interests and the policy contained in...this Act is intended to address the crisis.*

Chairman SHAW. Mrs. Kennelly.

Mrs. KENNELLY. Thank you, Mr. Chairman.

First, let me thank you for convening this hearing. This is a problem that vexes us all, we all are looking for better answers. I also thank you for bringing so many people who are interested in this situation together today.

For the past 50 years, out-of-wedlock births have increased dramatically. In this country and others around the globe, this is the situation. This a trend that we cannot ignore. We need to look beyond this basic fact and understand more about why it is happening. This hearing gives us that opportunity.

When you take the time to look more closely, you learn some startling facts. As several of our witnesses today will tell us, many of the myths and stereotypes that seem to drive much of public policymaking today are misleading. If we simply accept the stereotypes, we would have to conclude that most out-of-wedlock births are to minority teenagers on welfare. What are the facts?

In the past 50 years, the rate of nonmarital childbearing has been steady for teenagers. As one of our witnesses, Sister Mary Rose, will point out many of the single women giving birth are not poor, have completed high school, are not teenagers, and do not get welfare. There is no consistent evidence—and each of us here today who have worked on this problem over the years can cite various evidences and various reports—that the decision to have a child out of wedlock has a tie with what one is getting on welfare.

In fact, I will quote one of our Nation's finest researchers who says the best social science research suggests that welfare programs are not among the primary reasons for the rising number of out-of-wedlock births. Dr. Frank Furstenberg will report that in the past 30 years, the so-called illegitimacy rate has risen only among whites. Among African-Americans, the rate has declined. Better education and employment opportunities for men are linked to a higher proportion of births taking place within marriage.

Our task this afternoon is to learn facts like these. Even more importantly, to start discussing constructive solutions. My bottom line is this; it is in the best interest for a child to be raised in a loving and nurturing family that includes both parents. The question becomes, what outcome can Federal and State governments be reasonably expected to bring about?

I also hope this hearing might offer some explanations for three unanswered questions. First, if welfare is fueling the growth in out-of-wedlock births, then why do so many of the States with the lowest AFDC, Aid to Families With Dependent Children, payment levels have some of the highest out-of-wedlock birth rates? Second, why have out-of-wedlock births increased as the relative value of welfare benefits have gone down over the last 20 years? Third, why do other nations, with more generous welfare benefits, have lower teenage birth rates?

I thank you for letting me make this statement, Mr. Shaw, I would like to mention that I am also speaking for Mr. Ford who is on his way.

Chairman SHAW. Thank you very much.

We have a number of Members to testify.

Mr. Hutchinson, do you want to come to the table?

Our first witness this morning will be Charles Rangel, a Member of this Committee, from the State of New York.

Mr. Rangel.

STATEMENT OF HON. CHARLES B. RANGEL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. RANGEL. Thank you, Mr. Chairman, for allowing the Members an opportunity to share their views. I do not come as an expert in this area, but being a politician I recognize that this issue has become a political issue rather than merely a social issue and I would like to share my views on that.

What I would like to say first is that I do not know anyone I have met in the Congress who has more of a sincere desire than you do to improve the quality of life for all Americans. You and I know that at election time people prescribe remedies for these types of things in order to get broad-based support from their constituents and people who do not work and receive public funds are not liked by most people who do work hard every day. The working people expect other people to do the same.

I know that this is America, one that would not condemn immigrants whether they are legal or illegal. I also know that some people emotionally feel that it is better to beat up on the weak than on others who are more powerful. I know that affirmative action has not displaced any white males from any jobs. It sounds unfair to some people and they feel the need to get involved politically.

Quite frankly, as we try to reach some agreement on the budget, I get the impression that we are pretty close to agreement and the President wants to make certain that he provides the "leadership" to change welfare as we know it. Of course, the Republicans are very anxious to embarrass him if he does not fulfill his campaign commitment.

All of this stuff about reform, however, politically to me is not really about reform. It means that some people truly believe that the Federal Government shouldn't be involved in health or Social Security, that it could be better handled by the private sector.

These problems that we are talking about, even though you and I know that they are national in nature, in an effort to downsize government, many people in the Congress are prepared to say, let's get out of that and turn it over to the Governors. Trust them. They are good people, and whatever they do not do, then decrease the taxes for the rich and the corporations. Americans are good-thinking people, they will fill in the gap with charity of Boys Town or adoption centers, but get the government out of it, because we do not do a good job.

I do not argue. If we are getting out of it, can't we have some guarantees that somebody is going to do it better? We are going to have to accept the fact that 1 or 2 million kids may not get any guarantees and the States just may not be able to deal with the problem, and nor will the cities, or charitable organizations.

I am really shocked that none of our national spiritual leaders, Jews and Christians, both Catholic and Protestant, would not say, hurt somebody, but not these kids, they are just born, they do not know. Do not cut off food, nutrition, and health to these kids because their mothers were dumb, stupid, and indifferent.

Somehow we should, I think, get a guarantee that no matter who we hurt, it is not going to be the kids. Somehow in the negotiation, even my President will not tell me that, do not worry about it, no matter what deal we cut, the kids will be protected. Hey, that is politics.

I want to commend the Chairman, too, because sometimes we hear all these things about illegitimate births and not supporting kids born out of wedlock, but he did say that is what they are. No matter what God we worship, we won't believe he is involved in illegal activity in allowing these kids to be born. The kids are legitimate. Kids are very legitimate, they are very real. They feel pain. They are American kids. I appreciate that.

Now, we have to ask what are some solutions? Some of the solutions are just, give a definite amount of time, if the mother is not working, then cut off the welfare. You know, options, no options. Or, make certain that they are all working at a given period of time.

Mr. Chairman, without coming up with a solution, I want to give you the benefit of my experience and trust that in our conversations, outside the Committee, we might find some agreement that this is not a welfare problem alone. Providing for the mothers or the grandmothers or the kids, that's not just the problem.

We would have to reach out to get Committee and staff who deal with the problems of education, job training, and a variety of other subjects to see whether or not we could find out why we are having this explosion of these births?

You can cut off all the funds you want to these children who are untrained and do not realize or care about the devastating effect of poverty. What is getting into these kids? Why can't we talk with them? There is no relationship between punishing them and stopping out-of-wedlock childbirth. These kids are just having babies like they are having dolls.

If we concentrate in the areas throughout the United States where most of these babies are being born, we need to take a look at who is impregnating them. It is not just kids, you know. A lot of these drug dealers on the street are older men attracting these teenage girls with a couple of dollars and trips to the Caribbean.

Even if you take a look at the male kids, these are basically stupid kids. Many of them are involved in drugs. Oh, we are against the drug dealers, as long as they are poor, on the street, addicted, and pushing drugs. You look at the drug dealers in my district, and if you were to discuss with them the problem of money laundering they think you have to go to a laundromat. They do not know how to count, much less launder money. They cannot count money with a money counter. When police arrest them, they find carloads full of money, they find closets full of money. It is corrupting my police department. I mean good policemen just cannot resist the temptation of seeing hundreds of thousands of dollars in these bums' apartments and in a low-rent area.

After they buy a boom-box and a Jeep and get mom a television, they would not know how to travel. If you asked them to go to Colombia for a deal, they would be down in the District of Columbia. If you asked them to go to Rome or Paris and enjoy the money, they would not know how to buy a ticket.

Take a look at these communities, take a look and see whether there is a relationship between drugs and out-of-wedlock births, as I know exists. The Congressional Black Caucus did not come together with this problem because of our color or some unique interest in it. This is our district. Why?

We have the highest unemployment. We have schools that are not producing trained people. We have the highest amount of hopelessness that even if you did go to school, you are not going to get a job. We have the highest number of professionals who are unemployed. When the President says, sign NAFTA, the North American Free Trade Agreement, and move on to high tech because America is going to be richer as a result of the international trade, these are the communities that know you do not mean them.

In these districts, there is no relationship between school and job. Everybody who talks about a more prosperous America or drug-free America, have to qualify it, of course, not in the areas of hardcore drug addiction. Hardcore drug addiction means what? Do you think our kids love shooting each other up?

Do you really think that in these neighborhoods where children attend more funerals than they attend graduations that this is something exciting? Do you really think that making a couple of thousand dollars a month is worth not knowing what day someone is going to come and shoot you down in the streets and not be arrested?

I suggest to you that if you want kids to get married they would not even understand the concept. People who talk about marriage, homes, a picket fence, an IRA, their children's and their grandchildren's future; they are the ones that have hope.

Being poor in this country is no big deal. Most of the Members that I am the closest with come out of poverty, white or black, but they had hope that they could beat it. Not everyone beats it, but everyone can survive better with hope. Even if you die poor, you fight to do better, your kids can see that you want better.

What I am suggesting is to see these young mothers with young children visiting the fathers in jail. They are talking about loving each other, but they are not talking about marriage. Marriage is not even there. When you take a look at the millions of young people who are in jail and see the relationship between the inability of the schools to produce, the lack of employment opportunities and the fact that these kids do not care—because 70 percent of them are going to return after they are discharged in 3 to 10 years—but we get a kick out of building more prisons.

My former Governor built more prisons than houses in the State of New York. We pay $60,000 a year to keep a kid at Riker's Island in New York City. You have never heard my mayor complain about prison budgets.

You hear people talking about the $6,000 a year that it takes to keep a kid in elementary school. Mr. Chairman, if we can pull together a committee and see what gives a community hope, if we can find out the relationship between graduating from school and not just getting a diploma, but getting a job, if we can do what we are doing in the empowerment zones and bring a partnership between business and schools giving businesses incentives to work with the schools and not just complain about what they are produc-

ing. Tell the schools what you need and make certain that they produce students with job skills and make certain that tax dollars are working and give businesses tax incentives to be involved, if necessary.

Mr. Chairman, I conclude by saying that if you show me a community that is proud of its public school system or vouchers or private school system, if you show me a community where people can get a job if they are trained, if you show me a community where people have hope for the future, then no matter whether we are going through recessions or what not, they know darn well in America, the greatest country on the face of the Earth, that they are going to do better.

Why is it that I can promise you that I am not going to show you a bunch of young addicts? Why is it that I can promise you statistically that you are not going to see all of these children born out of wedlock? Why am I going to show you kids that are more anxious to be producing Americans than to risk their lives and go to jail?

What I am saying, Mr. Chairman, is that I am going to be in this political battle to cut them off.

All these things we have to do, liberals/conservatives and Democrats/Republicans, and try go to the mat in November. While we are doing those things that people are going to force us to do, I hope you will consider bringing in the best Members, Republicans and Democrats, from the Education Committee, from the Labor Committee, from the taxwriting committee, those that have dedicated their lives to education, those that are dealing with economic development, those that are working with the empowerment zones and say that it takes a village to raise a kid. You do not have to always need a father, it really helps, but in my community I did not have a father and everyone acted like they were my father. They pushed me around, the grandmothers of someone else said you are going to go to jail before you go to Yale. It was all right.

Some of us have been able to survive because the community had hope. I was the dope. I did not understand it. They had hope that every bum kid would make it. We need more of that, Mr. Chairman, instead of the animosity and the emotion that goes into this.

I am not an expert in why these little kids feel the necessity to have these little babies that, as you said, are going to end up in poverty. What difference does it really make when they do not believe that they will ever get out of poverty? What difference does it make?

I hope that you and I and the Members of this Committee, once the political deal is cut, can get together and make a difference to help people to believe that having children when you are not ready is immoral and it is wrong.

Thank you, Mr. Chairman.

Chairman SHAW. Thank you, Mr. Rangel.

Mr. Hutchinson.

STATEMENT OF HON. TIM HUTCHINSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARKANSAS

Mr. HUTCHINSON. Thank you, Mr. Chairman. Thank you for calling the hearing today. I want to express my appreciation for your

leadership on this issue and for your very articulate and outstanding opening statement which you, I think, very well articulated what we face in this whole area.

It is obviously not an easy subject. You have spent years on it and I have spent the last 2 or 3 years learning about this and studying it. There are no easy answers. It is complex and I would not pretend otherwise.

Clearly, the policies that we have had in place for 30 years have failed and failed miserably and we must find alternative solutions. I admire my friend, Charlie Rangel, and I appreciate so much of what he said, but I would suggest that the hopelessness that he described is one of the outcomes of a welfare system that has contributed to that hopelessness.

That hope is necessary if we are going to see people rise out of their circumstances and situations, but we have got a welfare system that acts to extinguish that hope and the issues are not primarily budget-driven.

The issues are not who is going to get the credit, it is not primarily political. It is whether or not we are going to do more of what we have done in the past, of whether we are going to make some fundamental transformations in a system that is clearly not working to the benefit of those involved in it and to the taxpayers of America who are paying for it.

I believe the single greatest cause of the ills of our society is the breakdown of the American family. It may take a village, but it sure takes a father and there maybe many examples of those who survived without that father or that intact home, but it sure helps if he is there. There is no better institution in America or in the world to provide for the needs or our Nation's children.

Whether it is education, health care, moral and spiritual guidance, the building of self-esteem, or just the basic necessities of life, the family can do it better than the village, the family can do it better than any other entity in our society.

It is incumbent upon those of us in government to do all that we can to enact laws and policies which encourage and strengthen the families of our Nation. It is tragic that we have developed a welfare system which does just the opposite.

President Roosevelt warned us when we started down this path 60 years ago, that we would, "Induce a spiritual and moral disintegration fundamentally destructive to the national fiber." That is what has happened.

We have replaced mothers and fathers and, for that matter, we have replaced the village and put in their stead an all-encompassing welfare state. We have done this in the name of compassion, and I do not doubt the motivation that it has been one of compassion. What we have ultimately done is to encourage the breakdown of those families that are so important.

What else can we call it when we tell a young woman that if you get pregnant and you do not marry the father, or get a job we will give you housing, food stamps, health care, and in some cases, child care and a cash allowance, and then we tell her that if she will have additional children we will give her more cash money.

What else can you call it when we tell a young father that he, ultimately, is not responsible for the children that he helps bring

into this world because the government will do it instead of him. It is little wonder that welfare recipients reasonably conclude that work and marriage are not rational. We have contributed to that thinking by developing this system.

What else can you call it when government stands in the way of families and communities helping young unwed mothers? I have had people in my office who told me of a mother who wanted her minor unwed daughter to remain in her home once that child gave birth to her own baby. In fact, this grandmother wanted to take care of her grandchild and let her daughter finish high school. The daughter wanted to move out and why not? The government was going to set her up in her own home and so this grandmother was told by social services that if her daughter wanted to move out, it was her right.

I think there is something inherently wrong with that type of a system. A little more than 30 years ago, only a little more than 2 percent of all births occurred out of wedlock. Today, almost one out of three of all births occur out of wedlock. There are many reasons for that increase and I do not pretend that all of it is welfare, not at all.

I am concerned that our current welfare system has contributed to this national tragedy. Children born out of wedlock—Mr. Chairman, you have pointed this out—are seven times more likely to be poor than those born to couples who stay married.

Girls raised in single-parent homes on welfare are five times more likely to give birth out of wedlock compared to girls from intact nonwelfare families. A boy from a single-parent home in the inner city, is twice as likely to engage in crime compared to a similar boy who is poor, but is living with a father and mother.

A child who grows up absent a father is more likely to live a troubled life. He is more likely to end up in prison. He is more likely to use drugs, to drop out of school, to join a gang, and more likely to end up back on welfare.

Out-of-wedlock births, illegitimacy is at the core of most social pathologies—crime, drugs, illiteracy, and poverty. To claim that we are going to address welfare reform and not make the problem of out-of-wedlock births the primary focus is to repeat the failed reforms of the past.

Instead of lifting people out of poverty and despair, we have developed a cycle of dependency that is now entering its third generation. I think it is time for us to say it is enough. This system has failed. It has failed those whom it was designed to help.

When President Kennedy sent his welfare package to Congress more than 30 years ago, he stated it and stated it well. He said, "Welfare programs must contribute to the attack on family breakdown and illegitimacy. Unless such problems are dealt with effectively they fester and grow sapping the strength of society, as a whole, and extending their consequences and troubled families from one generation to the next."

He said it right. Our welfare policies have failed to fulfill the goal that President Kennedy articulated.

Mr. Chairman, whatever final welfare reform bill is enacted it will, in my opinion, be a sham if, at its core, it does not address the issue of out-of-wedlock births. We can give all the flexibility we

want to the States. I am for it. If we ignore the breakdown of the family and the contribution of our government's policies to that breakdown we are going to do a disservice to our citizens.

At the very least we should include a family cap with an opt-out for the States, at the very least. This will at least, and at last force States to discuss the issue and debate the issue. If they wish to not have a family cap, they can pass legislation opting out. However, if the family cap is changed to an opt-in, States can continue to completely ignore the issue and many will.

They do not even have to debate it. Isn't the breakdown of the family and the cycle of dependency important enough that, at a minimum, a discussion of the family cap and the issue of out-of-wedlock births take place in all 50 legislatures? The opt-out family cap provision will force a long overdue national debate on the problem of out-of-wedlock births.

I think Jennifer Marshall, with the Family Research Council said it very well. She said, "Given the consequences for the individual child, the surrounding community and the national policy, bringing a baby into this world without a sense of sacred responsibility cannot long be regarded as a morally neutral act. Congress should now recognize that it is also wrong to sanction such activity by subsidizing it."

Out-of-wedlock births, I believe, are at the very core of the welfare debate and must be the central focus of welfare reform. Education is not enough, we have seen that. Because as we have increased our stress upon sex education, we have continued to see out-of-wedlock births increase in our society over the last 30 years. State flexibility is not enough. Work requirements, as important as they are and the great contribution they will make, that is not enough. More of the same will not work. We must fundamentally change this system and chart a new course for our Nation.

Thank you, Mr. Chairman.

[The prepared statement follows:]

THE HONORABLE TIM HUTCHINSON

COMMITTEE ON WAYS AND MEANS

MARCH 12, 1996

THANK YOU MR. CHAIRMAN. I APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE YOUR COMMITTEE TODAY. I WOULD FIRST LIKE TO COMMEND YOU FOR ALL YOUR HARD WORK ON THE WELFARE ISSUE. THIS IS NOT AN EASY SUBJECT AND THERE ARE NO EASY ANSWERS. BUT THE POLICIES THAT WE HAVE HAD IN PLACE FOR THIRTY YEARS HAVE OBVIOUSLY FAILED MISERABLY AND WE MUST FIND ALTERNATIVE SOLUTIONS THAT BREAK THE CYCLE OF DEPENDENCY AND EMPOWER OUR CITIZENS TO REACH THEIR FULL POTENTIAL.

MR. CHAIRMAN, I BELIEVE THAT THE SINGLE GREATEST CAUSE OF THE ILLS OF OUR SOCIETY IS THE BREAKDOWN OF THE AMERICAN FAMILY. THERE IS NO BETTER INSTITUTION TO PROVIDE FOR THE NEEDS OF OUR NATION'S CHILDREN. WHETHER IT IS EDUCATION, HEALTH CARE, MORAL AND SPIRITUAL GUIDANCE, THE BUILDING OF SELF-ESTEEM, OR JUST THE BASIC NECESSITIES OF LIFE, THE FAMILY CAN DO IT BETTER THAN ANY OTHER ENTITY.

THEREFORE, IT IS INCUMBENT UPON THOSE OF US IN GOVERNMENT TO DO ALL WE CAN TO ENACT LAWS AND POLICIES WHICH ENCOURAGE AND STRENGTHEN THE FAMILIES OF OUR NATION. UNFORTUNATELY, WE HAVE DEVELOPED A WELFARE SYSTEM WHICH DOES JUST THE OPPOSITE.

PRESIDENT ROOSEVELT WARNED WHEN WE STARTED DOWN THIS PATH SIXTY YEARS AGO THAT WE WOULD "INDUCE A SPIRITUAL AND MORAL DISINTEGRATION FUNDAMENTALLY DESTRUCTIVE TO THE NATIONAL FIBER."

WE HAVE REPLACED MOTHERS AND FATHERS, AND FOR THAT MATTER REPLACED ENTIRE COMMUNITIES, AND PUT IN THEIR STEAD AN ALL ENCOMPASSING "WELFARE STATE." WE HAVE DONE THIS IN THE NAME OF COMPASSION -- BUT WHAT WE HAVE ULTIMATELY DONE IS ENCOURAGE THE BREAKDOWN OF OUR FAMILIES AND COMMUNITIES.

WHAT ELSE CAN YOU CALL IT WHEN WE TELL A YOUNG WOMAN THAT IF YOU GET PREGNANT, AND DON'T MARRY THE FATHER, AND DON'T GET A JOB, WE WILL GIVE YOU HOUSING, FOOD STAMPS, HEALTH CARE, IN SOME CASES CHILDCARE, AND A CASH ALLOWANCE -- AND OH YEAH, BY THE WAY, IF YOU HAVE ANOTHER CHILD, WE'LL GIVE YOU A RAISE.

WHAT ELSE CAN YOU CALL IT WHEN WE TELL A YOUNG FATHER THAT HE IS ULTIMATELY NOT RESPONSIBLE FOR THE CHILDREN HE HELPS BRING INTO THIS WORLD BECAUSE THE GOVERNMENT WILL DO IT INSTEAD OF HIM. IT IS LITTLE WONDER THAT WELFARE RECIPIENTS REASONABLY CONCLUDE THAT WORK AND MARRIAGE ARE IRRATIONAL.

WHAT ELSE CAN YOU CALL IT WHEN GOVERNMENT STANDS IN THE WAY OF FAMILIES AND COMMUNITIES HELPING YOUNG, UNWED MOTHERS. I HAVE HAD PEOPLE IN MY OFFICE WHO TOLD ME OF A MOTHER WHO WANTED HER MINOR, UNWED DAUGHTER TO REMAIN IN HER HOME ONCE THAT CHILD GAVE BIRTH TO HER OWN BABY. IN FACT, THIS GRANDMOTHER WANTED TO TAKE CARE OF HER GRANDCHILD AND LET HER DAUGHTER FINISH HIGH SCHOOL. BUT THE DAUGHTER WANTED TO MOVE OUT -- AND WHY NOT -- THE GOVERNMENT WAS GOING TO SET HER UP IN HER OWN HOME. AND SO THIS GRANDMOTHER WAS TOLD BY SOCIAL SERVICES THAT IF HER DAUGHTER WANTED TO MOVE OUT, IT WAS HER RIGHT.

THERE IS SOMETHING INHERENTLY WRONG WITH THIS TYPE OF SYSTEM.

A LITTLE MORE THAN THIRTY YEARS AGO 2% OF ALL BIRTHS OCCURRED OUT OF WEDLOCK. TODAY APPROXIMATELY 32% OF ALL BIRTHS OCCUR OUT OF WEDLOCK. NOW, THERE ARE MANY REASONS FOR THIS INCREASE, BUT I AM CONCERNED THAT OUR CURRENT WELFARE SYSTEM HAS SIGNIFICANTLY CONTRIBUTED TO THIS NATIONAL TRAGEDY.

CHILDREN BORN OUT OF WEDLOCK ARE SEVEN TIMES MORE LIKELY TO BE POOR THAN ARE THOSE BORN TO COUPLES WHO STAY MARRIED. GIRLS RAISED IN SINGLE-PARENT HOMES ON WELFARE ARE FIVE TIMES MORE LIKELY TO GIVE BIRTH OUT OF WEDLOCK WHEN COMPARED TO GIRLS FROM INTACT NON-WELFARE FAMILIES. AND A BOY FROM A SINGLE-PARENT HOME IN THE INNER CITY IS TWICE AS LIKELY TO ENGAGE IN CRIME WHEN COMPARED TO A SIMILAR BOY WHO IS POOR, BUT LIVING WITH A FATHER AND A MOTHER.

A CHILD WHO GROWS UP ABSENT A FATHER IS MORE LIKELY TO LIVE A TROUBLED LIFE. HE'S MORE LIKELY TO END UP IN PRISON, TO USE DRUGS, TO DROP OUT OF SCHOOL, TO JOIN A GANG AND MORE LIKELY TO END UP BACK ON WELFARE. ILLEGITIMACY IS AT THE CORE OF MOST SOCIAL PATHOLOGIES -- CRIME, DRUGS, ILLITERACY AND POVERTY. TO CLAIM TO ADDRESS WELFARE REFORM AND NOT MAKE ILLEGITIMACY THE PRIMARY FOCUS IS TO REPEAT THE FAILED REFORMS OF THE PAST.

SO INSTEAD OF LIFTING PEOPLE OUT OF POVERTY AND DESPAIR WE HAVE DEVELOPED A CYCLE OF DEPENDENCY THAT IS NOW ENTERING ITS THIRD GENERATION.

I BELIEVE IT IS TIME TO SAY "ENOUGH." THIS SYSTEM HAS FAILED. IT HAS FAILED THOSE WHOM IT WAS DESIGNED TO HELP AND IT HAS FAILED THOSE WHO ARE FOOTING THE BILL -- THE MOMS AND DADS OF MIDDLE AMERICA.

WHEN PRESIDENT JOHN F. KENNEDY SENT HIS WELFARE PACKAGE TO CONGRESS MORE THAN 30 YEARS AGO, HE STATED THAT "WELFARE PROGRAMS MUST CONTRIBUTE TO THE ATTACK ON FAMILY BREAKDOWN AND ILLEGITIMACY. UNLESS SUCH PROBLEMS ARE DEALT WITH EFFECTIVELY, THEY FESTER, AND GROW, SAPPING THE STRENGTH OF SOCIETY AS A WHOLE AND EXTENDING THEIR CONSEQUENCES IN TROUBLED FAMILIES FROM ONE GENERATION TO THE NEXT." OUR WELFARE POLICIES HAVE FAILED TO FULFILL THE GOAL THAT PRESIDENT KENNEDY SO ELOQUENTLY ARTICULATED.

IS IT ANY WONDER THEN THAT WELFARE REFORM CONSISTENTLY PLACES AS ONE OF THE TOP ISSUES ON THE AGENDA OF THE AMERICAN PEOPLE. TRUE WELFARE REFORM -- NOT JUST TINKERING AROUND THE EDGES -- BUT REAL, MEANINGFUL REFORM. THE POLLS ALSO SHOW THAT THE AMERICAN PEOPLE WANT TO HELP THOSE WHO TRULY NEED IT. THE AMERICAN PEOPLE ARE VERY GENEROUS AND RECOGNIZE THAT THERE ARE MANY INDIVIDUALS WHO AT SOME POINT IN THEIR LIVES WILL FIND THEMSELVES IN NEED OF PUBLIC ASSISTANCE. HOWEVER, ABLE-BODIED INDIVIDUALS SHOULD NOT EXPECT TO REMAIN ON PUBLIC ASSISTANCE THEIR ENTIRE LIVES. AND AGAIN, WE HAVE A SYSTEM THAT ENCOURAGES THIS TYPE OF EXPECTATION.

I BELIEVE WELFARE REFORM LEGISLATION MUST ALSO INCLUDE STRONG WORK REQUIREMENTS. WE MUST RESTORE TO INDIVIDUALS THE DIGNITY OF WORK. WE MUST LET CHILDREN SEE THEIR PARENTS WORKING TO HELP PROVIDE FOR THEIR NEEDS. WHETHER THAT IS IN A PRIVATE SECTOR JOB OR A COMMUNITY SERVICE JOB, WELFARE RECIPIENTS SHOULD BE REQUIRED TO WORK FOR THEIR BENEFITS.

THE WELFARE REFORM BILL THAT PASSED THE HOUSE AND SENATE LAST YEAR FULFILLED OUR PROMISE TO THE AMERICAN PEOPLE OF REAL WELFARE REFORM, WHILE AT THE SAME TIME PROVIDING A SAFETY NET FOR THOSE MOST IN NEED. UNFORTUNATELY, THE PRESIDENT HAS CHOSEN TO VETO THIS LEGISLATION TWICE.

HOWEVER, WHATEVER FINAL WELFARE REFORM BILL IS ENACTED, IT WILL CERTAINLY BE A SHAM, IF AT ITS CORE, IT DOES NOT ADDRESS THE ISSUE OF OUT OF WEDLOCK BIRTHS. WE CAN GIVE ALL THE FLEXIBILITY WE WANT TO THE STATES, BUT IF WE IGNORE THE BREAKDOWN OF THE FAMILY AND THE CONTRIBUTION OF OUR GOVERNMENT'S POLICIES TO THAT BREAKDOWN, WE WILL DO A DISSERVICE TO OUR CITIZENS.

AT THE VERY LEAST WE SHOULD INCLUDE A FAMILY CAP WITH AN OPT OUT FOR THE STATES. THIS WILL AT LEAST AND AT LAST FORCE STATES TO DISCUSS THE ISSUE. IF THEY WISH TO NOT HAVE A FAMILY CAP, THEY CAN SIMPLY PASS LEGISLATION OPTING OUT. HOWEVER, IF THE FAMILY CAP IS CHANGED TO AN OPT IN, STATES CAN CONTINUE TO COMPLETELY IGNORE THE ISSUE AND MANY WILL. THEY DON'T EVEN HAVE TO DEBATE IT. ISN'T THE BREAKDOWN OF THE FAMILY AND THE CYCLE OF DEPENDENCY IMPORTANT ENOUGH, THAT AT A MINIMUM, A DISCUSSION OF THE FAMILY CAP SHOULD TAKE PLACE IN ALL FIFTY STATE LEGISLATURES. THE "OPT OUT" FAMILY CAP PROVISION WILL FORCE A LONG OVERDUE NATIONAL DEBATE ON ILLEGITIMACY.

PERHAPS JENNIFER E. MARSHALL OF THE FAMILY RESEARCH COUNCIL HAS SAID IT BEST -- AND I QUOTE, "GIVEN THE CONSEQUENCES FOR THE INDIVIDUAL CHILD, THE SURROUNDING COMMUNITY, AND THE NATIONAL POLITY, BRINGING A BABY INTO THIS WORLD WITHOUT A SENSE OF SACRED RESPONSIBILITY CANNOT LONG BE REGARDED AS A MORALLY NEUTRAL ACT. CONGRESS SHOULD NOW RECOGNIZE THAT IT IS ALSO WRONG TO SANCTION SUCH ACTIVITY BY SUBSIDIZING IT."

WE IN CONGRESS MUST HELP TO PROVIDE FOR THE NEEDS OF OUR MOST VULNERABLE CITIZENS. BUT WE MUST ALSO ENCOURAGE PERSONAL RESPONSIBILITY. IF WE CONTINUE WITH THE FAILED WELFARE POLICIES OF THE LAST THIRTY YEARS, THE CONSEQUENCES TO OUR FAMILIES AND OUR COMMUNITIES WILL GROW MORE DEVASTATING. WE MUST CHART A NEW COURSE. THE VERY FOUNDATION OF OUR SOCIETY IS AT STAKE.

THANK YOU MR. CHAIRMAN.

Chairman SHAW. Thank you, Mr. Hutchinson.

Our next witness is Ms. Clayton, who is a Member of Congress from the State of North Carolina.

Ms. Clayton.

STATEMENT OF HON. EVA M. CLAYTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Ms. CLAYTON. Thank you, Mr. Chairman. I want to thank you, Chairman Shaw, and Ms. Kennelly for allowing me to testify this afternoon and also to beg, hopefully, that we will debate this in a deliberate and thoughtful effort and not to find opportunities to scapegoat a very hot issue.

As politicians, we somehow can wrangle on about the perils of teenagers, not realizing we also are responsible. Most teens who become pregnant come from poor and disadvantaged families. Teenage pregnancy is just one marker of disadvantage, one result of growing up poor and poorly nurtured, both physically and emotionally, I would say.

Teen pregnancy is also a strong predictor of a new generation of disadvantaged. The equation is as simple as this. As poverty is the most accurate predictor of teen pregnancy, teen pregnancy is a near certain predictor of poverty.

While one in four American children are living in poverty, a 1991 report from the Casey Foundation compare children of two groups—those who finished high school and those who did not. The first group got married, and reached age 20 before having a child, but the second group did not. Of children in the first group, the poverty rate was 8 percent. In the second group, the poverty rate was 79 percent.

Among teens, more births occur out of wedlock today than occurred 35 years ago. This increase in out-of-wedlock births can be attributed to certain changes in marriage patterns, sexual behavior, contraceptive practices, abortion, and the composition of the teen population. Young men and women are increasingly delaying marriage, but not sexual activity.

Teens make three sets of choices about sexual behavior and its consequences. The first is whether and when to start having sex. The second is whether to use contraceptives. According to studies in making the third choice, whether to become pregnant, the distinction by income is very dramatic. In 1994, of all the women aged 15 through 19, 38 percent are defined as poor and low income. Of these same groups, 73 percent were projected to become pregnant.

Of the 1 million teens who become pregnant each year, about half give birth, about 40 percent choose abortion, and the remaining 10 percent miscarry. Actually teenage pregnancy is much larger than just those who have given birth.

Once a teenager becomes pregnant there is no good solution. There is pain in adoption. There is pain in abortion. There is pain and suffering giving birth and certainly there is pain in parenting.

The best solution is to prevent the pregnancy in the first place. Young people who believe that they have real futures to risk have real incentives to delay parenting. That is why, when we demand responsible behavior, we have a reciprocal obligation to offer a real future beyond early parenting and poverty.

Reducing teenage childbearing is likely to require more than eliminating or manipulating welfare programs, as much as we would like to think so. Experience tells us that threats and punishment are not the best way to get teenagers to believe or to behave in the way we would have them to behave. The most successful approach to reducing teenage childbearing is to design policies and procedures that are targeted to encourage positive developmental behavior through beneficial adult role models and job opportunities.

We must implement pregnancy prevention programs that educate and support school age children between 10 and 21 in high-risk situations and their family members through comprehensive social and health services with an emphasis on pregnancy prevention. On average, it takes teens 1 year after becoming sexually active to receive family planning services. This needs to be stopped.

The pregnancy rate among sexually experienced teenagers fell 19 percent from 1972 to 1990, suggesting that teenagers who have access to birth control and who are motivated have been successful at preventing pregnancies. Conducted by the Johns Hopkins School of Hygiene and Public Health, a study showed that the reproductive clinic and other health care providers had an opportunity to intervene and to provide contraceptive counseling to a group of sexually active teenage girls before they became pregnant. This study shows that spending more money on counseling these young girls, indeed, reduced pregnancies for a large percentage.

Teenage girls seeking pregnancy tests are already sexually active and we should understand when they seek information, we are not deterring sex or encouraging sex by simply providing information. Clinics struggling for funds have a distinctive mission to serve teenagers not to encourage them to become sexually active. Most teenagers cannot pay. We should provide funds for these clinics.

In addition, counseling teenagers is quite expensive. They need more attention than older women, it means understanding that you have to be involved in their lives. In the study, most girls who came for a test had reason to believe that they might be pregnant. Oftentimes, they had missed a period, so they are already in trouble when they come to these clinics.

A significant number, almost 14 percent, believed there was little chance that they were, indeed, pregnant. One has to wonder why are we not supporting these clinics to make sure there are equal opportunities? Perhaps, it is a way to get someone they want to trust. They want to understand that there is an opportunity for better services and better information. Devoting more resources to preventing teen pregnancy will not only save us money in the long run, but it is also healthy for the teenagers and our communities. It is an economical way of providing these teenagers with the opportunity to be productive citizens.

I thank you for the opportunity to participate.

Chairman SHAW. Thank you, Ms. Clayton.

Our final Member witness is Jim Talent from the State of Missouri.

Mr. Talent.

STATEMENT OF HON. JAMES M. TALENT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

Mr. TALENT. I thank the Chairman and I would like to echo the other witnesses in expressing my appreciation to you for holding this hearing and the Subcommittee for coming and listening.

For the past several years I have spent much of my time on efforts to reform the welfare system. I concluded that reducing illegitimacy and restoring marriage and the family must be the central focus of that effort. The President vetoed a bill that began moving toward that end. Now, it seems we are back to the drawing board and I urge the Subcommittee to be careful and rewrite this bill so that the policies still accomplish what we set as our central goal.

We can call a bill reform if it gives Governors flexibility and provides additional day care funding. If the mission of welfare reform is to break the cycle of dependency, we must aim our policies at the heart of the problem—illegitimacy.

Our welfare system today rewards illegitimacy and creates an atmosphere conducive to its growth. The government pays welfare recipients approximately twice the minimum wage, provided that they have a child without being married. Some of these statistics have already been mentioned, Mr. Chairman, and I will go over a few of them again.

In nine States, welfare pays more than the average first year salary for a teacher. In 40 States, welfare pays more than an $8-an-hour job and in 6 States more than a $12-an-hour job. In your State of Florida, Mr. Chairman, a woman who receives AFDC, food stamps, Medicaid, housing, WIC, Special Supplemental Food Program for Women, Infants and Children, and so forth, makes, on average, $18,200 a year in pretax income, cash and inkind benefits. This is equivalent to a job worth $8.75 an hour.

The problem is not so much that people have children to get welfare, Mr. Chairman, the problem is that welfare lures poor people into having the children they would not otherwise have without being married. That is the reverse of the normal situation.

Apart from welfare, it would be economically irrational for a poor person, who only has the skills for a low-paying job, to have a child without the committed support of another parent. The welfare system has reversed this normal incentive and made illegitimacy a conventional lifestyle. In fact, in poor neighborhoods, illegitimacy is the conventional lifestyle. Nationally, one out of three children is born out of wedlock, up from 6 percent in 1965.

Even that figure is misleading. In lower income neighborhoods the figure is more like three out of four. It is not surprising that most people in these neighborhoods choose illegitimacy given the economic incentives in the system. What is surprising is that some people, notwithstanding the public policy of the government's welfare system, still heroically insist on marriage and work as a precondition to having children.

Mr. Chairman, I believe that the growth in illegitimacy is the single most important change in our country in the last generation. It is a fact so powerful that it annihilates all other facts. Nothing the government does in school, day care, job training, family plan-

ning or any of its other programs can overcome the damage done to our children by illegitimacy.

Children in single-parent families are three times as likely to fail and repeat a year in grade school than children raised in two-parent households. They are four times more likely to be expelled or suspended from school. By the way, as Mr. Hutchinson, said these are figures controlled for income level. The difference is not between poor people and nonpoor people. The difference is between poor people who come from families on welfare where illegitimacy was the rule and other people in poverty.

Girls raised in single-parent homes on welfare are five times more likely to give birth out of wedlock. Children born to a single mother are seven times more likely to be poor than those born to married couples.

Nor should those of us in comfortable, middle-class neighborhoods believe that the fallout from illegitimacy is limited to poor neighborhoods or poor areas of society. No culture can survive if it attempts to raise a large portion of its children entirely outside the institution of marriage.

Thirty years ago, Daniel Patrick Moynihan warned that a society which marginalizes the role of fathers in urban communities, "Asks for and gets chaos."

Mr. Chairman, there are only two things we can do to change the incentives in the welfare system, broadly speaking. We can change either the size or the structure of the package of benefits.

The bill which the President vetoed relied heavily on changing structure. It required work from those welfare recipients who are the closest to employability. Since this makes welfare less attractive, when compared to private sector employment, its effect is to reduce the welfare rolls and increase the work rolls.

In addition, the bill took some small steps toward getting cash out of the welfare system and replacing it with inkind benefits. The most important of these steps is the family cap which ends the practice of paying cash for additional children born out of wedlock. States could use these funds, which now effectively are a reward for illegitimacy, to encourage adoption or marriage or to care for single moms in a nurturing setting like a group home.

It is no accident that these structural changes, in addition to discouraging illegitimacy and, thereby, reducing welfare roles are also far better than the existing system for those who still enter or remain on welfare. The children in a family receiving welfare are better off if their parent is working in return for benefits.

Sending cash indiscriminately to young moms, while leaving them in an environment where they are quite likely being exploited by pushers, boyfriends or gangs is not a way of caring for them. It is a way of sweeping them under the rug.

Mr. Chairman, there is another way of reversing the effects of welfare and that is to rebuild the neighborhoods and institutions that give order and meaning to daily life. Fortunately, all across America, people in distressed areas are coming together to bring private sector jobs, home ownership, school choice, charity, and faith back to the center of their neighborhoods. The Federal Government cannot be a substitute for these groups, but it can en-

courage them in part by simply lifting the taxes and regulations that get in their way.

In the next month, Representative Watts and I will be introducing the community renewal act of 1996. That act is designed to put government on the side of moral and economic renewal, which is already present in these communities, like embers, just beneath the ash in urban America.

The bill does this by empowering faith-based and other private groups, funding school choice, encouraging private investment and home ownership, and assisting those neighborhood groups which are restoring structure to these communities.

We have ahead of us the task of not just reforming welfare benefits, but of renewing distressed communities. As we move forward in our efforts, let us keep in mind how important reducing the out-of-wedlock birthrate is to accomplish these goals.

I am very pleased, Mr. Chairman—that everybody testifying on this first panel has offered ideas as to how to do that. We may disagree on illegitimate policy, but at least we all seem to be agreeing on its importance. I urge the Committee to include, in its reform initiatives, strong provisions to curb the alarming increase in illegitimacy. Without them, we run the risk of merely making the current system a more efficient destroyer of our families and our neighborhoods.

Chairman SHAW. Thank you, Mr. Talent, and I thank all of the Members for their testimony. We have a long agenda this afternoon and in order to try to be as fair to the last panel as I am to the next panel, I am going to enforce the 5-minute rule. As a matter of fact, I think at future hearings I may enforce that against the Members, too. I am going to strictly enforce it as to each of the witnesses and as to the Members when they start the questioning process.

We have each of your full statements which will be put into the record, and I would ask the witnesses to summarize so that we will have adequate time for questions and we can finish the hearing this afternoon without prejudicing any of the later panels.

The next panel that we have is going to discuss the impact of out-of-wedlock births. We have Robert Rector, who is a senior policy analyst at the Heritage Foundation, right here in Washington; Nicholas Zill, who is a Ph.D., vice president and study area director of Westat, Inc., in Rockville, Maryland; Joseph McIlhaney, who is the president of the Medical Institute for Sexual Health from Austin, Texas; and Frank Furstenberg, who is a Ph.D., professor of sociology at the University of Pennsylvania in Philadelphia.

Mr. Rector, if you would proceed, as our first witness, please.

STATEMENT OF ROBERT RECTOR, SENIOR POLICY ANALYST, THE HERITAGE FOUNDATION, WASHINGTON, DC

Mr. RECTOR. Mr. Chairman, I wish to commend this Subcommittee for holding these hearings today. I think the topic we are discussing is the most important topic before us as a Nation. The simple fact of the matter is that marriage in the United States is dying and the very survival of our society is at stake. By large, it is the current welfare system that is killing it.

When the war on poverty began, roughly 7 percent of American children were born out of wedlock. Today, that number has risen to 33 percent and continues to go up at a steady and relentless pace among both blacks and whites.

For my oral testimony today I would like to provide some visual charts that describe some recent research we have done on the consequences of out-of-wedlock births in terms of welfare dependency and poverty in the United States.

What we have here are children born in the United States divided into four categories. Those who were born out of wedlock whose mothers never marry. The second column, out-of-wedlock mothers who subsequently marry. The third column born in wedlock to mothers divorced after birth. Finally, on the right-hand side of the chart, born in wedlock to parents who remain intact in marriage.

If you look at children born out of wedlock where the mother never marries, they have spent 50 percent of their months since they have been born—and these children are, on average, about 9 years old on AFDC. If you compare them with a situation where the child is born in wedlock and the marriage has remained intact, the number is 3 percent.

Therefore, by contrast, out-of-wedlock births are AFDC dependent 1,700 percent more frequently. The red columns on the chart show a broader definition of welfare dependence. This includes receipt of AFDC, food stamps, Medicaid, WIC, and SSI. Looking at that broader definition we find children born out of wedlock whose mother never marries have spent 71 percent of their lives receiving some form of welfare benefit. In contrast, the family that has remained intact, within marriage, has spent 12 percent of the time receiving some form of welfare benefit.

The two other categories fall some place in between. I would emphasize that if, even once you have had an out-of-wedlock birth, the best way to reduce welfare dependence is to get the mother to marry subsequent to that birth. If you look at that column, we see that marriage reduces welfare dependence either way it is measured, it cuts it in half, just by having her marry. It is a much more effective strategy than simply stressing getting her employed.

Now, if we could go to the next chart we look at the percentage of time in which these children, in these four categories, have spent in poverty. We find that a child born out of wedlock whose mother has never subsequently married, has spent half the years, since the child's birth, in poverty. In contrast, if we go over to the other side, children born in wedlock, where the parents have remained in an intact marriage, the poverty rate is 7 percent.

The out-of-wedlock birth increases the incidence of poverty by 700 percent. Again, the other two categories, out of wedlock followed by subsequent birth, and in wedlock followed by divorce fall in the middle. Marriage, even if it is after the out-of-wedlock birth, has a very dramatic effect in terms of reducing the incidence of poverty.

I would particularly make reference to that vis-a-vis, the Governor's plan, that recently came out that has an almost exclusive focus on encouraging States to promote employment among single mothers, and penalizes those States that would put an em-

phasis either on reducing out-of-wedlock births or on increasing marriage. In doing that, it focuses on the least effective means for reducing poverty and increasing children's well being.

I think that even more striking than that are the social consequences on these children that are born out of wedlock. We find that a child being born out of wedlock and raised in a single-parent home triples the probability that that child will have emotional and behavioral problems, even when compared to other children who are poor.

Being born out of wedlock and raised without a father in the home triples the rate in which a girl will engage in teenage sexual activity and all the harmful consequences that flow from that. Being raised in a single-parent home and spending a long period of time on welfare can decrease a child's IQ by up to 24 percentage points. That is research from CBO Director, Dr. June O'Neill.

Finally, being raised in a single-parent home, even holding all other social variables constant, doubles or triples the probability that a young girl will go on, herself, and have a child out of wedlock. Finally, and perhaps most importantly, being born out of wedlock and raised in a single-parent home doubles or triples the probability that a young boy is going to be involved in crime.

This is the most important problem facing our society. The bill that was passed by Congress took several small, but significant positive steps to deal with this issue. Unfortunately, the President has vetoed that bill. I would ask that in any subsequent legislation that you take an even stronger effort to deal with this problem because it is the most important problem facing our children.

Thank you.

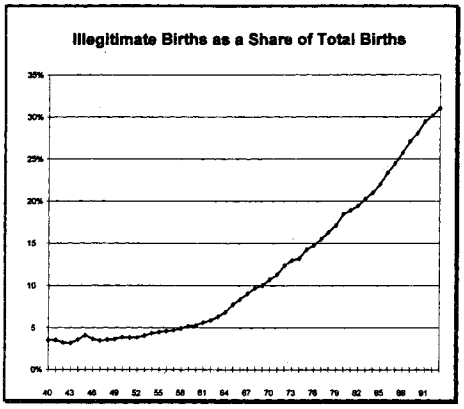
[The prepared statement and attachments follow:]

STATEMENT OF ROBERT RECTOR
SENIOR POLICY ANALYST, WELFARE AND FAMILY STUDIES
RISING ILEGITIMACY, POVERTY, AND DEPENDENCE
IN AMERICAN SOCIETY

THE GROWTH IN ILLEGITIMACY AND THE DECLINE IN MARRIAGE

According to the most recent statistics released by the Center for Health Statistics at the U.S. Department of Health and Human Services, illegitimacy continues to rise rapidly and marriage continues to decline across the U.S. According to the recently released HHS data, out-of-wedlock births represented 31.0 percent of all births in the U.S. in 1993 -- up from 30.1 percent just a year earlier in 1992. This rapid increase in illegitimacy, nearly 1 percentage point in a single year, follows the pattern of increasing illegitimacy which has occurred since the beginning of the War on Poverty in 1965. In that year, 7.7 percent of children were born out-of-wedlock. By 1993 the number had risen four-fold.

Chart 1



The percentage of births that are out-of-wedlock is expanding rapidly for both whites and blacks. Among whites in 1993, 23.6% of births were out of wedlock, up from 11 percent in 1980. Among blacks 68.7 percent of births were out-of-wedlock in 1993 up from 58 percent in 1980.

The most recent HHS data show that the absolute number of children born within marriage fell in the last reported year. In 1992, 2.84 million children were born to married couples; in 1993 the number had declined to 2.76 million. By contrast, the absolute number of children born out-of-wedlock rose from 1.22 million in 1992 to 1.24 million in 1993

The most useful tool in measuring the decline in marriage and the growth in illegitimacy is the illegitimacy rate (more formally called the illegitimacy ratio). The illegitimacy ratio measures the number of out-of-wedlock births in a given year as a percentage of all births in that year. Thus, if there were 100 births in a society in a year and 30 of those births were out-of-wedlock, the illegitimacy ratio would be 30 percent.

The illegitimacy ratio is important because it measures the extent to which illegitimacy is displacing marriage in our society. Since illegitimacy is a profound underlying factor contributing to most other social ills, the illegitimacy ratio is the best possible tool for measuring a wide array of future social problems. The continuing rise in the illegitimacy ratio is propelled by three factors:

1) the decline in the portion of women of child bearing age who are married;
2) the increase in the birth or fertility rate among non-married women; and
3) the decline in the birth or fertility rate among married women.

American society is now characterized by a growing number of non-married women who, as a group, have an increasing tendency to bear children out-of-wedlock.

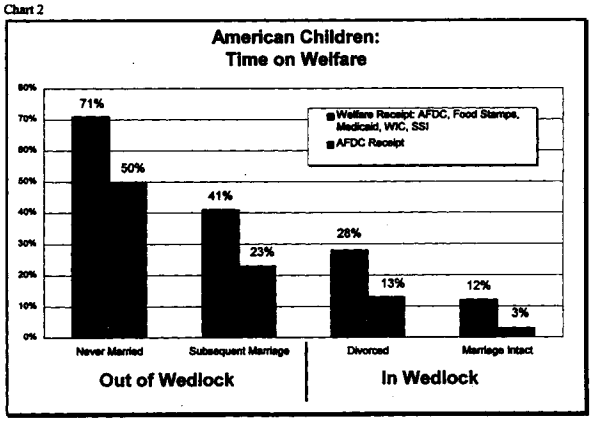
In contrast, while the birth rate among non-married women in the U.S. has increased, the birth rate among married women has gone in the opposite direction. Thus, not only has marriage among women of child bearing age declined but the birth rate among the shrinking pool of married women has also fallen.

RISING ILLEGITIMACY IS A MAJOR CAUSE OF WELFARE DEPENDENCE AND POVERTY

The most obvious consequences of the rising tide of illegitimacy and declining marriage are welfare dependence and child poverty. Charts 2 and 3 show data from the National Longitudinal Survey of Youth (NLSY) which contains a national representative sample of young mothers and their children.[1] The charts divide children into four groups:

1. **Out-of-wedlock-Never Married** ---Children born out of wedlock whose mother has never married after the birth of the child;
2. **Out-of-wedlock-Subsequent Marriage**--- Children born out of wedlock whose mother marries subsequent to the child's birth
3. **Within Wedlock- Divorced** ----Children born to married parents who later divorce;
4. **Within Wedlock- Marriage Intact** ----Children born to parents who were married at the time of birth and remained married.

Chart 2



As chart 2 shows, children born out-of-wedlock whose mothers have not married have received AFDC benefits for fifty percent of the time since birth. By contrast, children who were born in wedlock and whose parents have remained married have received AFDC only 3 percent of the time since birth. Thus AFDC receipt is 1700 percent more frequent among illegitimate children of never married mothers than among legitimate children raised by intact married couples.

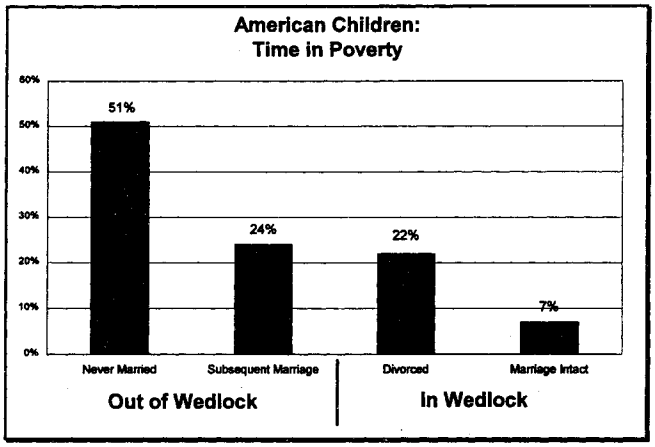
If a woman gives birth out-of-wedlock but subsequently marries the average length of time spent of AFDC will be cut in half, falling from 50 percent (for children of never married mothers) to 23 percent. Marriage even after an out-of-wedlock birth is thus

[1] The National Longitudinal Survey of Youth (NLSY) contains a nationally representative sample of men and women who were aged 14 to 21 in 1979 when the survey began. In each year, the survey has tracked these individuals, compiling a detailed social and economic history of each ,including information on each child born to NLSY women. The youngest NLSY women have now reached age thirty; children of NLSY mothers had an average age of roughly nine years at the period of this analysis (1992).

quite effective in reducing dependence. Conversely if the parents of a legitimate child divorce, the length of time on AFDC will rise from 3 percent (for intact married couples) to 11 percent for divorced families.

Chart 2 also shows the portion of time which children in the four different categories received any of the following means-tested welfare benefits: AFDC, Food Stamps, Medicaid, SSI, and WIC. On average, children in the "out-of wedlock-never married" group received some form of welfare benefit for 71 percent of the months since birth. By contrast, legitimate children whose parents remained married have received some welfare for 11 percent of the time. Welfare receipt is seven times greater among the never-married group.

Chart 3



Poverty Chart three shows the amount of time since birth that a child has lived in poverty for the four different categories of children. Children born out-of-wedlock to never married women are poor fifty percent of the time. By contrast children born within a marriage which remains intact are poor 7 percent of the time. Thus the absence of marriage increases the frequency of child poverty 700 percent. However, marriage after an illegitimate birth is again relatively effective, cutting the child poverty rate in half.

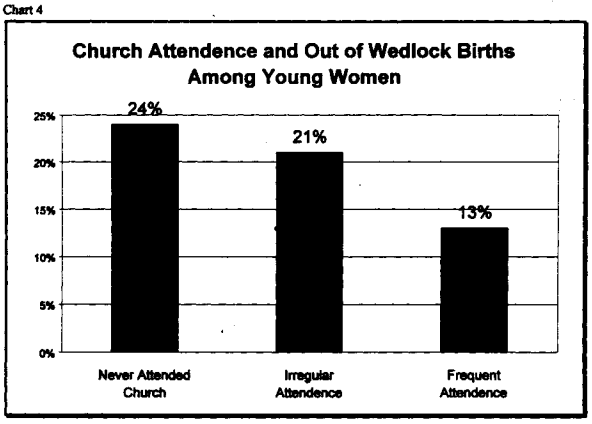
WHO HAS CHILDREN OUT OF WEDLOCK?

A common myth is that illegitimacy is primarily a problem of young teenage women. However, in 1993, only 13 percent of all out-of-wedlock births occurred to girls under age 18. Instead, as the chart shows, illegitimate births are most prevalent among young adult women in their late teens and early 20's. Seventeen percent of out-of-wedlock births occur to girls aged 18 and 19. Over half of all illegitimate births occur to women aged 18 to 24 with the absolute peak of out-of-wedlock child bearing coming at ages 19 and 20. Illegitimacy is predominantly a problem of young women, but not of women under age 18. The problems of "teen pregnancy" and illegitimacy are thus not the same. Attempts by the Clinton administration and others to substitute the issue of "teen pregnancy" for illegitimacy in the welfare debate are, at best, confused. At worst, they are deliberate efforts to quietly side-track and muffle the broader debate about the crisis of illegitimacy in hopes the issue will fade from public view.

Illegitimacy and Religion Another key factor in determining whether a woman will have a child out-of-wedlock is religious belief and practice. Chart 3 shows the percentage of NLSY women who have had a child out-of-wedlock based on the level of

church attendance in a single year (1982).[2] As the chart shows, 13 percent of women who frequently attended church (once or more per week) have had a child out-of-wedlock, compared to 24 percent among women who did not attend church at all. Thus, regular religious observance cut the probability of out-of-wedlock births roughly in half. The impact of religion is maintained when race and poverty status are held constant. Similarly, teenage girls who regularly attend church are two-thirds less likely to be sexually active than those who do not.[3]

Chart 4



Murphy Brown Despite stories in the popular press connecting the growing rate of illegitimacy with a new generation of "Murphy Browns", having a child out-of-wedlock is still a phenomenon which is largely found among less educated women. A examination of births to women in the NLSY survey in 1992 shows that among white women who had not finished high school, 24 percent of births were out-of-wedlock. Among women with a high school degree, the number was 14 percent. By contrast, illegitimacy is virtually non-existent among highly educated women; among white women with some graduate education, only 2 percent of births were illegitimate. Among black Americans, the picture is somewhat different. Within the black community, the erosion of marriage has become so pervasive that a large percentage of better educated black women now give birth outside of wedlock. Still the general pattern out-of-wedlock births remains the same;. black high school dropouts are more than twice as likely to have a child out of wedlock as were black women with graduate education.

THE SOCIAL CONSEQUENCES OF RISING ILLEGITIMACY

From the very beginning, children born outside of marriage have life stacked against them. While some single mothers work wonders and raise their children well despite the obstacles they encounter, for many others the challenge is too great and their children suffer the consequences. The impact on the child is significant and can be permanent. For many, out-of-wedlock birth and growing up in a single-parent family means the child is more likely to experience:

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[2] The NLSY church attendance survey has very rarely asked information on religious practice. It would be very useful to have church attendance data for each year. Nevertheless, even a single year's record of church attendance shows religica to be an important factor affecting illegitimacy.

[3] Research by The Heritage Foundation based on the National Longitudinal Survey of Youth

- Retarded cognitive (especially verbal) development;
- Lower educational achievement;
- Lower job attainment;
- Increased behavior and emotional problems;
- Lower impulse control;
- Retarded social development

Such children are far more likely:

- to engage in early sexual activity;
- to have children out of wedlock;
- to be on welfare as adults; and
- to engage in criminal activity.

The absence of married parents is related to retarded development in early childhood. Illegitimacy leads to delays in development. A study of black infants (aged 5 to 6 months) living in households of lower socio-economic status in America's inner cities found that male infants who experienced "minimal interaction with their fathers" had significantly lower levels of overall mental development, lower social responsiveness for novel stimuli.[4] Illegitimate children tend to have lessened cognitive development.[5 6 7] Many of these children have problems in controlling their activity (popularly called "hyperactivity"). This lack of control is usually an indication of problems in learning that will arise later in the child's development.[8] The effect on boys is greater, at least in the early years.[9 10]

Similar findings were enumerated again in the recent 1992 National Institute of Child Health and Development summary, "Outcomes of Early Childbearing: An Appraisal of Recent Evidence."[11] And such findings are in line with earlier studies. For instance, Project TALENT, a federal survey commissioned in 1960, which tracked the development of 375,000 high school students from 1960 through 1971, found that children born outside marriage were likely to have lower cognitive scores, lower educational aspirations, and a greater likelihood of becoming teenage parents themselves. Once again, all of these effects were greater for boys.[12]

The absence of married parents risks emotional and behavioral problems during childhood. The effects of illegitimacy continue to compound through childhood. National Health Interview Survey of Child Health (NHIS-CH) confirms that children born out-of-wedlock have far more behavioral and emotional problems than do children in intact married families. These problems include:

- **antisocial behavior:** disobedience in school; cheating and lying; bullying and cruelty to others; breaking things deliberately; failure to feel sorry after misbehaving;
- **hyperactive behavior:** difficulty concentrating or paying attention; becoming easily confused; acting without thinking; being restless or overactive;

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[4] Frank A. Peterson, Judith L. Rubenstein and Leon J. Yarrow, "Infant Development in Father-Absent Families" The Journal of Genetic Psychology, 1979, No. 135, pp. 51-61. The study finds the differences in development were due to the level of interaction with the father rather than the number of adults in the household or the household's socio-economic status.

[5] Walsh, "Illegitimacy, Child-Abuse and Neglect, and Cognitive Development," Journal of Genetic Psychology, Vol. 15 (1990), pp. 279-285.

[6] J.J. Card, "Long Term Consequences for Children Born to Adolescent Parents," Final Report to NICHD, American Institutes for Research, Palo Alto, California, 1977; and also, J.J. Card, "Long term consequences for children of teenage parents," Demography, Vol. 18 (1981), pp. 137-156.

[7] Wadsworth et al., op. cit..

[8] J. Brooks-Gunn and Frank Fustenberg Jr., "The Children of Adolescent Mothers: Physical, Academic and Psychological Outcomes," Developmental Review, Vol. 6 (1986), pp. 224-225.

[9] Card, op. cit.

[10] Brooks-Gunn et al., op. cit..

[11] Bachrach, et al., op. cit.,

[12] Card, op. cit.

- **headstrong behavior**: easily losing one's temper; being stubborn, irritable, disobedient at home; arguing excessively;
- **peer conflict**: having trouble getting along with others; being not liked; being withdrawn;
- **dependent behavior**: crying too much, being too dependent on others, demanding attention, clinging to adults.

Children raised by never married mothers have significantly higher levels of all of the above behavior problems when compared to children raised by both biological parents. When comparisons are made between families that are identical in race, income, number of children, and mother's education, the behavioral differences between illegitimate and legitimate children actually widen. Compared to children living with both biological parents in similar socio-economic circumstances, children of never married mothers have 68 percent more antisocial behavior; 24 percent more head strong behavior; 33 percent more hyperactive behavior; 78 percent more peer conflict; 53 percent more dependency. Overall children of never married mothers have behavioral problems score nearly three times higher than children raised in comparable intact families.[13]

Children born out of wedlock have less ability to delay gratification, poorer impulse control (that is, control over anger and sexual gratification). They have a weaker sense of conscience or sense of right and wrong.[14] Adding to all this is the sad fact that the incidence of child abuse and neglect is higher among single-parent families.[15]

Being Born Out-of Wedlock Increases the Probability of Teen Sexual Activity. Boys and girls born out-of-wedlock and raised by never married mothers are two and a half times more likely to be sexually active as teenagers when compared to legitimate children raised in intact married couple families. This finding applies to both blacks and whites. Children born out-of- wedlock whose mothers marry after the child's birth appear to be slightly less likely to be sexually active as teens but are still twice as active, on average, as legitimate teens of intact married couples.[16]

The absence of married parents is related to poor academic performance during school years. The risks and consequences of illegitimacy continue through the middle years of childhood and express themselves in poor academic performance. A 1988 study Sheila F. Krein and Andrea H. Beller of the University of Illinois finds that the longer the time spent in a single-parent family the lower the education attained by a child. In general, boy's educational attainment was cut by one tenth of year for each year spent as a child in a single parent home. Controlling for family income did not reduce the magnitude of the effect noticeably.[17] These findings are confirmed again and again in studies conducted in the United States and abroad. These studies demonstrate that illegitimacy is also associated with lower job and salary attainment.[18] [19] [20]

The absence of married parents leads to intergenerational illegitimacy. Being born outside of marriage significantly reduces the chances of the child growing up to have an

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[13] Deborah A. Dawson, "Family Structure and Children's Health and Well-being: Data from the 1988 National Health Interview Survey on Child Health," paper presented at the annual meeting of the Population Association of America, Toronto, May 1990.

[14] E.M. Hetherington and B. Martin, "Family Interaction," in H.C. Quay and J.S. Werry (eds.), Psychopathological Disorders of Childhood (New York: John Wiley & Sons, 1979), pp. 247-302.

[15] A. Walsh, "Illegitimacy, Child-Abuse and Neglect, and Cognitive Development," Journal of Genetic Psychology, Vol. 15 (1990), pp. 279-285.

[16] Research by The Heritage Foundation based on the National Longitudinal Survey of Youth.

[17] Sheila F. Krein and Andrea H. Beller, "Educational Attainment of Children From Single-Parent Families: Differences by Exposure, Gender and Race," Demography, Vol. 25 (May 1988), p. 228.

[18] Eric F. Dubow and Tom Lester, "Adjustment of Children Born to Teenage Mothers: The Contribution of Risk and Protective Factors," Journal of Marriage and the Family, Vol. 52 (1990), pp. 393-404.

[19] Card, op. cit.

[20] Robert W. Blanchard and Henry B. Biller, "Father Availability and Academic Performance among Third-Grade Boys," Developmental Psychology, Vol. 4, No. 3 (1971), pp. 301-305.

intact marriage.[21] Children born outside of marriage themselves are three times more likely to be on welfare when they grow up.[22] Daughters of single mothers are twice as likely to be single mothers themselves, if they are black, and only slightly less so if they are white.[23] And boys living in a single-parent family are twice as likely to father a child out of wedlock as are boys from a two-parent home.[24] The TALENT study, noted earlier, had already found that children born to teenage parents are more likely to become teen parents themselves.[25]

Illegitimacy is a major factor in America's crime wave. Lack of married parents, rather than race or poverty, is the principal factor in the crime rate. It has been known for some time that high rates of welfare dependency correlate with high crime rates among young men in a neighborhood.[26] But more important, a major 1988 study of 11,000 individuals found that "the percentage of single-parent households with children between the ages of 12 and 20 is significantly associated with rates of violent crime and burglary." The same study makes clear that the widespread popular assumption that there is an association between race and crime is false. Illegitimacy is the key factor. The absence of marriage, and the failure to form and maintain intact families, explains the incidence of high crime in a neighborhood among whites as well as blacks. This study also concluded that poverty does not explain the incidence of crime.[27] This is a dramatic reversal of conventional wisdom.

University of Illinois sociologist Robert J. Sampson shows that violent crime among blacks, especially juveniles, is strongly driven by the collapse of the family. Sampson states," black family disruption has the largest effects on black juvenile robbery and homicide."[28] He finds similar effects among whites.

Research on underclass behavior by, Dr. June O'Neill, the current director of the Congressional Budget Office, confirms the linkage between crime and single-parent families. Using data from the National Longitudinal Survey of Youth, O'Neill found that young black men raised in single-parent families were twice as likely to engage in criminal activities when compared to black men raised in two-parent families, even after holding constant a wide range of variables such as family income, urban residence, neighborhood environment, and parents' education. Growing up in a single-parent family in a neighborhood with many other single-parent families on welfare triples the probability that a young black man will engage in criminal activity.[29]

A major sociological review from the University of Wisconsin concludes that teens from single-parent families are much more likely to become delinquent than are teens from intact families. Family disruption drives up delinquency rates because of the way it "hampers the formation of attachments to parents and the transmission of anti-delinquent definitions from parent to child." Adolescents from broken homes often

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[21] Neil Bennett and David Bloom, "The influence of Non-marital Childbearing on the Formation of Marital Unions." Paper given at NICHD conference on "Outcomes of Early Childbearing," May 1992.

[22] Kristin Moore, "Attainment among Youth from Families That Received Welfare." Paper for DHHS/ASPE and NICHD, Grant #HD21537-03.

[23] Sara S. McLanahan, "Family Structure and Dependency: Early Transitions to Female Household Headship," Demography, Vol. 5, No. 1 (1988), pp. 1-16.

[24] William Marsiglio, "Adolescent Fathers in the United States: Their Initial Living Arrangements, Marital Experience and Educational Outcomes," Family Planning Perspectives, Vol. 19 (1987), pp. 240-251, reporting a study of 5,500 young men..

[25] Card, op. cit.

[26] Arthur B. Elsters et al., "Judicial Involvement and Conduct Problems of Fathers of Infants Born to Adolescent Mothers," Pediatrics, Vol. 79, No. 2 (1987), pp. 230-234.

[27] Douglas Smith and G.Roger Jarjoura, "Social Structure and Criminal Victimization," Journal of Research in Crime and Delinquency, February 1988, pp. 27-52.

[28] Robert J. Sampson, "Urban Black Violence: The Effect of Male Joblessness and Family Disruption," American Journal of Sociology, Vol. 93 (1987), pp. 348-382.

[29] M. Anne Hill and June O'Neill, Underclass Behaviors in the United States: Measurement and Analysis of Determinants, New York City, City University of New York, Baruch College March 1990.

"associate with delinquents, learn definitions favorable to delinquency, and consequently, violate the law."[30]

These academic findings on the relationship between crime and illegitimacy are confirmed in government studies. For example, the U.S. Department of Justice reported in 1987 that 70 percent of juveniles in state custody did not live with both parents while growing up, and almost three-quarters of those lived primarily in a single-parent family.[31] The National Longitudinal Survey of Youth (NLSY) presents a nearly identical picture. In general, young boys raised in single parent or blended families (where one parent is a step-parent) were four and a half times more likely to engage in criminal activity and end up in jail than were boys living in intact families with both biological parents Even after controlling for race and differences in mental ability, boys in single parent or blended homes were still twice as likely to engage in crime. Family income, in contrast, was not shown to be a factor.[32]

WELFARE PROMOTES ILLEGITIMACY

Three separate factors have been proposed to explain the decline in marriage and the rise in illegitimacy. These are: 1) economic changes leading to decline in earnings and jobs for low skilled males in certain parts of the country thereby, reducing their capacity as bread winners; 2) changes in cultural norms and values concerning non-marital sexual activity and child bearing, and ; 3) the impact of the welfare system in subsidizing out of wedlock births and single parenthood.

Any change as huge and momentous as the disappearance of marriage in society will not be driven solely by one factor. In truth, each of the factors mentioned above has played some role in the rise of illegitimacy. However, the evidence seems to point to welfare as the factor which has played the largest role as well as the one which most susceptible to corrective action.

Despite repeated claims to the contrary, the overwhelming majority of scientific studies conducted in the last decade and a half link concerning between welfare and illegitimacy confirm common sense, economic and psychological theory; they show that welfare promotes illegitimacy and discourages marriage. Many show that welfare has a dramatic positive effect in increasing the level of illegitimacy in U.S. society. The following is a list thirteen studies which have found a relationship between higher welfare benefits and increased illegitimacy.

1. Research by the Director of the Congressional Budget office, Dr. June O'Neill's has found that, holding constant a wide range of other variables such as income, parental education, and urban and neighborhood setting, a 50 percent increase in the monthly value of AFDC and Food Stamp benefits led to a 43 percent increase in the number of out-of-wedlock births. Hill, M. Anne, and O'Neill, June, "Underclass Behaviors in the United States: Measurement and Analysis of Determinants", Center for the Study of Business and Government, Baruch College, February 1992.

2. Research by Mikhail Bernstam of the Hoover Institution at Stanford University shows that childbearing by young unmarried women may increase by 6 percent in response to a 10 percent increase in monthly welfare benefits; among blacks the increase may be as high as 10 percent. Bernstam, Mikhail S., "Malthus and Evolution of the Welfare State: An Essay on the Second Invisible Hand, Parts I and II", working papers E-88-41,42, Palo Alto, CA, Hoover Institution, 1988.

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[30] Ross L. Matsueda and Karen Heimer, "Race, Family Structure and Delinquency: A Test of Differential Association and Social Control Theories," American Sociological Review, Vol. 52 (1987), pp. 826-840.

[31] Allen J. Beck and Susan A. Kline, "Survey of Youth in Custody, 1987," U.S. Department of Justice, Bureau of Justice Statistics, Special Report, September 1988.

[32] Heritage Foundation research based on NLSY data from 1979 through 1992. Criminal activity was measured by residence in jail.

3. A recent study of black Americans finds that higher welfare benefits lead to lower rates of marriage and higher numbers of children living in single parent homes. In general, an increase in roughly $100 in the average monthly AFDC benefit per recipient child was found to lead to a drop of over 15 percent in births within wedlock among black women aged 20 to 24. Fossett, Mark A., and Kiecolt, K. Jill, "Mate Availability and Family Structure Among African Americans in U.S. Metropolitan Areas", Journal of Marriage and Family, Vol. 55, May 1993, pp. 288-302.

4. Research by Dr. C.R. Winegarden of the University of Toledo found that half of the increases in black illegitimacy in recent decades could be attributed to the effects of welfare. Winegarden, C.R., "AFDC and Illegitimacy Ratios: A Vector-Autoregressive Model", Applied Economics 20 (1988), pp. 1589-1601.

5. Research by Shelley Lundberg and Robert D. Plotnick of the University of Washington shows that an increase of roughly $200 per month in welfare benefits per family causes the teenage illegitimate birth rate in a state to increase by 150 percent. Lundberg, Shelly, and Plotnick, Robert D., "Adolescent Premarital Child Bearing: Do Opportunity Costs Matter?", discussion paper no. 90-23, Seattle: University of Washington, Institute for Economic Research, 1990.

6. Research by Dr. Martha Ozawa of Washington University in St. Louis has found that an increase in AFDC benefit levels of $100 per child per month leads to roughly a 30 percent increase in out-of-wedlock births to women age 19 and under. Ozawa, Martha N., "Welfare Policies and Illegitimate Birth Rates Among Adolescents: Analysis of State-by-State Data", Social Work Research and Abstracts, 14 (1989), pp. 5-11.

7. Another recent study finds a 20 percent increase in welfare benefit levels across all states would increase the probability of teen out-of wedlock births by as much as 16 percent. (However, the authors state that these findings should be treated cautiously because they were not proven to be statistically significant.) An, Chong-Bum, and Haveman, Robert, and Wolfe, Barbara, "Teen Out-of-Wedlock Births and Welfare Receipt: the Role of Childhood Events and Economic Circumstance", The Review of Economics and Statistics, May 1993.

8. A recent study by Charles Murray finds positive effect of welfare on illegitimacy. Murray, Charles, "Welfare and the Family: The U.S. Experience", Journal of Labor Economics, Vol. 11, pt. 2, 1993, pp. 224-262.

9. Another study by Robert Plotnick finds a positive effect of welfare on illegitimacy. Plotnick, Robert D., "Welfare and Out-of-Wedlock Childbearing: Evidence from the 1980's", Journal of Marriage and the Family (August 1990), pp. 735-46.

10. A study by Paul T. Schultz finds higher welfare benefits significantly reduce marriage rates. Schultz, Paul T., "Marital Status and Fertility in the United States", The Journal of Human Resources, Spring 1994, pp. 637-659.

11. A study by Scott South and Kim Lloyd finds a positive relationship between welfare and the percentage of births which are out-of-wedlock. South, Scott J., and Lloyd Kim M., "Marriage Markets and Non-marital Fertility in the United States" Demography, May 1992, pp. 247-264.

12. A recent study by Phillip Robins and Paul Fronton finds that higher welfare benefits lead to more births among never-married women. Robins, Phillip K and Fronton, Paul, "Welfare Benefits and Family Size Decisions of Never-Married Women", Institute for Research on Poverty: Discussion Paper, DP #1022-93, September 1993

13. A recent Rand Corporation study finds higher welfare benefits increase illegitimate births. Jackson, Catherine A. and Klerman, Jacob Alex, "Welfare, Abortion and Teenage Fertility", RAND research paper, August 1994.

ISN'T LOW FAMILY INCOME THE REAL CAUSE OF PROBLEM BEHAVIOR?

A common liberal belief is that most social and behavioral problems are the result, not of collapsed family structure, but of low family income. According to this theory, crime and other dysfunctional behaviors emerge in young people raised in single parent homes, not because of the absence of the biological father, nor because of the norms within the family, but simply because single parent homes, on average, have lower incomes. Since a lack of money causes development problems, such problems can be reduced by providing ever larger welfare payments to single mothers.

This belief can easily be refuted by applying historical perspective. The typical family in the 1950's had an income roughly half of that of similar family today, after adjusting for inflation. But no one would really expect children raised in the 1950's to exhibit greater criminality, sexual promiscuity, and behavior problems simply because their families had less income. Similarly, the typical family living in the 1920's was "poor" by today's standards, adjusted for inflation. But lack of income did not generate greater behavioral problems among children of this earlier period.

Two principles seem to apply. First, children benefit greatly from the presence of a biological father and mother united in marriage. Second, in addition to family structure, it is the norms within the family (and also with he surrounding community) rather than income that make the difference in children's lives.

Finally, there is no credible evidence to support the belief that attempting to raise the incomes of single parent home through more generous welfare benefits will generate positive outcomes in children's development. Instead, more generous welfare promotes greater single parenthood and dependence, both of which have a sharply negative effect on children's well-being. In order to help children we must reverse the current national trend in which even greater numbers of children are being raised in welfare dependent single parent homes.[33]

POLICY RECOMMENDATIONS

The primary goal of welfare reform must be to reduce illegitimacy and to save marriage. This will not be easy. Our current welfare system is like a giant ocean liner bound on a socially destructive course. It will take years to stop the behemoth and reverse direction. For example, even under the conference welfare reform bill, passed by Congress, the federal and state governments would spend nearly a half trillion dollars, over seven years, to subsidize and support illegitimacy and single parenthood through multiple welfare benefits, day-care, job training, and other services. Under the Congressional plan, government would spend $1,000 to subsidize single parenthood and illegitimacy for each dollar spent to reduce illegitimacy.

However, the conference bill, enacted by Congress, did take some initial first steps to combat illegitimacy. Congress should be commended for its leadership; unfortunately the president vetoed that bill. In the future Congress should broaden and improve its efforts to deal with illegitimacy. Steps which should be taken include the following.

1. Congress should clearly identify reducing illegitimacy as the key goal of welfare reform and should use the bully pulpit to publicize the issue.

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[33] Robert Rector, "Why Congress Must Reform Welfare", Heritage Foundation Backgrounder, No. 1063, december 4, 1995.

2. The national family cap with the state opt out provision should be retained in any future legislation;

3. The conference welfare bill creates an illegitimacy reduction bonus mechanism which rewards states which reduce their illegitimacy ratio without increasing abortions. However, the criteria for earning a reward under this fund are very stringent and, as a consequence, few if any states will actually obtain incentive payments under this provision. Bonuses which are nearly impossible to achieve will have little effect on state efforts. The criteria of "success" in reducing illegitimacy should be softened so states have a better chance of earning the reward;

4. The welfare reform proposed by the National Governor's Association contained a huge $6 billion "performance incentive fund" is really a job placement bonus fund. The NGA plan rewards only states that increase employment among welfare mothers; it is explicitly anti-marriage. In reality, welfare dependence can be reduced by the six following means: reducing illegitimacy; reducing divorce; increasing marriage among women who have had children out of wedlock and who have not yet enrolled in welfare; encouraging single mothers to take jobs before they ever enter AFDC; increasing marriage among welfare mothers; and last having welfare mothers obtain jobs. The NGA plan focuses on the last mechanism: employment of AFDC mothers, which is in fact the least effective means of reducing dependence and poverty. If included in future legislation, this performance fund should altered to reward all modes of reducing dependence evenly. Moreover, states should be rewarded only if caseload and illegitimacy are actually declining.

5. During the early 1970's, food commodity distribution programs were replaced by the nationwide Food Stamp program. The introduction of Food Stamps coincided with an explosive rise in illegitimacy and AFDC dependence. States should be given the option of providing a nutritionally balanced selection of food commodities rather than food stamp coupons to AFDC mothers and retaining any savings therefrom for other anti-poverty activity. Replacing food coupons with commodities will decrease the overall attractiveness of welfare and would have a significantly reduce future illegitimacy and dependence.

6. The amount of funding in the new abstinence program in the conference bill should be increased;

7. States should submit be required to submit a plan of how they are going to reduce illegitimacy.

8. Congress should create a new set aside of $300 million per year within AFDC for states to devise and operate their own programs to reduce illegitimacy without increasing abortion (with an firm evaluation requirement)

9. Finally in the long term struggle to save marriage in our society, steps outside of welfare reform must be taken. Congress should recognize that the church is the number one institution in our society for combating illegitimacy and poverty. Government policy must allow churches to play a far stronger role in rebuilding our broken society and in shaping the aspiring hearts and minds of young people at risk within our poorest communities. This can only be accomplished through real school choice, giving poor parents education vouchers and allowing them to choose to send their children to public, private, or private religious schools. Legislation to begin this process of renewal will soon be introduced by Congressmen J.C. Watts and James Talent.

The Heritage Foundation Backgrounder

No. 1063

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The Cultural Policy Studies Project

December 4, 1995

WHY CONGRESS MUST REFORM WELFARE

INTRODUCTION

The public is often told that the current welfare system does not promote long-term dependence. This is untrue.

- ✘ The 4.7 million families currently receiving Aid to Families with Dependent Children (AFDC) have already spent, on average, six-and-a-half years on welfare.
- ✘ When past and estimated future receipt of AFDC are combined, the estimated average length of stay on AFDC, among those families currently receiving benefits, is an astonishing 13 years.
- ✘ Among the 4.7 million families currently receiving AFDC, over 90 percent will spend over two years on the AFDC caseload. More than three quarters will spend over five years on AFDC.

The current liberal system is based on the assumption that higher welfare benefits and expanded welfare eligibility are good for children. According to this theory, "poverty" is harmful for children, and welfare, by allegedly reducing poverty, will increase children's lifetime well-being and attainment. This is untrue. Higher welfare payments do not assist children; they increase dependence and illegitimacy, which have a devastatingly negative effect on children's development. It is welfare dependence, rather than poverty, which has the most negative effect on children.

- ✘ Recent research by Congressional Budget Office Director June O'Neill shows that increasing the length of time a child spends on welfare may reduce the child's IQ by as much as 20 percent.

Note: Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

- ✘ Welfare receipt as a child has a negative effect on the earnings and employment capacity of young men. The more welfare income received by a boy's family during his childhood, the lower will be the boy's earnings as an adult, even when compared to boys in families with identical non-welfare income.
- ✘ Receipt of welfare and living in a single-parent family during childhood are strongly associated with criminal activity among young men and having illegitimate children among young women.

Overall, welfare operates as a form of social toxin. The more of this toxin received by a child's family, the less successful will be the child as an adult.

The House and Senate will soon pass welfare reform legislation based on three key principles:

1. **Reducing** the growth of illegitimacy;
2. **Reducing** dependence by requiring welfare recipients to work; and
3. **Limiting** the explosive growth of welfare spending.

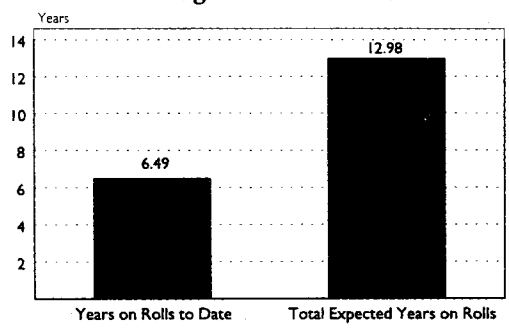
The public strongly supports the key provisions of the congressional reforms. According to recent polls:

- By a margin of 84 percent to 13 percent, Americans support a "family cap." Eighty-four percent "oppose increasing a welfare mother's monthly welfare check if she has another child out-of-wedlock."
- Three out of four Americans believe welfare encourages illegitimacy. By a ratio of two to one, Americans feel that reducing illegitimacy is a more important goal in welfare reform than attempting merely to make single mothers self-sufficient.
- Still, nine out of ten Americans feel that welfare recipients should have "to work for their benefits." However, they feel overwhelmingly that work requirements should be imposed on welfare mothers with older children before they are imposed on mothers with pre-school children.

THE PATTERN OF DEPENDENCE: LENGTH OF TIME ON WELFARE

The public is often told that the current welfare system does not promote long-term dependence. According to this picture, AFDC generally provides temporary aid, and very few recipients receive welfare for extended periods. This picture is inaccurate.

Chart 1



Source: Urban Institute.

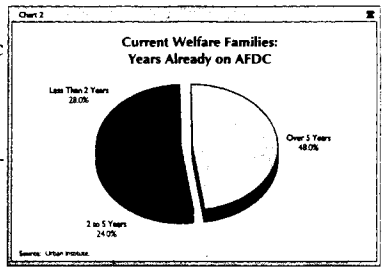
Of the 4.7 million families currently receiving AFDC, most will be dependent on welfare for very long periods of time. As Chart 1 shows, families receiving AFDC at the present time have already spent, on average, six-and-a-half years enrolled in AFDC.[1] When past receipt and estimated future receipt of AFDC are combined, the estimated average length of stay on AFDC among those families currently receiving AFDC benefits is an astounding 13 years.[2] Moreover, these figures actually underestimate the length of welfare dependence, since such families are very likely to receive other welfare benefits (such as food stamps, SSI, Medicaid, and housing) even after they leave the AFDC caseload.

As Chart 2 shows, among those families currently receiving AFDC, 72 percent have already spent over two years on AFDC, and nearly half have already spent over five years on AFDC.

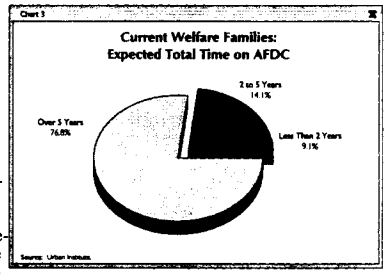
1 All figures in this section are taken from R. Kent Weaver and William T. Dickens, *Looking Before We Leap: Social Science and Welfare Reform* (Washington, D.C.: The Brookings Institution, 1995), pp. 36-41. Figures are based on the work of LaDonna Pavetti of the Urban Institute.

2 All figures include multiple spells of AFDC receipt which may be interrupted by periods when the family is not on AFDC.

Looking into the future and making projections based on the historical patterns of AFDC receipt, it is clear that among the 4.7 million families currently on AFDC, over 90 percent will spend over two years on the AFDC caseload. And more than three quarters of current AFDC families will spend over five years on the AFDC caseload.



Long-term welfare dependence is most common among women who have children out of wedlock. Never-married mothers, in general, remain on AFDC twice as long as divorced mothers.



DOES WELFARE BENEFIT CHILDREN?

The current debate over welfare reform involves conflicting visions of society and the impact of welfare on human behavior. Real reform will not be achieved until specific core assumptions which form the foundation of the modern welfare state have been overturned and discarded. From its onset, the liberal welfare state has been founded on faulty logic. This flawed logic, embedded in nearly all liberal thinking about welfare, runs something like this:

PREMISE #1: Children in families with higher income seem to do better in life.

PREMISE #2: Welfare can easily raise family income.

CONCLUSION: Therefore, welfare is good for kids.

From this logic has sprung a relentless thirty-year effort to raise welfare benefits, expand welfare eligibility, create new welfare programs, and increase welfare spending. The current proposal from Congress to slow down the automatic growth of welfare spending violates these cardinal tenets of the liberal welfare system and thus has led to cries of alarm from the welfare establishment.

In fact, each of the central tenets of modern welfare is misleading and deeply flawed. Together they become a recipe for a disastrous system of aid which harms rather than helps, aggressively crushing the hopes and future of an increasing number of young Americans.

It is useful to examine each of these cardinal liberal tenets individually. The first is that raising incomes is crucial to the well-being and success of children. The common liberal corollary to this premise is that poverty "causes" such problems as crime, school failure, low cognitive ability, illegitimacy, low work ethic and skills, and drug use. Hence, reducing poverty through greater welfare spending will reduce most social problems. History refutes this belief. In 1950, nearly a third of the U.S. population was poor (twice the current rate). In the 1920s, roughly half of the population was poor by today's standard. If the theory that "poverty" causes social problems were true, we should have had far more social problems in those earlier periods then we do today. But crime and most other social problems have increased rather than fallen since these earlier periods.

History and common sense both show that values and abilities within families, not family income, lead to children's success. Families with higher incomes tend to have sound values concerning self-control, deferred gratification, work, education, and marriage which they pass on to their children. It is those values, rather than the family income, that are key to the children's attainment. Attempting to raise the family income artificially through welfare is very unlikely to do much to benefit the child, but it is likely to destroy the very values which are key to the child's success.

The second flawed liberal premise is that it is very easy to raise family income through welfare. This also is untrue. Because welfare reduces work effort and promotes illegitimacy and poverty-prone single-parent families, it actually may cause an overall decrease in family incomes. Welfare is extremely efficient at replacing self-sufficiency with dependence, but relatively ineffective in raising incomes and eliminating poverty.

This is borne out by experimental evidence. During the late 1960s and early 1970s, social scientists at the Office of Economic Opportunity (OEO) conducted a series of controlled experiments to examine the effect of welfare benefits on work effort. The longest running and most comprehensive of these experiments was conducted between 1971 and 1978 in Seattle and Denver, and became known as the Seattle/Denver Income Maintenance Experiment, or "SIME/DIME."[3]

Advocates of expanding welfare had hoped that SIME/DIME and similar experiments conducted in other cities would prove that generous welfare benefits did not affect "work effort" adversely. Instead, the SIME/DIME experiment found that each $1.00 of extra welfare given to low-income persons reduced labor and earnings by an average of $0.80.[4] The significant anti-work effects of welfare benefits were shown in all social groups, including married women, single mothers, and husbands. The results of the SIME/DIME study are directly applicable to existing welfare programs: Nearly all have strong anti-work effects like those studied in the SIME/DIME experiment.

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3 SRI International, *Final Report of the Seattle-Denver Income Maintenance Experiment, Vol. 1, Design and Result* (Washington, D.C.: SRI, May 1983).

4 Gregory B. Christiansen and Walter E. Williams, "Welfare Family Cohesiveness and Out of Wedlock Births," in Joseph Peden and Fred Glahe, *The American Family and the State* (San Francisco: Pacific Institute for Public Policy Research, 1986), p. 398.

The third liberal tenet is that higher welfare benefits and broadened eligibility will help children and improve their success in later life. In certain limited cases, such as when welfare is needed to eliminate serious malnutrition, welfare can help. But there is no evidence that enlarging benefits and expanding enrollments in most U.S. welfare programs will improve children's lives. While higher welfare payments and spending do not benefit children directly, they do increase dependence and illegitimacy, both of which have devastating negative effects on child well-being. Thus, overall, welfare operates as a system of organized, well-funded child abuse.

The available scientific evidence clearly refutes the liberal hypothesis that attempting to raise family income through more generous welfare payments will benefit children. For example, the average monthly value of welfare benefits (AFDC and food stamps combined) varies between states. The conventional liberal assumption is that children on welfare in states with lower benefit levels will be markedly worse off than children in states with higher benefits. Children on AFDC in high benefit states, according to the theory, should have improved cognitive ability when compared to children without access to more generous welfare. However, recently published research by Congressional Budget Office Director June O'Neill and Anne Hill of Queens College, City University of New York, demonstrates that this theory is incorrect. O'Neill and Hill examined the IQs of young children who were long-term welfare dependents, having spent at least half of their lives on AFDC. Contrary to the expected theory, they found that the higher welfare benefit did not improve children's cognitive performance. The IQs of long-term welfare-dependent children in low-benefit states were not appreciably different from those in high benefit states.[5]

Moreover, this picture is overly optimistic. In restricting the sample to long-term dependent children, the analysis ignores the effects of higher welfare benefits in encouraging welfare enrollment and lengthening the time spent on welfare. O'Neill and Hill have shown that a 50 percent increase in monthly AFDC and food stamp benefit levels will lead to a 75 percent increase in the number of mothers with children enrolling in AFDC and a 75 percent increase in the number of years spent on welfare.[6] Once the effects of increased dependence are included, it becomes clear that higher welfare benefits have a decisively negative effect on children.

Comparing children who were identical in social and economic factors such as race, family structure, mothers' IQ and education, family income, and neighborhood residence, Hill and O'Neill found that the more years a child spent on welfare, the lower the child's IQ. The authors make it clear that it is not poverty but welfare itself which has a damaging effect on the child. Examining the young children (with an average age of five-and-a-half), the authors found that those who had spent at least two months of each year since birth on AFDC had cognitive abilities 20 percent below those who had received no welfare, even after holding family income, race, parental IQ, and other variables constant.[7]

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5 M. Anne Hill and June O'Neill, "Family Endowments and the Achievement of Young Children With Special Reference to the Underclass," *Journal of Human Resources*, Fall 1994, pp. 1090-1091.

6 M. Anne Hill and June O'Neill, *Underclass Behaviors in the United States: Measurement and Analysis of Determinants* (New York: City University of New York, Baruch College, August 1993).

O'Neill and Hill conclude:

> Our findings of a negative impact of a welfare environment are particularly troubling. After controlling for the effects of a rich array of characteristics, a mother's long-term welfare participation is associated with a significant reduction in her child's [IQ] score and this effect is reinforced by the mother's having grown up in an underclass neighborhood, defined as one with a high proportion of welfare recipients. Although long-term welfare recipients are generally poor, persistent poverty does not seem to be the main reason for the poor performance of these children. Moreover, our analysis suggests that policies that would raise the income of children on welfare simply by increasing AFDC benefits are not likely to improve cognitive development. Children on welfare in high benefit states do not perform measurably better than their counterparts in low benefit states.[8]

A similar study by Mary Corcoran and Roger Gordon of the University of Michigan shows that receipt of welfare income has negative effects on the long-term employment and earnings capacity of young boys. The study shows that, holding constant race, parental education, family structure, and a range of other social variables, higher *non-welfare income* obtained by the family during a boy's childhood was associated with higher earnings when the boy became an adult (over age 25).[9] However, *welfare income* had the opposite effect: The more welfare income received by a family while a boy was growing, up the lower the boy's earnings as an adult.[10]

Typically, liberals would dismiss this finding, arguing that families which receive a lot of welfare payments have lower total incomes than other families in society, and that it is the low overall family income, not welfare, which had a negative effect on the young boys. But the Corcoran and Gordon study compares families whose average non-welfare incomes were identical. In such cases, each extra dollar in welfare represents a net increase in overall financial resources available to the family. This extra income, according to conventional liberal welfare theory, should have positive effects on the well-being of the children. But the study shows that the extra welfare income, even though it produced a net increase in resources available to the family, had a negative impact on the development of young boys within the family. The higher the welfare income received by the family, the lower the earnings obtained by the boys upon reaching adulthood. The study suggests an increase of $1,000 per year in welfare received by a family decreased a boy's future earnings by as much as 10 percent.

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7 Hill and O'Neill, 1994, *op. cit.*

8 Hill and O'Neill, 1994, p. 1094.

9 Higher levels of earned family income will tend to be correlated positively with better parenting practices and higher parental cognitive abilities. It is likely that these traits, rather than higher income, lead to improved earnings for sons.

10 Mary Corcoran, Roger Gordon, Deborah Loren, and Gary Solon, "The Association Between Men's Economic Status and Their Family and Community Origins," *Journal of Human Resources*, Fall 1992, pp. 575-601.

A further refinement of the Corcoran and Gordon study adjusted for differences in years spent by a family in poverty. The study showed that, in general, if two families had the same level of non-welfare income and spent the same amount of time "in poverty," the more welfare income received by the family, the worse the consequences for a boy raised in the family. For example, if two boys were raised in families with identical non-welfare incomes and spent the same time "in poverty," the more welfare received by one of the families, the lower the earnings of the boy raised in that family when he becomes an adult.

Other studies have confirmed the negative effects of welfare on the development of children. For example, young women who are raised in families dependent on welfare are two to three times more likely to drop out and fail to graduate from high school than are young women of similar race and socioeconomic background not raised on welfare.[11] Similarly, single mothers who were raised as children in families receiving welfare remain on AFDC longer as adult parents than do single mothers who were not raised in welfare families, even when all other social and economic variables are held constant.[12]

Boys raised in single-parent households receiving public housing aid are more than five times more likely to engage in criminal activity than are boys who are not raised in such conditions. Young girls raised in single-parent homes in public housing are roughly five times more likely to bear children out of wedlock themselves than are girls who are not raised in such conditions.[13] In short, welfare usually operates as a form of social toxin. The more of this toxin received by a child's family, the less successful will be the child as an adult.

In attacking the welfare reform legislation passed by the House and Senate, the Clinton Administration has embraced the central erroneous tenets of liberal welfarism. The Administration's report on welfare makes clear its belief that rapid automatic increases in welfare spending are essential to the well-being of children and that any attempts to slow the growth of future welfare spending will significantly harm children.[14]

The Administration report is founded unequivocally on the failed hypothesis that combating "poverty" through more generous welfare spending is crucial to children's future. This thinking is simply wrong. An expanded and more expensive welfare system will not benefit children. Instead, expansion of welfare leads to greater dependence and illegitimacy which, in turn, have devastatingly negative consequences on children. Those truly concerned with the welfare of children must seek a radical transformation of the welfare system aimed, not (as the Clinton Administration does) at increasing welfare spending and enrollment, but at reducing dependence and illegitimacy. That is the core of Congress's plan.

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11 R. Forste and M. Tienda, "Race and Ethnic Variation in the Schooling Consequences of Female Adolescent Sexual Activity" *Social Science Quarterly*, March 1992.

12 Mwangi S. Kimeny, "Rational Choice, Culture of Poverty, and the Intergenerational Transmission of Welfare Dependency," *Southern Economic Journal*, April 1991.

13 Heritage Foundation research based on the National Longitudinal Survey of Youth.

14 Office of Management and Budget. "Potential Poverty and Distributional effects of Welfare Reform Bills and Balanced Budget Plans," November 9, 1995.

PUBLIC SUPPORTS CONGRESSIONAL WELFARE REFORM

By overwhelming margins, the public supports the principal elements of the welfare reform passed by the U.S. House of Representatives, according to a poll conducted by Voter/Consumer Research, a Bethesda-based polling firm, for the Family Research Council in mid-October 1995.[15]

For example, by a margin of 84 percent to 13 percent Americans support the family cap. Nearly nine out of ten Americans "oppose increasing a welfare mother's monthly welfare check if she has another child out of wedlock."

In contrast to proposals by President Clinton, the welfare reforms agreed to in the House/Senate conference will contain modest but real steps to reduce illegitimacy. Three out of four of those polled agreed that the current welfare system makes it easier for women to choose to have children out of wedlock. By a ratio of two to one, Americans feel that reducing illegitimacy is a more important goal in welfare reform than attempting merely to make single mothers self-sufficient.

However, the public still believes overwhelmingly that welfare recipients should be required to work. Ninety percent of those polled stated that "recipients of government welfare programs should have to work for their benefits."

Since it would be difficult to require all welfare recipients to work immediately, the reform bills passed in the House and Senate urge states to impose work requirements on the most employable recipients first. Specifically, the bills urge states to focus work requirements on fathers in two-parent families and single mothers without pre-school children before requiring work of single mothers with pre-school children. (Roughly half of AFDC families have no children under age five in the household.) The public agrees overwhelmingly with these work priorities. Eighty-eight percent of the public feels that work should be required of fathers and mothers of school-age children before it is required of mothers caring for pre-school children.

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15 Family Research Council poll conducted by Voter/Consumer research, mid-October 1995. The poll surveyed 1,000 randomly selected American adults about their views on welfare and social issues and has a margin of error of plus or minus 3 percent.

Table 1

Polling Data on Welfare Reform

Question: In the case of a poor, single pregnant woman, who do you think is best able to help her economically, emotionally, and physically during and after her pregnancy?

Family and friends	66%
A religious or non-religious charity	20%
Government welfare programs	10%
Don't know	4%

Question: Do you believe recipients of government welfare programs should have to work for their benefits, or should they not?

Should have to work	90%
Should not have to work	4%
Don't know	6%

Question: If there aren't enough jobs for all welfare recipients who are required to work, which of the following different types of welfare recipients do you think should be required to go to work first --

Fathers with dependent children	76%
Mothers of school aged children	12%
Mothers of pre-school children	3%
Don't know	9%

Question: And of this list, who do you believe should be the last to be required to go to work?

Fathers with dependent children	3%
Mothers of school aged children	9%
Mothers of pre-school children	82%
Don't know	6%

Question: Do you strongly favor, somewhat favor, somewhat oppose, or strongly oppose increasing a welfare mother's monthly welfare check if she has another child out of wedlock?

Strongly favor increasing	5%
Somewhat favor increasing	8%
Somewhat oppose increasing	18%
Strongly oppose increasing	66%
Don't know	3%

Question: And thinking about America's welfare problems, which of the following two goals do you think would be easier to reach --

Getting single mothers with few job skills into jobs that will pay them enough to support themselves and their children	33%
OR	
Getting young people to delay having children until they are able to support themselves and a family	64%
Don't know	3%

Source: Family Research Council poll of 1,000 randomly selected adults, conducted by Voter/Consumer Research, mid-October 1995.

CONCLUSION

The welfare reform legislation which will be approved by the House/Senate conference proposes a reform of the current welfare system based on three central themes:

- ✔ **Reducing** the growth of illegitimacy;
- ✔ **Reducing** dependence by requiring welfare recipients to work; and
- ✔ **Limiting** the explosive growth of welfare spending.

Among the many elements of reform in the legislation, seven are crucial:

1. The bill will end the automatic entitlement nature of AFDC spending. Under the legislation, states which increase their welfare caseloads will no longer be rewarded by an automatic increase in federal funding. This change imposes a fundamental fiscal discipline at the state level which is essential to real reform.
2. The bill establishes a family cap. Under the bill, mothers already enrolled in AFDC will not receive an automatic increase in federal welfare benefits if they give birth to an additional child while on welfare. (However, states will be permitted to enact legislation to "opt out" of this requirement.)
3. The bill provides a funding mechanism to reward states which reduce out-of-wedlock births without increasing abortions.
4. The bill provides $75 million per year in funding for a new block grant for abstinence education.
5. For the first time in the history of AFDC, the bill establishes serious work requirements for welfare recipients. Under the bill, up to 40 percent of the AFDC caseload will be required to work or become self-sufficient by the year 2002.
6. In contrast to all previous "work" requirements, in the AFDC program, the work requirements in the proposed legislation are real. Recipients who do not obtain private-sector jobs will be required to perform community service in exchange for benefits according to a "pay after performance" rule. Recipients will not receive benefits until the required work has been performed satisfactorily. If the recipient fails to perform the required hours of work, benefits will be reduced pro-rata.
7. The bill properly recognizes that the goal of "workfare" is to reduce welfare dependence and welfare caseloads, not to maximize the number of welfare recipients in "make work" public service jobs. It recognizes that the best road to self-sufficiency is to reduce the number of persons who become dependent and get "hooked" on welfare in the first place. In contrast to President Clinton's plan, which rewards states for expanding "welfare addiction," the approach in Congress for the first time focuses on rewarding states that reduce the number of individuals who get "hooked" on welfare in the first place.

Overall, the proposed legislation represents a significant and badly needed first step in overhauling a bloated and destructive welfare system. The proposed reforms will be of great benefit to society, the taxpayers, and, most important, welfare recipients themselves.

Robert Rector
Senior Policy Analyst

Chairman SHAW. Thank you, Mr. Rector.
Dr. Zill.

STATEMENT OF NICHOLAS ZILL, PH.D., VICE PRESIDENT AND DIRECTOR, CHILD AND FAMILY STUDIES, WESTAT, INC., ROCKVILLE, MARYLAND

Dr. ZILL. Thank you, Mr. Chairman.

I have prepared a rather lengthy lecture for you in the written testimony. I will have to try and condense it, but I hope that the full testimony can be put in the record.

Chairman SHAW. It certainly will for you and for all of the panelists.

Dr. ZILL. The family situations in which American children are born, cared for, and raised have changed dramatically over the last 30 years. As has been discussed, one of the most striking changes, and probably the one that has generated the greatest public concern, is the growth in the numbers of children who are born to unmarried mothers.

The reasons for the enormous increase since the sixties have been hotly debated. What I would like to focus on here is not the reasons for the increase, but the consequences for the economic well-being of the family that is so formed and for the development and well-being of the children involved.

Over the last decade and a half, social scientists have generated a considerable volume of solid research on family composition and children's well-being. Although there has been considerably more research on the effects of divorce than on those of nonmarital upbringing, there is a growing body of evidence on the latter topic, as well.

The more recent research has made use of data from epidemiological surveys and longitudinal studies based on large probability samples of children, such as the National Survey of Children which Frank Furstenberg and I have both worked on, the National Longitudinal Survey of Youth, and the National Health Interview Survey on Child Health.

What the findings of these studies consistently show is that in our society the best thing for a child's well-being is to be raised by both biological parents, who live together in a reasonably harmonious—but not necessarily a perfectly fulfilling—marriage.

Growing up in a single-parent family, a stepfamily and, indeed, virtually any family type other than an intact two-parent family is associated with poorer health, lower achievement and an increased incidence of conduct and emotional problems in children. Only when there are high levels of open and persistent conflict between parents does the two-parent family pose a hazard to children comparable to that connected with family disruption or lone parenthood.

This is not to say that all children from single-parent families turn out badly or to deny that many single mothers are capable and responsible parents who do admirable jobs of raising their children in difficult circumstances. What I am talking about is a statistical risk, not an inevitability.

Furthermore, there are several other factors that can ameliorate or exacerbate the risk to the child. Factors such as parental com-

petence, warmth, and emotional stability, the parent's education level, family income, the presence or absence of strong moral values, support from other relatives and friends, and the child's own temperament and adaptability.

Being born to unmarried parents is only one, among a number, of risk or protective factors that help determine how a child turns out. It does represent a genuine and significant risk for a child's economic, physical, intellectual, and emotional well-being. Anyone who cares about the welfare of American children must hope that in the future fewer children, not more, will grow up having to confront this risk.

What I do in my written testimony is to present some of the research evidence presenting the link between unmarried parenthood and various aspects of children's well-being. There is a set of charts that you can look at and see some of the differences. Robert Rector has mentioned some of them.

I want to talk a little bit though about the link between poverty and welfare dependency. We have to understand that when there is no marriage, there is a less strong bond between father and mother and between the father and the child. This is evidenced by survey data on the lower frequency of contact and lower likelihood of financial support by never-married fathers than by divorced fathers.

Only 15 percent of unmarried women with children from an absent father report getting child support from that father compared to 54 percent of divorced women. A lack of marital ties or legal obligations also means that the father is less likely to be counted on for providing child care for the child while the mother might be out working or looking for work.

It should be noted that nonmarriage also has implications for the man. The lack of marital ties or legal obligations means there is less pressure on the father to work steadily, lead a regular lifestyle and keep out of trouble with the law. That's the kind of adult socialization that many men go through following marriage and fatherhood. As they said in "Guys and Dolls," marry the man today and change his ways tomorrow. That kind of socialization is not experienced by the many young men who now become fathers outside of marriage. It is perhaps not surprising, then, that many of them wind up with arrests and prison records.

It is important to note, also, that the financial inadequacies of mother-only families are not attributable solely to the absence of one parent or the factors just enumerated. Never-married mothers are not just lacking husbands, they also tend to be younger, to have lower literacy levels, lower education levels, less work experience and often other problems such as histories of depression, delinquency or drug abuse.

A typical elementary-school child, living with a never-married mother has a black or a Hispanic mother who is 29 years of age and has completed less than 1 year of college. The family lives in a rented apartment in the central city of a major metropolitan area. There is no grandmother or other adult present in the household.

The mother is likely to be working or looking for work. Her likelihood of not finding work or being laid off is twice that of a divorced

mother and four times higher than the risk of unemployment faced by parents in a typical married couple family. These characteristics are risk factors for poverty in themselves.

In other words, we have to think about those other factors as well and focus more on the multirisk family rather than just focusing strictly on unmarried parenthood, per se.

As you will see in the charts provided, children with never-married mothers are less likely to have a good quality home environment, they are more likely to live with an adult smoker in the household, to rarely or never use seatbelts when riding in a car, to have a late or irregular bedtime, to not have a regular provider of sick care, and not to have had a dental visit in the last 2 years.

Their health is less likely to be rated as excellent with no activity limitation. They are twice as likely to be in fair or poor health, and to have a limiting condition. They are apt to spend one more day in bed, due to illness, when compared to children in two-parent families and they have had twice as many hospital visits in the course of a year because of emergency conditions or because of inappropriate use of emergency rooms as health clinics.

When they reach school age, they are likely to be behind other children in terms of being able to do such things as recognize letters and count to 20. They are more likely to show hyperactive behavior. I am not going to read the numbers, they are all illustrated in the charts.

In school, they are more likely to be described as being in the lower half of the class when they are between 7 and 17 years old, twice the likelihood of repeating a grade. More than twice as likely to have had a parent conference because of behavior problems. Three times more likely to have been suspended or expelled from school at some point in their careers.

These differences are diminished, but remain significant when you consider for factors like parent education, family income, and other family compositional factors.

As Mr. Rector mentioned, the children in never-married mother families also had a higher incidence of emotional and behavioral problems. Perhaps most troubling, is that there also is an increase of risk in adolescence and young adulthood.

Let me talk briefly about what can be done to lower the incidence of unmarried parenthood in the future. The first thing that agencies, public and private could do——

Chairman SHAW. Dr. Zill, could you summarize. Our light is not working here for some reason that I am not aware of but——

Dr. ZILL. The first thing is to improve job training, apprenticeship, and early employment opportunities for those teenagers and young adults who are not college bound, the so-called forgotten half of students. Hedrick Smith, the journalist, said there are two tracks in American society, the track to college and the track to nowhere. Those young people who are on the track to nowhere are much more likely to have children outside of marriage.

Giving them a better track is one way to prevent out-of-marriage childbearing.

A second step is a public information campaign that teaches that all family forms are not equally viable. The kinds of facts that I have just presented should be made available to young people.

Without exaggerating the risks or putting down individuals who come from these families, we should be honest about the known drawbacks of single-parent families. As efforts to end smoking have shown, knowledge of risks can make a difference in people's behavior. The knowledge has to be communicated in order to have any effect.

A third step is to communicate clearly and consistently to teenagers and young adults that it is unwise to have children when you are emotionally and financially unprepared to care for them. Unmarried teenage parenthood before high school graduation is not a cost-free experiment with alternative lifestyles, it is a major cause of child poverty, welfare dependency, and school failure.

We should emphasize that young people are doing themselves and their offspring no favors by engaging in unprepared parenthood.

Chairman SHAW. Dr. Zill, we will have to put the conclusion of your report in the record.

Thank you very much.

Dr. ZILL. Thank you.

[The prepared statement and attachments follow:]

Unmarried Parenthood as a Risk Factor for Children

Testimony before the

U.S. House of Representatives Committee on Ways and Means
Subcommittee on Human Resources

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March 12, 1996

The family situations in which American children are born, cared for, and raised have changed dramatically over the last 30 years. One of the most striking changes, and probably the one that has generated the greatest public concern, is the growth in the numbers of children who are born to unmarried mothers. In 1993, the nationwide count of such births amounted to 1.2 million, or 31 percent of all births. This was triple the percentage of births that occurred outside of marriage in 1970. (Figure A).

Among births to white women, the percentage that occurred outside marriage quadrupled between 1970 and 1993, going from 5.5 percent to 24 percent. Among births to black women, the unmarried percentage rose from 38 percent in 1970 to 69 percent in 1993. There are signs that the rate of increase in unmarried childbearing is slowing down. Nonetheless, the facts that unmarried childbearing has grown so fast and, in several U.S. ethnic groups, a majority of births now occur outside of marriage (Figure B), are deeply troubling to many observers.

Not only are more American children being born outside of marriage, more are growing up in single-parent households, living with mothers (and, much less frequently, fathers) who have never married. According to the U.S. Bureau of the Census, the number of children under the age of 18 living in single-parent families with never-married mothers doubled between 1984 and 1994, going from 3.1 million to 6 million. The ethnic composition of this population group has also changed. African-American children still constitute a majority of children living with unmarried mothers, but they now comprise a smaller majority (down from 67 percent to 55 percent), while white and Hispanic children form a larger minority (Figure C).

The reasons for the enormous increase in unmarried childbearing since the 1960s have been hotly debated. Clearly, the social imperative for all adults to get married has weakened, as have the ability and willingness of parents or the community at large to insist on "shotgun weddings" in cases in which a young couple produces a child outside of marriage. Critics of the welfare system contend that it has helped to fuel the growth of "illegitimacy" by subsidizing and, in effect, institutionalizing childrearing outside of marriage. Others argue that this is an overly simple view and that many other factors have played a role in the growth of non-marital childbearing, including worldwide cultural changes and macroeconomic shifts that have made it harder for low-skilled workers to earn enough to support a family.

What I would like to focus on, however, is not the reasons for the increase in unmarried parenthood, but the consequences for the economic well-being of the family that is so formed, and for the development and well-being of the children involved. This topic has also been a source of much contention, of course. Some have argued that unmarried parenthood is a major cause of child poverty and welfare dependency, and that coming from a single-parent family is a serious impediment to a young person's life chances. Others have countered that the fact that a child comes from a single-parent family has no particular bearing on how well he or she does in life. Single-parent families are simply different from, not necessarily more stressful or less supportive than two-parent families. If there are problems with such families, it is due to other factors, such as poverty or a lack of supportive community services. Or so the counter-argument goes.

Much of the debate between proponents of these conflicting positions has taken place on the anecdotal level, and has relied on evidence from limited studies based on small samples that were not necessarily representative of the general population. Over the last decade and a half, however, social scientists have generated a considerable volume of solid research on family composition and children's well-being. Although there has been considerably more research on the consequences of divorce, there is a growing body of evidence on the repercussions of nonmarital upbringing as well. The more recent research has made use of data from epidemiological surveys and longitudinal studies based on large probability samples of families with children, studies like the National Survey of Children, the National Longitudinal Survey of Youth, the National Health Interview Survey on Child Health, the National Household Education Survey, and the National Education Longitudinal Studies. Studies that have made use of these large, representative data bases, though they have been conducted by different researchers from a variety of disciplines and perspectives, have produced generally compatible results.

What the findings of these studies consistently show is that, in our society, the best thing for a child's well-being is to be raised by both biological parents who live together in a reasonably harmonious -- but not necessarily a perfectly fulfilling -- marriage. Growing up in a single-parent family, a stepfamily, and, indeed, virtually any family type other than an intact two-parent family is associated with poorer health, lower achievement, and an increased incidence of conduct and emotional problems in children. Only when there are high levels of open and persistent conflict between parents does the two-parent family pose a hazard to children comparable to that connected with family disruption or lone parenthood.

This is not to say that all children from single-parent families turn out badly or to deny that many single mothers are capable and responsible parents who do admirable jobs of raising their children in difficult circumstances. What I am talking about is a statistical risk, not an inevitability. Furthermore, there are a several other factors that can ameliorate or exacerbate the risk to the child, factors such as parental competence, warmth, and emotional stability, the parents' education level, family income, the presence or absence of strong moral values, support from other relatives and friends, and the child's own temperament and adaptability. Being born to unmarried parents is only one among a number of risk or protective factors that help determine how a child turns out. But it does represent a genuine and significant risk for a child's economic, physical, intellectual, and emotional well-being. Anyone who cares about the welfare of American children must hope that in the future, fewer children, not more, will grow up having to confront this risk.

What I would like to do next is present research findings that illustrate the nature and magnitude of the economic and developmental difficulties unmarried parents and their children face, and give some reasons why having unmarried parents is a risk factor for children. I conclude by making some suggestions as to what we might do to reduce unmarried childbearing in the future.

A Greater Risk of Poverty and Welfare Dependency

To begin with, being born to unmarried parents substantially increases a child's risk of growing up in poverty and welfare dependency. In 1992, for example, the poverty rate for single-parent, female-headed families with children (46 percent) was nearly six times higher than the poverty rate for married-couple families with children (8 percent). A high proportion of female-headed families with children born outside of marriage rely on welfare or other forms of government assistance; 83 percent did so during a 32-month period from 1983 to 1986 (U.S. Bureau of the Census, 1989). Data from the 1993 Survey of Income and Program Participation show that 68 percent of women currently receiving welfare were unmarried at the birth of their first child, whereas 27 percent of mothers not on welfare had their first child outside of marriage (U.S Bureau of the Census, 1995). As the work of David Ellwood, Mary Jo Bane, and Donna Pavetti has shown, unmarried women with young children are more likely than other welfare recipients to remain on welfare for extended periods of time (Pavetti, 1995).

There are several reasons why mother-only families in general and those headed by never-married women in particular are likely to be poor. They include the following:

- It is inherently more costly for two parents to live apart and have to spend significant portions of their incomes on separate housing, separate appliances, separate transportation, and so on;
- When there is no marriage, there is a less strong bond between the father and mother and between the father and the child. This is evidenced by survey data on the lower frequency of contact and lower likelihood of financial support by never married fathers than by divorced fathers. For example, only 15 percent of unmarried women with children from an absent father reported getting child support from that father in the last year, compared with 54 percent of divorced women (Zill and Nord, 1994, p. 8). Even when nonresidential fathers do pay support, they typically do not pay much;
- The lack of marital ties or legal obligations also means that the father is less likely to be counted on for providing child care for the child while the mother might be out working or looking for work;
- Wage rates for women still lag behind those for men, even though the wage gap has been narrowing; and,
- When single parents must rely on welfare for support, the cash payments they receive are usually not sufficient to lift their families above the poverty level.

It should be noted that non-marriage also has implications for the man. The lack of marital ties or legal obligations means there is less pressure on the father to work steadily, lead a regular life style, and keep out of trouble with the law. Thus, the kind of adult socialization that many men go through following marriage and fatherhood is not experienced by the many young men who now become fathers outside of marriage. It is perhaps not surprising, then, that many of them wind up with arrest and prison records.

The financial inadequacies of mother-only families are not attributable solely to the absence of one parent from the household and the factors just enumerated. Never married mothers are not just lacking husbands, they also tend to be younger, to have lower literacy levels, lower education levels, less work experience, and often, other problems such as histories of depression, delinquency, or drug abuse. As shown in Table 1, a typical elementary-school aged child living with a never-married mother has a black or Hispanic mother who is 29 years of age and has completed less than one year of college. The family lives in a rented apartment in the central city of a major metropolitan area. There is no grandmother or other adult present in the household. The mother is likely to be working or looking for work, but her likelihood of not finding work or being laid off is twice that of a divorced mother and four times higher than the risk of unemployment faced by parents in a typical married-couple family. These characteristics are risk factors for poverty in themselves.

As also shown in Table 1, compared to never-married mothers, divorced mothers tend to be older, have more education, are more likely to be living in the suburbs, and are twice as likely to be working full-time. As was just mentioned, divorced mothers are three times more likely to be receiving child support from the absent father. It is not surprising, then, that the median cash income of children in divorced-mother families is twice as high as that of children living with never-married mothers (about $18,000 per year versus $9,350 in 1994), and that their poverty rate, though still high, is substantially lower than that for children with never-married mothers (38 percent versus 64 percent poor in 1993).

Quality of Their Home Environments

Children who grow up with never-married mothers are less likely than children in mother-father families to have home environments that are free from obvious hazards, that are reasonably orderly and predictable, and in which parents make sure that children obtain preventive health care. Several indicators of the quality of children's home environment were available in the 1988 National Health Interview Survey on Child Health (Figure 1). They show that, compared to children in mother-father families, children living with never-married mothers were:

- more likely to have an adult smoker in the household, 52 percent versus 39 percent;
- more likely to rarely or never use seat belts when riding in a car, 41 percent versus 26 percent;
- twice as likely to have a late or irregular bedtime, 30 percent versus 16 percent;
- twice as likely not to have a regular provider of sick care, 33 percent versus 15 percent; and,
- more likely not to have had a dental visit in the last two years, 25 percent versus 18 percent.

State of Their Health

Though most children living with never-married mothers are in reasonably good health, their health status is notably inferior to that of children living with both mother and father, and their frequency of illness is significantly greater. (Figure 2). The 1988 National Health Interview Survey on Child Health found that, compared to children in mother-father families, those living with never-married mothers were:

- less likely to be rated in excellent health with no health-related activity limitation, 41 percent versus 55 percent;
- twice as likely to be in fair or poor health or to have a limiting condition, 11 percent versus 6 percent;
- apt to have spent one more day in bed during the past year because of illness or injury, 4.8 days versus 3.9 days;
- had twice as many hospital visits because of illnesses or injuries that required emergency attention, or because the mother was inappropriately using the hospital emergency room as twice as an outpatient clinic, 8.2 visits versus 4.5 visits per 100 children per year.

School Readiness: Accomplishments of Preschoolers

Because their home environments often provide less intellectual stimulation and emotional support than those of children in two-parent families, when it is time to start kindergarten, children born to unmarried mothers have significantly fewer signs of emerging literacy and numeracy than children born to married mothers. The differences are even more striking if, in addition to not being born in marriage, the child has additional risk factors such as living in a single-parent household, having a mother who has not finished high school, living below the poverty line, or having a mother who does not have English as her primary language. Several indicators of emerging literacy and numeracy in four-year-old children who had not yet attended kindergarten were obtained from parent reports in the National Household Education Survey of 1993. They show that, compared to children born to married mothers, those born to unmarried mothers were less likely to have:

- identified the primary colors by name, 74 percent versus 87 percent (and only 59 percent of those with 3 or more risk factors);
- recognized most or all letters of the alphabet, 52 percent versus 59 percent (and only 40 percent of those with 3 or more risk factors);

- counted to 20 or higher, 56 percent versus 64 percent (and only 43 percent of those with 3 or more risk factors);
- pretended to read stories from a story book, 67 percent versus 75 percent (and 53 percent of those from multiple-risk families); and,
- written their own first names, 62 percent versus 73 percent (and 53 percent of those with 3 or more risk factors).

School Readiness: Hyperactive Behavior

When they are about to start kindergarten, children born to unmarried mothers are more likely to show a pattern of inattentive and overly active behavior that may create problems when they reach the classroom setting and has been found to be a predictor of later achievement difficulties. The 1993 National Household Education Survey found that among 4-year-olds who had not yet attended kindergarten, and compared to those born to married mothers, those born to unmarried mothers were more likely to be described as:

- being very restless and fidgeting a lot, 37 percent versus 26 percent (and 41 percent of those with 3 or more risk factors);
- having very short attention spans, 30 percent versus 21 percent (and 37 percent of those from multiple-risk families);
- often having temper tantrums, 31 percent versus 20 percent (and 32 percent of those with 3 or more risk factors);
- tripping or falling easily, 19 percent versus 11 percent (and 21 percent of those from multiple-risk families).

How They Do In School

When they reach elementary school and high school, children living with never-married mothers are significantly more likely than children from mother-father families to experience academic achievement difficulties and to exhibit disruptive behavior that results in disciplinary actions by the school. (Figure 5a). In the 1988 National Health Interview Survey on Child Health, among school-aged children aged 7-17, and compared to those from living with both birth parents, those living with never-married mothers were:

- more likely to be described as being in the lower half of the class, 60 percent versus 38 percent;
- more than twice as likely to have repeated a grade, 33 percent versus 13 percent;
- more than twice as likely to have had the school request a conference with the parent in the last year because of conduct problems the child was exhibiting at school, 30 percent versus 13 percent;
- three times more likely to have been suspended or expelled from school at some point, 17 percent versus 5 percent.

Differences Remain After Adjusting for Socioeconomic Disparities Between Groups

As mentioned earlier, children living with never-married mothers are likely to have additional risk factors, such as low parent education levels, poverty, and minority language status. Some of the differences I have been describing in children's health, school readiness, achievement, and behavior, are partly attributable to these factors, rather than to unmarried parenthood as such. With the data on school performance and disciplinary problems from the National Health Interview Survey I have just described, I carried out regression analyses that adjusted the differences between children from never-married and two-parent families for the effects of differences in parent education, race and Hispanic origin, family size, age or sex of the child, and other related factors. These adjustments reduced the size of the differences, but did not eliminate them. In particular, differences with respect to conduct problems and student suspension remained significant and substantial. The raw and adjusted differences are shown in Figure 5b.

Prevalence of Psychological Disorders

Data from the 1988 National Health Interview Survey on Child Health show that one child in four who lives with a never-married mother is reported to have had a developmental delay, learning disability, or an emotional or behavioral problem of significant duration. By contrast, 15 percent of children in mother-father families have had such a problem (Figure 6). Children of never-married mothers are more than twice as likely to have an emotional or behavioral problem (20 percent versus 8 percent), and one-third more likely to exhibit learning disabilities (8 percent versus 6 percent).

Problems in Adolescence and Young Adulthood

Analyzing longitudinal data from the National Survey of Children, Moore and Stief (1991) found that youngsters with unmarried mothers who were on welfare had lower educational achievement and occupational attainment levels and higher problem behavior levels as young adults than those who had not grown up in such families. Whether unmarried parenthood or some correlated set of factors accounted for these associations was not established. Analyzing data from the National Educational Longitudinal Study of

1988, Zill, Nord, and Loomis (1995) found that tenth-grade students from mother-only families were significantly more likely than students from two-parent families to drop out, become teen parents, report having been arrested, and to have smoked and used illicit drugs by the time of their senior years. When these associations were subjected to multivariate analysis, factors that are closely related to single-parenthood, such as low parent education level and low family socioeconomic status, proved to play significant roles in the genesis of these risk behaviors. However, even after these related factors were controlled, significant links between family welfare receipt and high school dropout, teen parenthood, delinquency, and illicit drug use were found.

Finally, Sara McLanahan and Gary Sandefur, analyzing data from several national longitudinal surveys found single-parenthood to be associated with increased risks of high school dropout, college non-completion, premature parenthood, and idleness in males in young adulthood. These effects remained significant when socioeconomic factors were controlled.

Preventing High-Risk Family Formation in the Future

I would like to conclude by suggesting three things that public and private agencies could be doing to help lower the incidence of unmarried parenthood in the future. Such efforts should not be aimed only at unmarried childbearing per se, but at preventing the formation of multi-risk families. These are families that involve not only single parenthood, but low parent education levels, low incomes, parental immaturity, and negative parental behaviors such as drug or alcohol abuse. The research findings indicate that young people who grow up in these kinds of families are the ones who are most vulnerable to academic failure, classroom misconduct, and later poverty, dependency, and deviant behavior.

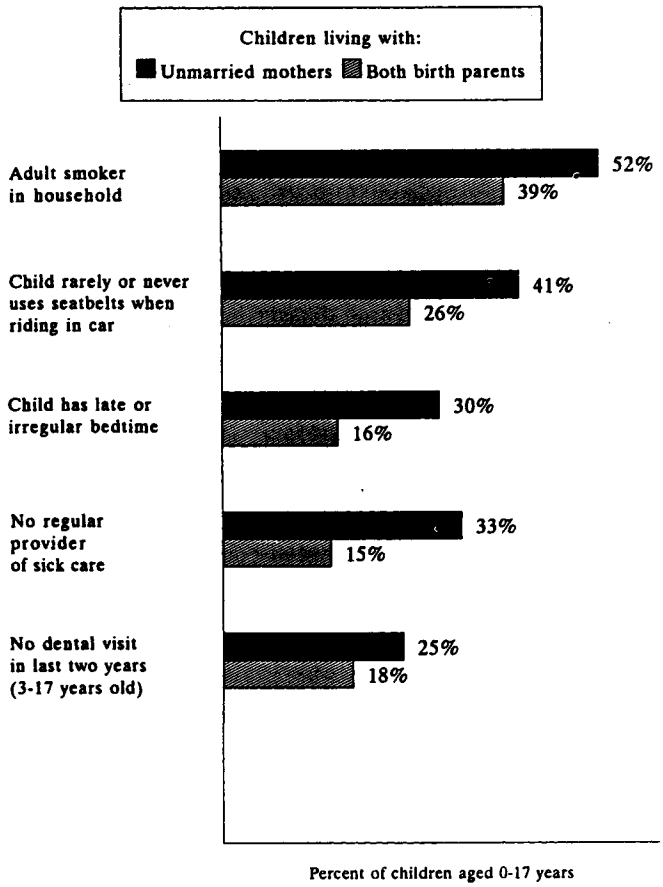
The first thing that agencies could do to help improve family stability in the future is to improve job training, apprenticeship, and early employment opportunities for those teenagers and young adults who are not college bound, the so-called "forgotten half" of students. The reason for emphasizing these programs is that research has clearly shown that limited employment opportunities, unstable employment, and low wages are important causes of nonmarriage and family disruption. The lack of career opportunities is also an important reason why young people become parents when they are financially not ready to support their children. Finding ways to provide young people who are not doing well in conventional academic studies with positive career alternatives should be given a high priority by public and private agencies.

A second step that may affect family life in the future is a public information campaign that teaches that all family forms are not equally viable. The facts that researchers have learned about how children do in different kinds of families should form the basis for what young people are taught about family life, parenting, and child development. Without exaggerating the risks, or "putting down" individuals who come from these families, we should be honest about the known drawbacks of single-parent families. As efforts to end smoking have shown, knowledge of risks can make a difference in people's behavior. But the knowledge has to be communicated in order to have any effect.

A third, related step is to insure that all adults but especially teachers and counselors communicate clearly and consistently to teenagers and young adults that it is unwise to have children when you are emotionally and financially unprepared to care for them. Unmarried teenage parenthood before high school graduation is not a cost-free experiment with alternative lifestyles, it is a major cause of child poverty, welfare dependency, and school failure. We should emphasize that young people are doing themselves and their offspring no favors by engaging in unprepared parenthood. Simply providing young people with condoms or other contraceptive technologies without a strong, consistent message about the reasons for making use of them is much less likely to be effective.

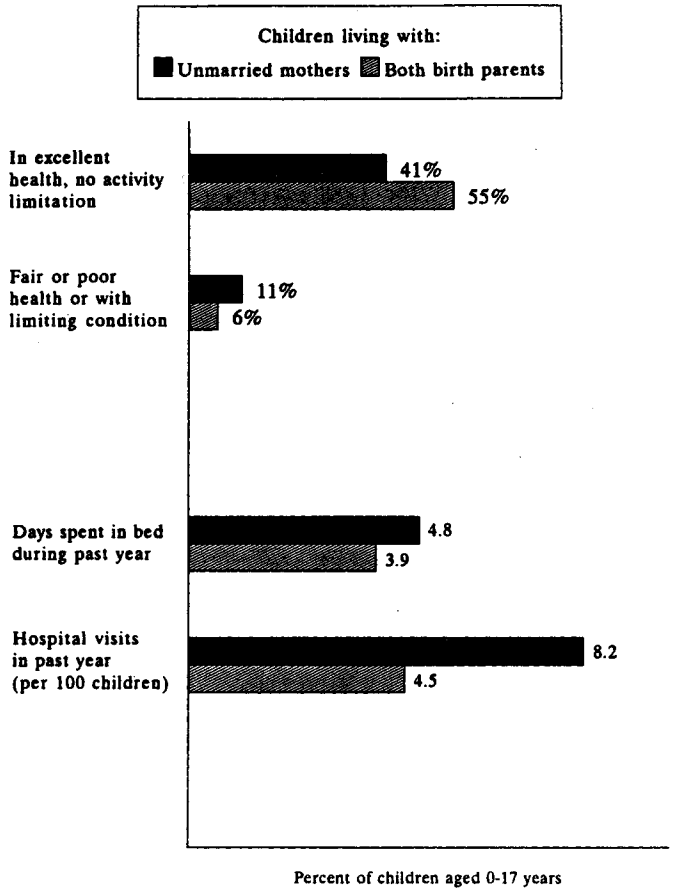
Implementing these recommendations will not be easy and the steps themselves will not work miracles. They will not, for instance, create jobs where none exist. But combined with efforts by other public and private institutions, such efforts may make a tangible difference in the lives of many young people, and hence have a beneficial effect on family life in the future.

Figure 1: Children of Unmarried Mothers in the United States: Quality of Their Home Environments



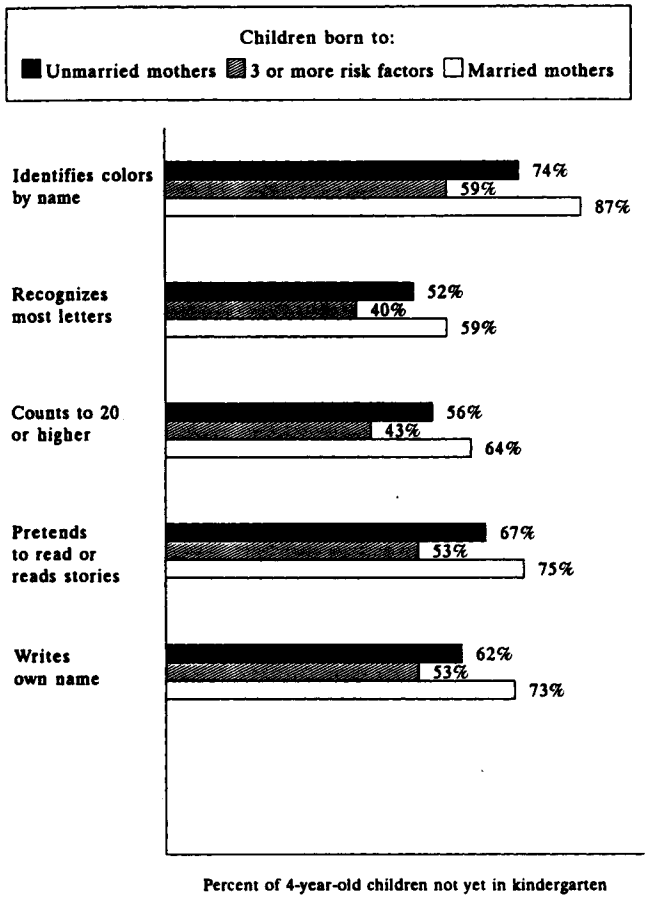
Source: Coiro, M.J., Zill, N., & Bloom, B. Health of Our Nation's Children (1994), and additional analysis of data from the 1988 National Health Interview Survey on Child Health.

Figure 2: Children of Unmarried Mothers in the United States: State of Their Health



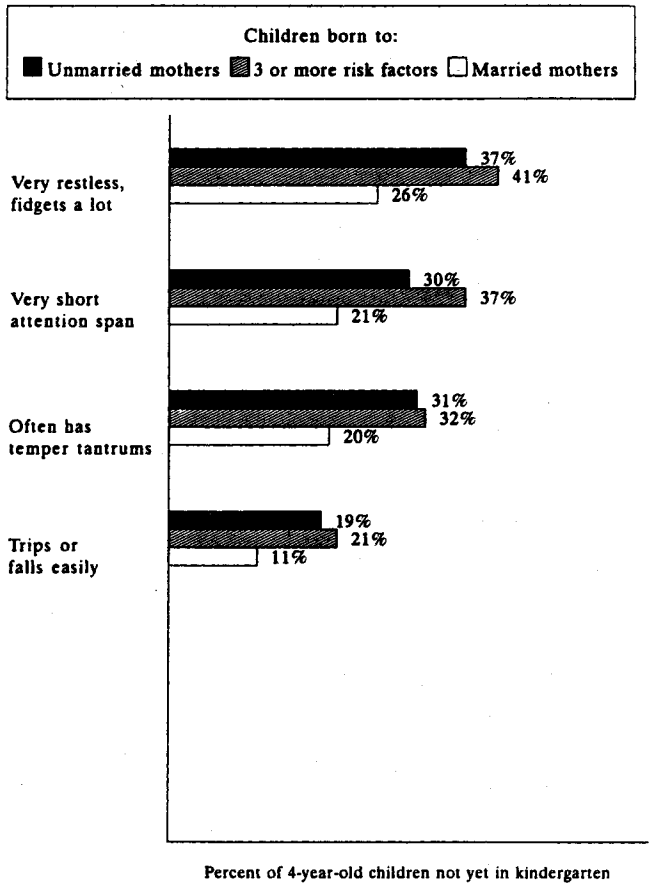
Source: Cotro, M.J., Zill, N., & Bloom, B. Health of Our Nation's Children (1994), and additional analysis of data from the 1988 National Health Interview Survey on Child Health.

Figure 3: School Readiness of Children of Unmarried Mothers in the United States: Accomplishments at Age 4



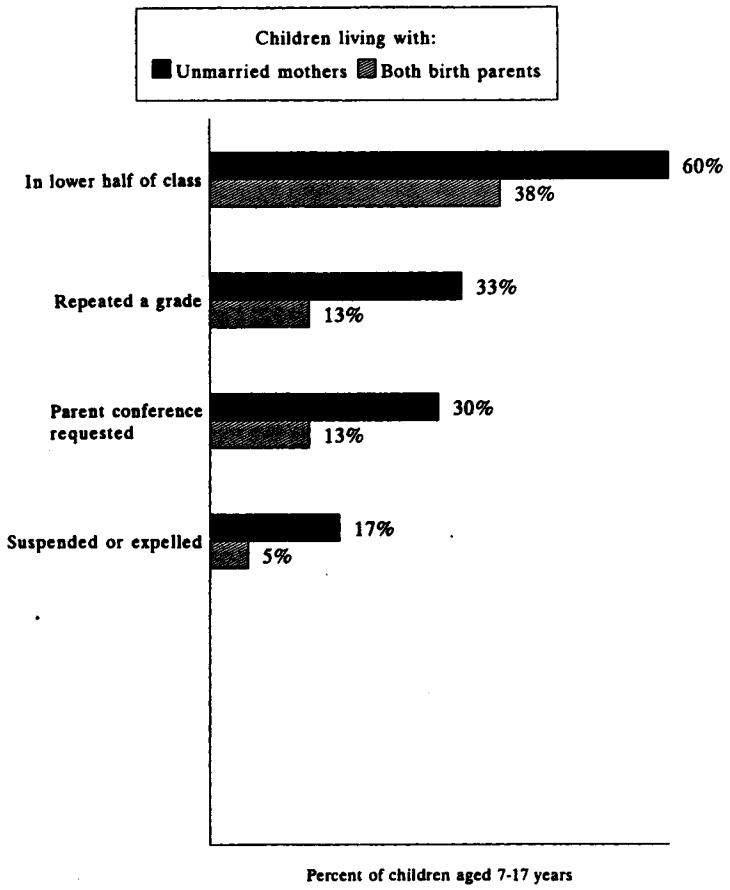
Source: Zill, N., Collins, M., West, J., & Hausken, E.G. (1995). Approaching Kindergarten: A Look at Preschoolers in the United States. U.S. Department of Education, National Center for Education Statistics (NCES 95-280). Washington, DC.

Figure 4: School Readiness of Children of Unmarried Mothers in the United States: Hyperactive Behavior at Age 4



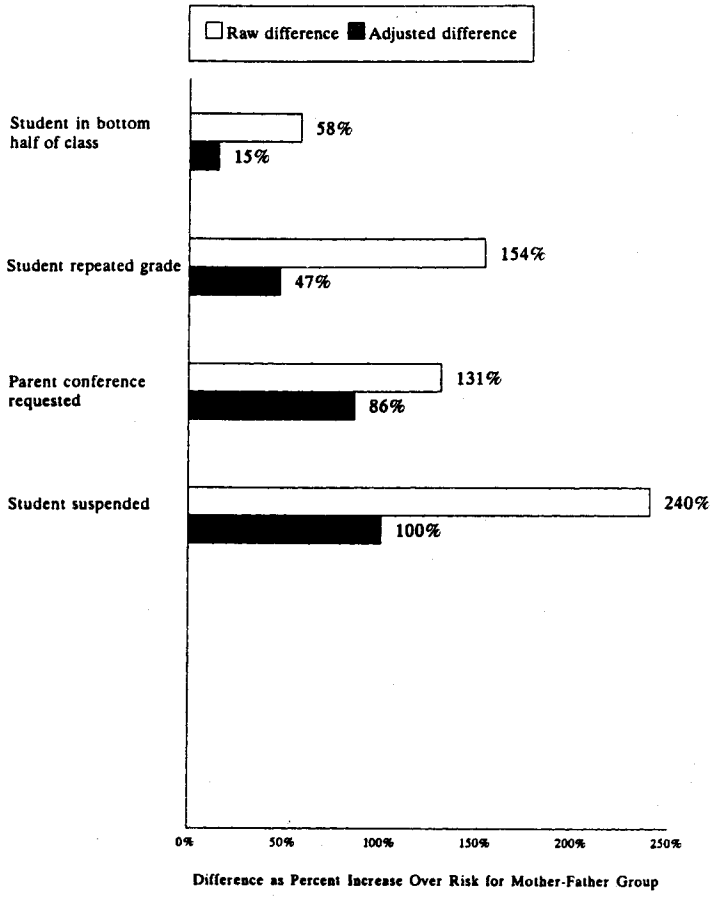
Source: Zill, N., Collins, M., West, J., & Hausken, E.G. (1995). Approaching Kindergarten: A Look at Preschoolers in the United States. U.S. Department of Education, National Center for Education Statistics (NCES 95-280). Washington, DC.

Figure 5a: Children of Unmarried Mothers in the United States: How They Do in School



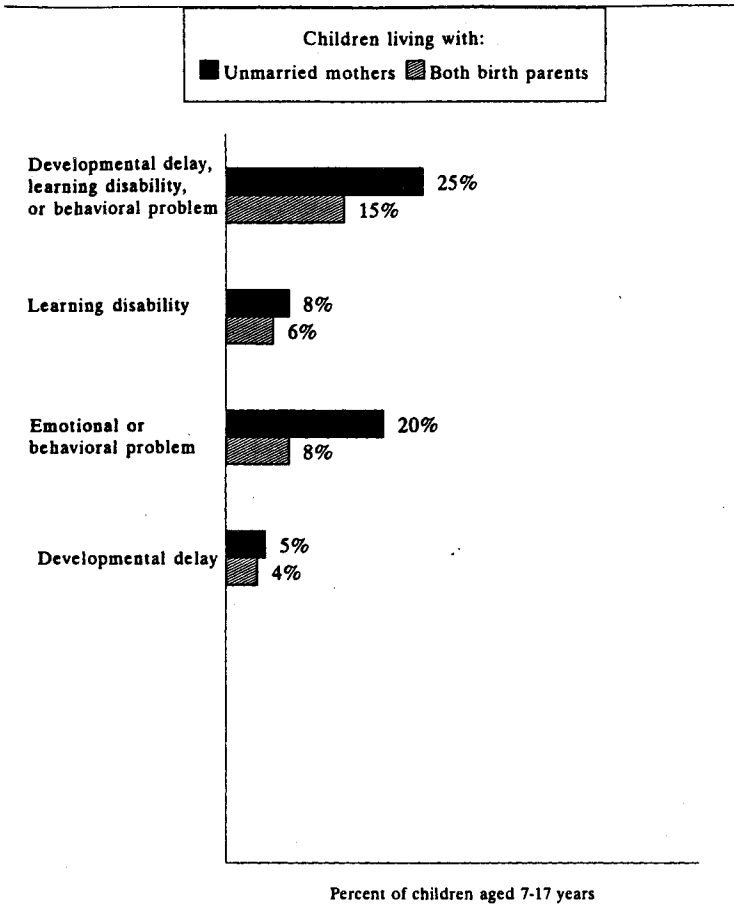
Source: Zill, N. (1994). Family Change and Student Achievement: What We Have Learned, What It Means for Schools. In Booth & Dunn (Eds.), Family-School Links: How Do They Affect Educational Outcomes? Hillsdale, NJ: Lawrence Erlbaum.

Figure 5b. Percent Increase in Risk of School-Related Problems for Students From Mother-Only Families Over Students From Mother-Father Families, U.S. Children Ages 7-17, 1988



Source: Zill, N. (1994). Family Change and Student Achievement: What We Have Learned, What It Means for Schools. In Booth & Dunn (Eds.), Family-School Links: How Do They Affect Educational Outcomes? Hillsdale, NJ: Lawrence Erlbaum.

Figure 6: Children of Unmarried Mothers in the United States: Psychological Disorders



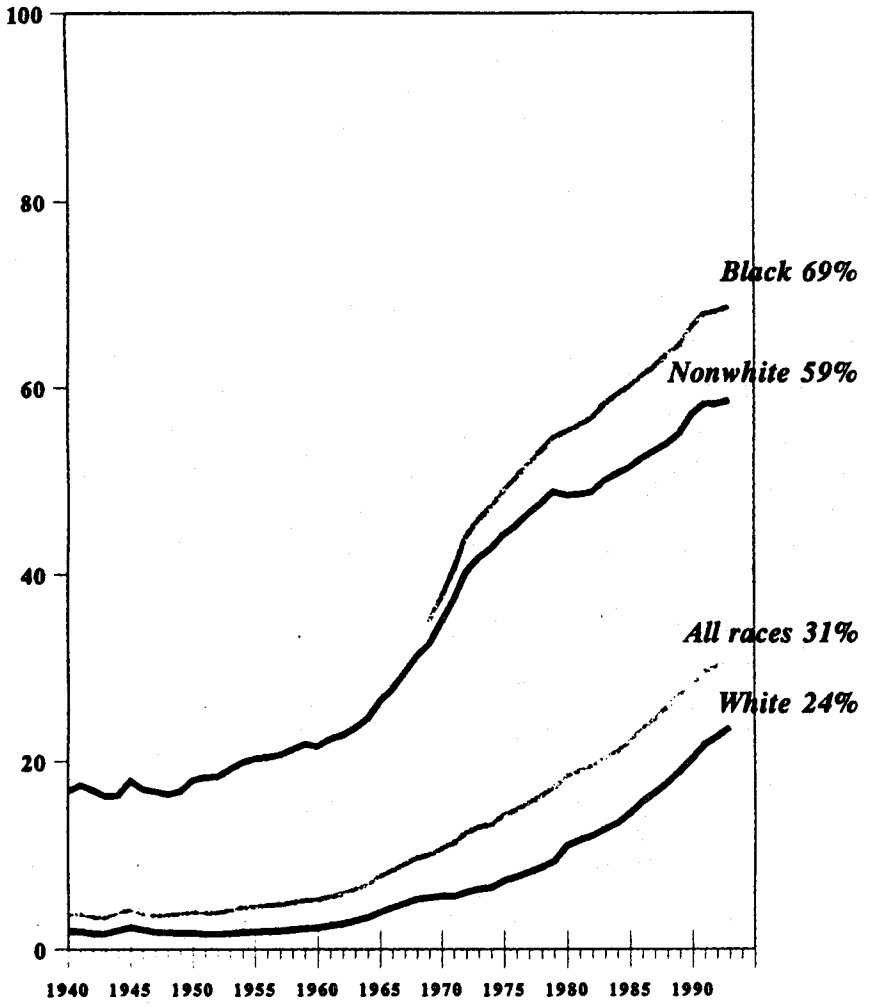
Source: Zill, N. (1994). Family Change and Student Achievement: What We Have Learned, What It Means for Schools. In Booth & Dunn (Eds.), Family-School Links: How Do They Affect Educational Outcomes? Hillsdale, NJ: Lawrence Erlbaum.

Table 1. Typical Family Circumstances of Children Under 18 Years of Age Living with Never-Married Mothers, Divorced Mothers, and in Two-Parent Families, United States 1994

	CHILDREN WITH NEVER-MARRIED MOTHERS	CHILDREN WITH DIVORCED MOTHERS	CHILDREN WITH TWO PARENTS
Number of children in population	6,000,000	5,799,000	48,048,000
Percentage of:			
All children	9%	8%	69%
Black children	30%	10%	33%
Hispanic children	11%	6%	63%
White, non-Hispanic children	3%	8%	79%
Children living with mothers only	37%	36%	--
INCOME & POVERTY			
Average family income (median)	$9,348	$17,951	$44,427
Below official poverty line	64%	38%	12%
PARENT AGE & EDUCATION			
Average age of parent (median)	29	36	38
Average educational attainment of parent (median)	Less than one of college	One year of college	More than one year of college
Parent has graduated from high school	62%	85%	86%
Parent has graduated from college	3%	14%	28%
PARENTAL EMPLOYMENT			
Parent working or looking for work	50%	76%	89%
Parent working full-time	28%	57%	79%
Both parents working	--	--	57%
Parental unemployment rate	22.2%	10.0%	4.8%
FAMILY COMPOSITION			
Average number of brothers or sisters in household (mean)	One	One	One
-- Only one or no sibs in household	64%	65%	58%
-- Three or more sibs in household	18%	11%	15%
Adults other than parents typically present in household	None	None	None
-- Adult relative present	30%	21%	16%
-- Non-related adult present	16%	17%	2%
FAMILY RESIDENCE			
Most common area of residence	Central city (56%)	Suburbs (44%)	Suburbs (53%)
Residence typically owned or rented	Rented (80%)	Rented (54%)	Owned (73%)

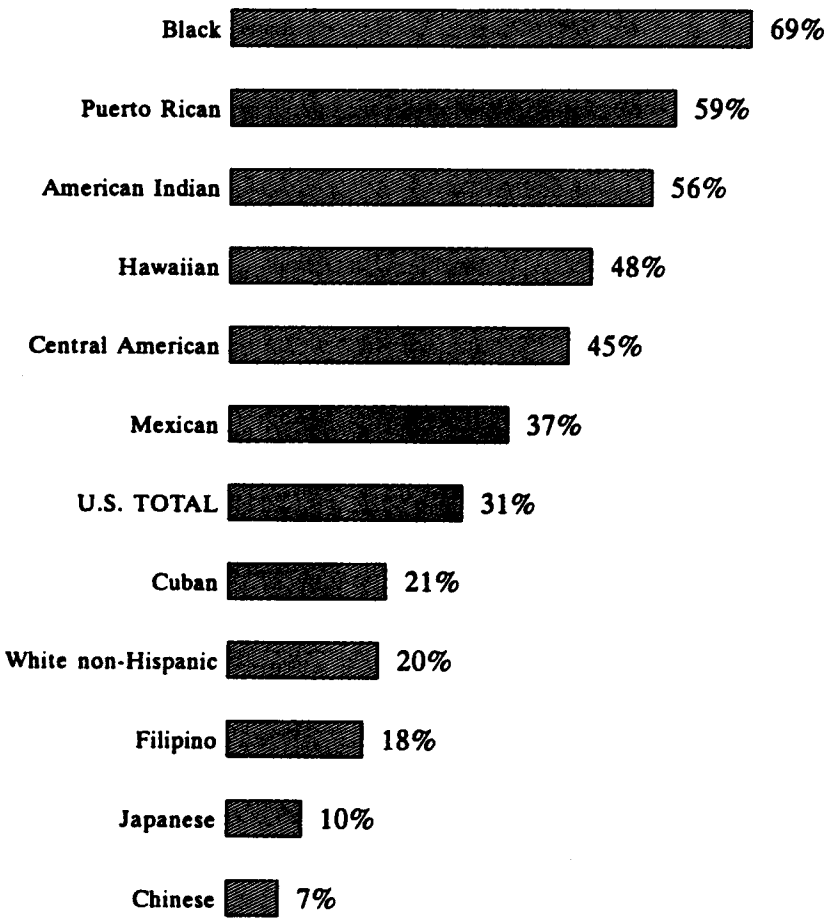
Source: U.S. Bureau of the Census, March 1994 Current Population Survey, calculated by N. Zill from data tables provided by the Marriage and Family Branch, 1994.

Figure A. Nonmarital Births as a Percent of All Births, 1940-1993



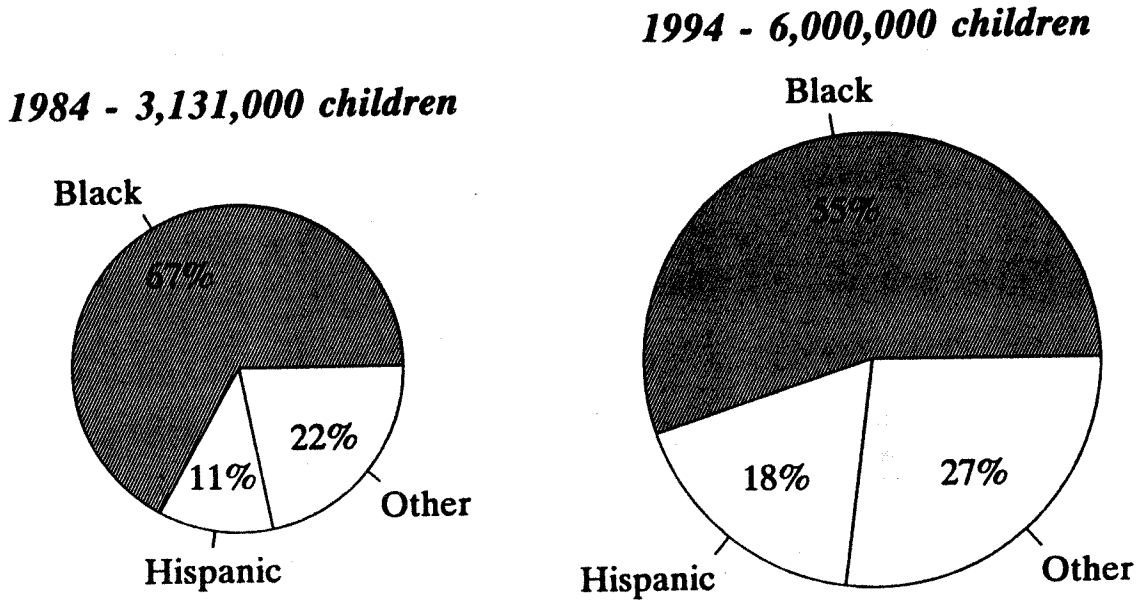
Source: National Center for Health Statistics (in press). Vital Statistics of the United States, 1993, Vol. 1, Natality. Washington, DC: GPO.

Figure B. Percent of U.S. births to unmarried mothers, by race and ethnicity of mother, 1993



Source: Ventura, S., et al. (1995). Advance Report of Final Natality Statistics, 1993. Monthly Vital Statistics Report, Vol. 44, No. 3 Supplement. Hyattsville, MD: National Center for Health Statistics

Figure C. Children living with never-married mothers, by race/ethnicity, 1984-1994



Chairman SHAW. Dr. McIlhaney.

STATEMENT OF JOE S. McILHANEY, JR., M.D., PRESIDENT, MEDICAL INSTITUTE FOR SEXUAL HEALTH, AUSTIN, TEXAS

Dr. MCILHANEY. Thank you, Mr. Chairman, and other distinguished Members of the Committee. I am a gynecologist who has practiced medicine for 28 years. I have had a rewarding practice of in-vitro fertilization and surgery, but I left that practice recently to commit the rest of my medical career to helping prevent the two problems I think are the most profound medical problems of our day, out-of-wedlock pregnancy and sexually transmitted disease, working in and through a new organization called the Medical Institute for Sexual Health.

You have heard the statistics on teen pregnancy, and I would like to lead you to realize how seriously these same teenagers are being damaged by a terrifying epidemic of sexually transmitted disease, we will call STD.

This epidemic is not just HIV, human immunodeficiency virus. It includes at least 20 other dangerous sexually transmitted diseases that are ravaging the youth of our society because their bodies are far more susceptible to becoming infected than the bodies of adults.

For example, a 15 year old is 10 times more likely to become infected with PID, pelvic inflammatory disease, than a 24 year old involved in the same sexual encounter. One example is an 18 year old I took care of who had sex when she was 18, developed PID, had such severe pelvic pain because of it, that when she was 25 she demanded a hysterectomy. She had never been married, never had children. Now, of course, never will.

Chlamydia, which probably caused this woman's problems is found in 20 to 40 percent of sexually active teens who have sex outside of marriage, the highest prevalence rate of any group in our society. There is good evidence, for instance, that condoms do not give adequate protection from the infertility and tubal pregnancies that can be caused by this organism.

The most common sexually transmitted disease in the United States is HPV, human papillomavirus. It causes venereal warts. It causes almost all the truly abnormal precancerous Pap smears women have. It causes most of the genital cancer that women have, killing about 4,600 women from cervical cancer in the United States each year.

The HPV was found to infect 46 percent of coeds coming through the student health center at UC/Berkeley who were being sexually active. An example of this problem is a girl that I saw who was 24 years old. I saw her because of a growth on her vulva. It was precancer. I asked her about her sexual activity and she had had sex with five different guys, using condoms with every one of them. This growth, this precancer was caused by HPV. She had never been told, for instance, that condoms do not protect a person against HPV and essentially all authorities in the country agree with that.

Herpes infects about one-third of sexually active unmarried people. This prevalence is partly because it can be spread even when a sex partner does not have a sore and when a woman gets it she

can pass the herpes to her child. If the child gets infected, 60 percent of them will die.

We, of course, cannot forget HIV. If you realize the impact it has on our young people, 25 percent of newly diagnosed HIV positive people in this country are below the age of 22. Part of this is because when a person has another STD, such as herpes, bacterial vaginosis, the human papillomavirus, they are much more likely to become HIV infected.

This epidemic of teen pregnancy and of STD is being driven by two common problems among teens—the early age of initiation of sexual intercourse, and the number of sexual partners they have. Both of these have a profound influence on teens.

The Center for Disease Control, for instance, showed that if a teenager initiates sex before the age of 18 they have a 45-percent chance of having four or more sexual partners when they are interviewed later on. If they start sex after they are 19, they have a 1-percent chance of having had four or more sexual partners when they are interviewed later.

A very significant question in this discussion is why do teens have sex? It is not usually happening to two beautiful young people who maturely decide, after they fall in love, to have sexual intercourse. It is most often because they are victims. They are victims of loneliness, of peer pressure, of alcohol, of drugs. Remember, one-fourth of teen girls have been sexually abused and a common result of this is that they become sexually promiscuous.

The abuse, itself, is one of the destructive aspects of the sexually charged milieu that our teens are living in today. Remember also that recent studies, more than one, have shown that most teenagers, in high school and lower, have had sex with people older than high school age. The younger they are the more likely the men that they had sex with are to be outside of high school age or even in their twenties.

Our failure to break this cycle of teenage sexual activity will only allow further victimization of these young people. Clients of the present welfare system represent a large group of people whose lifestyle includes activity that increases risk of out-of-wedlock pregnancy and sexually transmitted disease.

These activities not only hurt the individual but they also hurt society. You have heard some examples of that, another example is that 82 percent of incarcerated individuals, by one study, are high school dropouts, most of whom are from low-wealth communities.

Therefore, as much as we might like to separate all of these things there is no way of separating this potpourri of welfare, medical, and societal problems.

For those in the welfare system, I think we need to provide a safety net for the extreme problems but we do not want to make it so comfortable that it induces people into the single parent family life that has helped produce two communities in our society.

First, the community of two people who love each other, live together for life, have children, and offer those children greater opportunities. The second community is of single parents, often forced to live in poverty with diminished hopes for their children and with all the diseases we have been talking about. The financial costs of

all of these problems, by the way, ranges into the multiplied billions of dollars.

I am not pessimistic. I believe that the situation now is so bad, and the old approaches so discredited, that men and women of wisdom will realize the necessity of new approaches and will do the hard work required to bring an end to this problem that is literally tearing apart the fabric of our society.

Thank you, Committee and Chairman Shaw.

[The prepared statement follows:]

TESTIMONY
U.S. HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON HUMAN RESOURCES
OF THE
COMMITTEE ON WAYS AND MEANS
J. S. McILHANEY, JR., M.D.
PRESIDENT, MEDICAL INSTITUTE FOR SEXUAL HEALTH
MARCH 12, 1996

Thank you, Chairman Shaw, and other distinguished members of the committee.

I am a gynecologist who has practiced medicine for twenty-eight years. I have had a rewarding practice involved with infertility care, in vitro fertilization, and surgery, but I left that practice two months ago. I left my practice to commit the rest of my medical career to helping prevent two of the most profound medical problems of our day -- out-of-wedlock pregnancy and sexually transmitted disease -- working in and through a new organization called the Medical Institute for Sexual Health.

Most of you know that one million babies are born to teens each year in the U.S.[1] Twenty years ago 31 percent of babies born to teens were born out-of-wedlock. Now 65 percent of them are.[2]

What most of you probably do not know is how seriously these same teenagers are being damaged by a terrifying epidemic of sexually transmitted disease. This epidemic is not just HIV. It includes human papillomavirus, chlamydia, herpes, and more than twenty other sexually transmitted diseases which are ravaging our youth because their bodies are far more susceptible to becoming infected with sexually transmitted disease than the bodies of adults.[3] For example a 15-year-old is ten times more likely to develop pelvic inflammatory disease than a 24-year-old involved in the same type of sexual encounter.[4] Pelvic inflammatory disease (PID) is the most common cause of hospitalization of U.S. women between the ages of 15 and 55 except for childbirth. Pelvic inflammatory disease is most often caused by chlamydia and it results in situations such as that of a young woman I took care of. At 18 she had had sex, developed pelvic inflammatory disease, and after seven years of severe pelvic pain finally demanded a hysterectomy. She had never married, never had children, and now never will. Chlamydia, which probably caused this woman's problems, is found in 20-40 percent of teens having sex outside of marriage, the highest prevalence rates of any group in our society.[5] There is good evidence that condoms do not give adequate protection from the infertility that can be caused by pelvic inflammatory disease.[6]

The most common sexually transmitted disease in the U.S. is human papillomavirus. It causes veneral warts. It also causes almost all precancerous Pap smears and most cervical, vaginal, vulvar, and penile cancer, killing about 4,600 women in the U.S. yearly. Human papillomavirus was found to infect 46 percent of sexually active coeds going through the Student Health Center at UC/Berkeley.[7] Not all of these girls will develop cancer, but an Oregon study of 18,000 women showed that 60-70 percent who had the wart virus present developed abnormal Pap smears.[8] This sexually transmitted disease is the most common reason for a woman to see a gynecologist in the U.S.[9] I had a 24-year-old patient see me with a vulvar growth. It was an early cancer caused by human papillomavirus. I asked her about sexual activity. She had had five partners and had used condoms with every one. She had not been told that all experts agree that condoms give almost no protection against human papillomavirus.[10]

Herpes infects about one-third of sexually active unmarried people. This prevalence is partly because it can be spread even when a sex partner does not have a sore.[11] A woman can pass this virus to her baby at delivery, and, if she does. the baby has a 60 percent chance of dying. One-half of the babies who do not die will be severely brain damaged.[12]

We, of course, cannot forget HIV. Do you realize its impact on youth? Twenty-five percent of newly diagnosed HIV is found in young people below the age of 22.[13] Seven thousand HIV positive mothers deliver each year.[14] Many of these mothers are young women. All their babies will be motherless and many of them will lose their fathers. Also, more than 1,000 of the babies will die.

The epidemic of teenage pregnancy and of sexually transmitted disease is being driven by two common problems of teen sexuality -- the early age of initiation of sexual activity and the number of sexual partners. Both of these have a profound influence on risk for teens. One researcher states, "Those adolescents who initiate intercourse at younger ages are more likely to report a history of sexually transmitted disease, more sexual partners, and having risky sexual partners."[15] The Centers for Disease Control showed that if teenagers initiated sex before the age of 18, 45 percent had four or more partners when interviewed later, if initiated after 19 only 1 percent had four or more partners. All studies show that the more lifetime sexual partners, the more risk of sexually transmitted disease.[16]

A very significant issue in this discussion is reasons that teens have sex. It is not usually happening because two young people fall in love and maturely decide to have intercourse. Most of the teens who have sex are victims:[17, 18]

One-fourth of teen girls have been sexually abused. A common result of this is for them to become sexually promiscuous.

Neglected teens -- most from single-parent homes

Teens with little purpose in life

Teens who respond to peer pressure

Teens who drink excessively and use drugs

Our failure to break the cycle of teenage sexual activity will only allow further victimization of these people.

As a physician let me break the frustrating news that medicine does not have the answer. Why do I say this? Have you ever thought about the fact that syphilis is at a forty year high in this country and yet there are no syphilis "germs" resistant to penicillin?[19] Even if we get a cure for HIV, the epidemic will not disappear. This epidemic has actually developed during the past thirty years -- a time when U.S. citizens have had the finest medical care ever provided on the face of the earth.

Clients of the present welfare system represent a large group of people whose lifestyle includes activity that increases risk of out-or-wedlock pregnancy and sexually transmitted disease.

50% of all families receiving AFDC are headed by an unmarried parent.[20]

90% of these single parents are women.[21]

80% of adolescent mothers receive welfare within five years of becoming a parent.[22]

40% of long-term welfare recipients had their first child at age 17 or younger.[23]

39% of never married mothers who receive welfare will remain on the rolls ten years or longer.[24]

And the problem of their moms doom many of the children:

111% more likely to have children as teenagers.

164% more likely to have premarital birth.[25]

All of these things not only hurt the individual, but they also hurt society. For example, 82 percent of incarcerated individuals were high school dropouts, most of whom were from low-wealth communities.[26] Therefore, as much as one might like to, there is simply no way of separating:

Welfare from sexually transmitted disease or from teen pregnancy

Teenage pregnancy from single-parent homes

Single-parent homes from damage to both the parents involved and to the children, and even more to all society.

I hope I have shown you that the threat to our society is so profound that we must be willing to take bold steps in solving the problem. Clearly the educational and social efforts of the past ten to fifteen years have not worked. Multiple reports in peer-reviewed journals document that failure, both in our current approach to sexuality education and in our approach to care for low wealth communities. These efforts seem not only to perpetuate the problem but also seem to be aggravating it.

For those in the welfare system, we need to provide a safety net, but we do not want it so comfortable that it induces people into single-parent family conditions.

If dramatic changes are not initiated, the medical and societal consequences are going to impact millions more of our citizens that we could have saved.

More than that, if the trends continue, we will see the trend toward two communities in our society be magnified, the community of the married providing greater opportunities to their children and the community of the single-parent often forced to live in poverty with diminished hope for their children.

I am not pessimistic. I believe that the situation is so bad and the old appraoches so discredited that men and women of wisdom will realize the necessity of new approaches. The federal government can take the lead in setting policy that encourages young people to delay sex until they are married. This can be a joint venture with all of society -- parents, schools, media, churches and others -- to bring an end to a problem literally tearing apart the fabric of our society.

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[1]Alan Gutmacher Institute, 1994.

[2]*Families First, Report of the National Commission on America's Urban Families*, John Ashcroft, Chairman, Annette Strauss, Co-Chair, January 1993, p. 28.

[3]Anderson, J.R., and Wilson, M., "Caring for Teenagers with Salpingitis," *Contemporary OB/GYN*, August 1990.

[4]Westrom, I., *Pelvic Inflammatory Disease*, New York: McGraw Hill Book Company, 1992.

[5]*JAMA*, June 1, 1994, vol. 271, No. 21, p. 1652.

[6]Cramer, D. W., et al, "The Relationship of Tubal Infertility to Barrier Method and Oral Contraceptive Use," *JAMA*, 257:18, May 8, 1987.

[7]Bauer, H. M. et al, *JAMA*, 1991; 265, 472-47.

[8]*Contemporary OB/GYN*, July 1995, p. 94.

[9]*OB/GYN News*, 28:15, 1993.

[10]*OB/GYN Clinical Alert*, Sept. 1992.

[11]*JAMA*, Jan. 19, 1990, Vol. 763, #3, p. 418-20.

[12]American College of Obstetricians and Gynecologists Committee Statement, "Perinatal Herpes Simplex Virus Infections," July, 1987.

[13]CDC, *MMWR*, Vol. 44, pp. 1-15, 7/7/95.

[14]*NEJM*, March 17, 1994, Vol. 330, #11, p. 789.

[15]Rosenthal, et al, *Adolescent and Pediatric Gynecology*, 1994, p 210-213.

[16]Centers for Disease Control, *MMWR*, 39, January 4, 1991.

[17]Small & Luster, *Journal of Marriage & The Family*, Feb 1994, 181-192.

[18]OB/GYN News, "Abuse, Alcohol, Drugs Tied To Teen Pregnancy," March 1, 1996, p. 31.

[19]*American Journal of Public Health*, Vol. 85, #8, Aug. 95, p. 1053.

[20]U. S. House of Representatives, Committee on Ways and Means, *Overview of Entitlement Programs: Background Material and Data on Programs within the Jurisdiction of the Committee on Ways and Means (1992 Green Book)* (Washington, D.C.:U.S. Government Printing Office, 1991), p. 675; U.S. Department of Health & Human Services, Administration for Children and Families, *Characteristics and Financial Circumstances of AFDC Recipients*, FY 1990 (Washington, D.C.: U. S. Government Printing Office, 1991), Table 14.

[21]Davis & McCaul, *The emerging crisis: Current and projected status of children in the United States*.. August, ME: Maine State Department of Education. (ERIC Document Reproduction Service No. 348 434), p. 22. 1991.

[22]Nicholas, Zill, Kristen Moore, Christine Nord, and Thomas Stief, *Welfare Mothers as Potential Employees: A Statistical Profile Based on National Survey Data*, (Washington, D.C.: Child Trends, Inc.), Table 17.

[23]*Ibid.*

[24]*1992 Green Book*, p. 687.

[25]Irvin Garfinkel and Sara McLanahan, *Single Mothers and Their Children: A New American Dilemma* (Washington, D.C.: The Urban Institute Press, 1986), pp. 30, 31; and McLanahan, "The Long-Term Economic Effects of Family Dissolution," p. 12.

[26]Davis & McCaul, *The emerging crisis: Current and projected status of children in the United States*.. Augusta, ME: Maine State Department of Education. (ERIC Document Reproduction Service No. 348 434), p. 89. 1991.

Chairman SHAW. Thank you, doctor, and our next witness is Dr. Furstenberg.

Doctor.

STATEMENT OF FRANK FURSTENBERG, PH.D., PROFESSOR OF SOCIOLOGY, UNIVERSITY OF PENNSYLVANIA, PHILADELPHIA, PENNSYLVANIA

Dr. FURSTENBERG. I appreciate the opportunity to testify before this Committee on the question of why levels of nonmarital childbearing are changing and which policies will be most effective in countering this trend. My own work in sociology and demography has been devoted to understanding these trends and to understanding changes in family formation that have occurred in the past several decades.

In this regard, I have conducted a study of teenage mothers that has run on for 30 years, studying them, their children, and now their children's children. I will comment on that later.

As I understand it, the pending legislation on welfare reform and these hearings center on the role that public assistance has played in eroding marriage and encouraging nonmarital childbearing. The assumption is that moving women and their children off welfare and into the labor market will do much to reduce nonmarital childbearing and help break the cycle of poverty.

I, and many scholars, have deep reservations about this presumption and here is why. We have heard already today that the decline of marriages has occurred in all western nations. Related, I and many others believe, to changing economic roles and gender relations. No link has been established between these trends and public welfare policies or the generosity of family support systems cross-nationally.

Changes in the level of public assistance in the United States are not correlated with rates of nonmarital childbearing over time. The illegitimacy ratio, nonmarital births to marital births, has been steadily rising. However, the illegitimacy rate, births per thousand unmarried women, has risen only among Whites and not among African-Americans during the past several decades. Indeed, among blacks, the rate has declined rather substantially since 1970.

We have to distinguish between the illegitimacy ratio and rate because it has profound consequences for how we interpret the changes that are going on. I will come back to that.

State level trends in illegitimacy are weakly or uncorrelated with the generosity assistance. At the metropolitan level, a cross-sectional correlation exists between welfare benefits and marriage and childbearing but the direction of that causalty is not clear at all. In fact, it rather seems that poor people are less inclined to get married, therefore, more likely to go on welfare rather than the reverse.

My own detailed investigations on the consequences of illegitimacy produced some startling findings. I followed a large, fairly sizable group of teenage mothers over 30 years. Almost all the mothers spent some time on welfare. However, fewer than 10 percent were chronically on welfare.

Most worked most of the time, while their children were growing up. Even many of the ones who were on welfare every year, while

their children were growing up, also reported going in and out of the labor force.

The transmission of welfare across generations is a difficult process to study because welfare and poverty are linked together. We know that people who grow up poor are more likely to remain poor, regardless of their involvement on welfare. One of the most recent studies that I have seen on this suggests that largely—almost entirely—it is not welfare but poverty that is linked across the generations.

In my own studies I found virtually no evidence that there is a welfare mentality among the children. Most are committed to working. Most attempt to work. Most go to work and most cannot find stable and remunerative employment.

Will cutting the welfare rolls result in declining levels of nonmarital childbearing? I do not think so. I do not expect much impact, if any at all. Welfare is not a significant deterrent to marriage or an incentive to have children. Will work training and support increase the propensity of women to marry? I do not see why it should, unless we address the lack of training and available jobs for men. Men without stable and remunerative employment are not deemed eligible partners, especially by women who are self-supporting.

Changes in nonmarital childbearing largely have occurred not because more women are electing to have children out of wedlock but because marriage is becoming a more elusive goal for many young people. That, I can substantiate if I am asked to do so.

Public policies are largely about how to make single parenthood less attractive, not marriage more attainable. Unless and until we craft policies and programs that make it possible for young people to marry, we are unlikely to see a direction in the change of nonmarital childbearing.

I will just end with a couple of points. Here are some suggestions. Improve access to job training, higher education and most of all, job availability for low-income men, as well as women. Increase the availability of social benefits: child care, food stamps, educational support for couples so that it is truly cheaper for two to live together than for one, or two can live as cheaply as one.

Raise, not lower, as has been proposed in some legislation, the earned income tax credit. Provide a favorable status for parents who live together. Provide social support for young couples who frequently could use education counseling and community services. Most of these programs are being cut back by cost-conscious government and philanthropic agencies.

Unless we back up our rhetoric about the importance of marriage with real resources, we are unlikely to have success in bringing about a decrease in out-of-wedlock childbearing.

[The prepared statement and attachment follow:]

STATEMENT OF FRANK FURSTENBERG, PH.D.
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Introduction

I appreciate the opportunity to testify before this committee on the question of why levels of non-marital childbearing are changing and which public policies will be most effective in countering this trend.

My own work in sociology and demography has been devoted to studying these trends and to understanding the changes in family formation that have occurred over the past several decades. I have conducted a thirty year longitudinal study of teenage mothers and their offspring in Baltimore as well as working on some of the national data sets that allow us to explore the consequences of poverty, welfare, and single parenthood.

As I understand it, the pending legislation on welfare reform-- and these hearings-- center on the role that public assistance has played in eroding marriage and encouraging non-marital childbearing. The assumption is that:

Moving women (and their offspring off welfare) and into the labor market will do much to reduce non-marital childbearing and help break the cycle of poverty.

The Link between Welfare and Out-of-wedlock Childbearing: Research Evidence

I and many other scholars have some deep reservations about this presumption. Here's why.

1. The decline of marriage has occurred in all Western nations, related, most scholars believe, to changing economic roles and gender relations. No link has been established between these trends and public welfare policies or the generosity of family support systems. France, Britain, Switzerland, and the Netherlands have all experienced a decrease in marriage and an increase in non-marital childbearing comparable to what has occurred in this country.

In this country non-marital childbearing has increased more sharply and steadily for whites and has occurred among women of all ages and educational status. Rising levels of illegitimacy have not been limited to the welfare population.

2. Changes in the level of public assistance in the U.S. is not correlated with rates of non-marital childbearing over time. The illegitimacy ratio (non-marital to marital births) has steadily risen over the past several decades. However, the illegitimacy rate (births per 1,000 unmarried women) has risen only among whites and not among African Americans over the past three decades. Indeed, among blacks the rate significantly declined from the 1970 rate.

3. State level trends in illegitimacy are weakly or uncorrelated with the generosity of welfare assistance. Most scholars, following Robert Moffit's review of the evidence, do not believe that welfare policy has influence childbearing trends.

4. There is a modest to moderate association in welfare patterns from one generation to the next. The most recent review of the evidence is in accord with the prevailing view that poverty begets poverty, but there is relatively little transmission of welfare dependency-- independent of poverty.

5. At the metropolitan level, a cross sectional correlation exists between welfare benefits and marriage and childbearing patterns, but no one has established whether a causal relationship exists or in which direction the causality runs-- from welfare to non-marital childbearing or the reverse.

6. My own detailed investigation of the consequences of illegitimacy produces some startling findings. I have followed several hundred teen mothers and their children over a period of nearly thirty years. Almost all of the mothers spent some time on welfare; however, fewer than 10 percent were chronically on welfare. Most worked all or most of the time their children were growing up. Of the small number who were on welfare every year, close to half were in the labor force as well.

The transmission of welfare across generations is a difficult process to study because welfare and poverty are associated. We know that people who grow up poor are likely to remain poor-- regardless of their involvement on welfare. Consequently, we must ascertain whether welfare-- as distinct from poverty-- is transmitted. The best evidence, including data from my study, suggests that it is, but much less than is commonly believed.

For example, the majority of the offspring of individuals who spent substantial time on welfare as children and adolescents had or were able to complete high school by their late teens. We could find no evidence either from the surveys or in-depth interviews that a "welfare mentality" was being passed on from parents to children.

Policy Recommendations

Will cutting the welfare rolls result in declining levels of non-marital childbearing? On the basis of the existing research data, I do not expect welfare policies to have much, if any, impact on patterns of family formation. Welfare is not a significant deterrent to marriage or an incentive to have children.

Will work training and support increase the propensity of women to marry? I don't see why it should unless we address the lack of training and available jobs for men. Men without stable and remunerative employment are not deemed eligible partners, especially by women who are self-supporting.

Changes in non-marital childbearing largely have occurred not because more women are electing to have children out-of-wedlock, but because marriage is becoming a more elusive goal for many young people. When asked why they are not marrying, many of the young people in my study indicate that they lack confidence about men's ability to help support a family.

Public policies are largely about how to make single parenthood less attractive, not marriage more attainable. Unless and until we craft policies and programs that make it possible for young people to marry, we are unlikely to see a change in the direction of non-marital childbearing.

Here are a few suggestions for consideration:

1. Improve access to job training, higher education, and--most of all-- job availability for low-income men as well as women.

2. Increase the availability of social benefits-- childcare, food stamps, educational support-- for couples so that it is truly cheaper for two to live together as one.

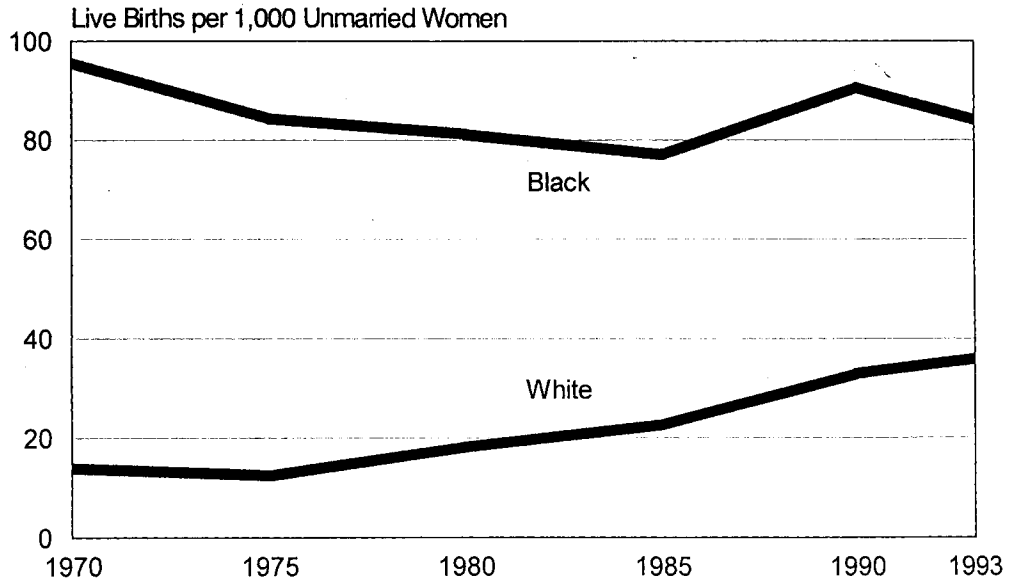
3. Raise, not lower as has been proposed in some legislation, the earned income tax credit. Provide a favored status for parents who live together.

4. Provide social support for young couples who frequently could use education, counseling, and community services. Most of these programs are being cut back by cost-conscious government and philanthropic agencies.

Unless we match our rhetoric about the importance of marriage with real resources, we are likely to have little success in bring about a decrease in out-of-wedlock childbearing.

Unmarried Birth Rate

1970-1993, By Race



Source: NCHS, Monthly Vital Statistics Report, Vol 44(3), pp. 48-49

Chairman SHAW. Thank you, doctor.

Mr. English may inquire.

Mr. ENGLISH. Thank you, Mr. Chairman.

Dr. Rector, our staff so far has found 22 empirical studies that report correlations between some measure of welfare and some measure of birth outside of marriage. I was intrigued, 16 of these studies or roughly 75 percent report at least one significant finding that higher welfare benefits are correlated with higher rates of birth outside of marriage. Your testimony contains a variety of useful summaries of several of these studies. I wonder if you could, please, summarize your review of these studies for the Committee?

Mr. RECTOR. Yes. That's a very interesting point. I have listed 13 different studies, all of which show a very strong positive relationship between the generosity of the welfare system and the rate of out-of-wedlock births. I think also on this, it is very interesting to look at the trend.

If you went back 12 or 13 years ago, I think the sort of commonsense view that Dr. Furstenberg offered, most of the studies did not show that there was a strong relationship. Year by year by year as more and more studies come in, the overwhelming majority of them do show very strong effects. I would also say that if it were true that there was no effect, just by the very nature of this, you would expect then to see some studies that show some effect, some studies that show that welfare reduces illegitimacy—which is theoretically possible—and then a whole lot of studies in the center.

There has never been any study that shows that welfare reduces illegitimacy. They are all either in the narrow spectrum of those showing no effect or those that show very strong effects. I find the most compelling study that we have available is the one by Dr. June O'Neill, the current Director of the Congressional Budget Office, Dr. O'Neill found that holding a wide range of other variables constant, including family income, that a 50-percent increase in the AFDC and food stamp monthly benefit package produced a 43-percent increase in the percentage of out-of-wedlock births within a State.

The comment was made by Congresswoman Kennelly and by Dr. Furstenberg that over time welfare benefits have declined while the illegitimacy ratio was going up. It is simply not true that over time welfare benefits have declined. You can only reach that conclusion by throwing most of them out of the count.

If you look at the full range of welfare benefits—AFDC, food stamps, Medicaid, the increase in the percentage of households receiving public housing, WIC, and so forth—it is not at all true that the benefits have gone down.

I do not wish to say that the welfare system is the only cause for the increase in out-of-wedlock births. I do think that as Congressman Rangel pointed out, joblessness, lack of opportunity in the inner city is also an important factor.

I would comment that the increase in black out-of-wedlock births, Congressman, occurred most rapidly, precisely between 1965 and 1975, a period of dramatic and rapid expansion in the job opportunities available to black men. Even if you went into the inner city today and compared potential wage rates of young men, which are not good there, but compared them to what they were for black

men in the fifties, after adjusting for inflation, they still have a far better capacity to support families today.

Something came in and affected the black marital pattern, it was the welfare system saying, you do not need to get married any more, we have got a substitute for marriage, it is this combined welfare benefits package. That not only affects the woman's behavior but, the young man's as well. Now that the man is no longer a breadwinner, he is going to fall into the crime problems that Congressman Rangel talked about.

Mr. ENGLISH. Dr. Rector, in my remaining time, I note that your testimony and Dr. Furstenberg's are very hard to reconcile. I would like to give each of you a brief opportunity to comment on this.

I would like to say that the most shocking finding you present based on a national longitudinal study is that children born outside of marriage who stayed in never-married families spent 50 percent of their time on welfare, while children born to intact families and who stayed in intact families spent only 3 percent of their time on welfare.

I have seldom seen differences of this magnitude in the various issues of witnesses appearing before this Committee and I would like both of you to comment on whether this finding has implications for public policy and, if so, what they are?

Dr. Rector.

Dr. RECTOR. I think that the implication is pretty obvious. Most societies, in fact, almost all societies have recognized historically that it takes the work of two adults to support children and it is very difficult to support a child all by yourself, particularly if you happen to be, as many of these women are, women with very low educational attainment, very low cognitive skill levels. Therefore, it does not surprise me at all that a woman that has a child out-of-wedlock is going to spend 50 percent of her time on AFDC and 70 percent of her time receiving some broader array of welfare services.

I think that to believe that we are going to get out of that dependency trap without finding a way to increase the marriage rates so that there are two adults contributing both financially and, more importantly, psychologically to that child, is simply wrong. Marriage is the key here.

Mr. ENGLISH. Dr. Furstenberg.

Dr. FURSTENBERG. I appreciate an opportunity to respond. I think the confusion here is between a correlation and causalty. We are not conducting a random experiment where we randomly assign some people to marriage and some people to single parenthood. What is happening is people are selecting marriage or single parenthood depending on their circumstances. When we do these studies we really have to try to take account of the selective differences.

When we do, we find that welfare, single parenthood does not have the same kind of power that many believe because, marriages do not survive when people are poor and unemployed. In my study back in the sixties, the time that Mr. Rector was referring to—virtually all of the teenage mothers married. What do you see 10 or 15 years later?

Virtually all are divorced. They look like the last column, they have shifted out of marriage. He shows that, of course, when marriage is intact, there are very few people on welfare. That makes a lot of sense because marriages intact have a family income.

When you do not have a family income, you do not have marriage and that is the problem that I was referring to.

Mr. ENGLISH. In your view, this is a post-hoc, proper-hoc kind of an argument?

Dr. FURSTENBERG. Completely and the same for welfare. Mr. Rector reported that there was an increase in welfare used from 1965 to 1975 in black communities, referring to Congressman Rangel.

That was the time that the Moynihan report was written, in 1964, when he was very concerned about rising rates of unemployment.

He was noting trends that were occurring from the fifties onward. In fact, unemployment went up during that time. I do not know where you are getting your statistics, Mr. Rector, but that is not correct.

Chairman SHAW. Mr. English's time has expired.

Mr. ENGLISH. Thank you, Mr. Chairman.

Chairman SHAW. Mr. Levin may inquire.

Mr. LEVIN. Thank you, Mr. Chairman.

It is difficult listening to everybodys individual perspective. It may be a little easier to detect where people are going.

I do not think there is that much of a quarrel today about effect, at least, from me and maybe I am old fashioned. I think there is a strong, preference for a two-parent family.

There are numerous advantages to a two-parent family and the economic advantages that have just been referred to are probably the lesser of the advantages.

We are all the products of our upbringing, I suppose and for me, it is a given. It is preferable in many respects. There is much disagreement, though, over causation.

The difference in cause has led people to try to tone down what the effect is.

Let us say that there is a very substantial effect. We still need to argue through what the causation is here. I think, Mr. Rector, you favor not only a family cap on a mandatory basis but the withdrawal of benefits from a mother who is under a certain age.

Mr. RECTOR. I favor the withdrawal of cash benefits.

Mr. LEVIN. OK. You would withdraw a cash benefit from a child whose mother is under a certain age. That must be based on the assumption that the cause of the pregnancy, in very substantial measure, was the lure of a cash benefit.

Mr. RECTOR. I would not say, Congressman, that there are women who are having children out of wedlock because they think they are going to make a windfall profit out of the welfare system.

There are women who look around them in their community and see that the norm for many other women around them, if not almost every woman they run into, is to raise children outside of wedlock. They do not regard it as unusual.

I was in this very room about a year ago and there was a witness here in which the woman said, no one ever told me that having a child out of wedlock was, in any sense, wrong.

Mr. LEVIN. Let me just interject because I think we need to try to get at the heart of this. I am sorry we did not have a chance to talk with some of our colleagues.

Mr. Talent said the problem is that welfare lures people into having their children without being married. The choice of language here, is of some importance, that welfare lures poor people into having their children. You would not say it quite that way.

Mr. RECTOR. I would say that what welfare does is that it serves as a substitute for marriage. It teaches people that it is acceptable and possible to have children without the necessity of marriage. It undermines marriage as a norm, and it facilitates what is, in essence, a terribly self-destructive choice.

Mr. LEVIN. You are saying that you are very sure that the withdrawal of the benefit will change the culture and prevent births in the first place?

Mr. RECTOR. Yes. I am very confident of that, particularly——

Mr. LEVIN. All right. Do any of you want to comment on that?

Dr. FURSTENBERG. I do not think Mr. Rector has spent a great deal of time in inner-city communities, talking to the people he purports to understand, whose motivation he purports to understand.

I have spent a great deal of time, and there are very few people who say that they got pregnant to get on welfare, to stay on welfare. The vast majority are like the women in my study. They go on welfare out of necessity, not out of desire. They share your view that welfare is a stigmatized status. They feel stigmatized by it.

There is not a great deal of talk about, "Well, if I can get on welfare, I can support my children," because every kid knows that welfare is not going to pay—most of the people on welfare have to work, and that has been established in one study after another. The family picks up the difference, and the family is really the welfare system, not the state.

Mr. LEVIN. Let me just say something to you, because this is an important difference here, and I think we need to get to the bottom of it.

Even if your position is correct—and a lot of people agree with you—I think it is a mistake, if I might say so, to conclude, if I can pick out your testimony—that will work, training, and support will increase the propensity of women to marry?

I say this as someone who thinks that the welfare to work linkage is a critical one. It may be that it may not increase the propensity of women to marry. It may, though, affect their propensity to have more children. Those two things are not the same.

Dr. FURSTENBERG. Most of the studies, Congressman, that I am familiar with, that have been done on women on welfare, show that women on welfare do not have more children after they get on welfare than women in comparable statuses. That welfare does not stimulate increases of childbearing.

In my own study, and I think Mr. Zill has some data that is similar to this, the vast majority of people on welfare and off welfare were voluntarily sterilized by their late twenties.

Mr. LEVIN. One last question, Mr. Chairman. The light is not working. I do not want to take advantage of it too much.

Do any of you know the percentage of children born out of wedlock in this country that are born to women on welfare?

Mr. Rector, you do not know that?

Mr. RECTOR. No, I do not, and it is compounded—I mean, that is a difficult—you also have to be aware that the woman can enter welfare while she is pregnant. I do not know the answer to that question.

Mr. LEVIN. Would it be a majority or a minority?

Mr. RECTOR. I do not know the answer to that.

If you are saying that only those women that are on welfare at the time the child is born, is welfare having that effect, I do not think that is right. I think what you need to look at——

Mr. LEVIN. No, no. OK. I would think we would want to look at that, would we not?

Mr. RECTOR. That is a good question.

Mr. LEVIN. Thank you, Mr. Chairman.

Chairman SHAW. All right. Thank you, Mr. Levin.

I would guess that that would be an interesting figure, that this Committee would like to look at; but one of the things that you would have to measure in doing that is how the birth of these children has put many women on welfare. A woman having a child may not be on welfare, but would go on welfare as a result of that birth.

Mr. LEVIN. No, you would have to look—I do not mean necessarily that they were on welfare at the moment of birth. You would take some kind of a time sequence.

Dr. FURSTENBERG. Chairman Shaw, I may have a figure on that.

Mr. LEVIN. Dr. Zill, I think, has——

Chairman SHAW. Go ahead.

Dr. ZILL. I think it is important to know that if you look across ethnic groups, the groups that have very high rates of unmarried childbearing—African-Americans, American Indians, Puerto Ricans—are groups that tend to be socioeconomically not very successful. On the other hand, even within communities, the groups that are more socioeconomically successful have quite low rates of unmarried childbearing. Cubans, for example. Chinese. Japanese. There is a relationship there. To some extent, unmarried childbearing is a loser strategy.

Young people who have children outside of marriage, they are not a random sample. They are the kids who are not doing well in school, and you have got to deal with those problems, not just with welfare. The way the economy is changing makes it even more unlikely that they will have a meaningful role in our society.

If you go to my company right now, to hire a temp you need to know Excel, you need to know Word Perfect, you need to have flexibility—high cognitive skills and a great deal of adaptability. There just is not a place in many of our companies for people who do not have those skills. So often, those young people look to parenthood as a source of reinforcement that they have some role in our society. That is a much more complex issue you need to deal with than simply welfare.

Mr. LEVIN. I very much agree with you, and I hope Mr. Rector will listen to what you say.

Mr. RECTOR. I am sorry, Congressman. I did not understand your question. The figure you are looking for, I believe, is something like 70 percent. About 70 percent of the children that are born out of wedlock will end up on some type of welfare at some point——

Mr. LEVIN. No, that is not my question. That was not my question.

Chairman SHAW. Repeat the question and then we will go on.

Mr. LEVIN. Because I remember that statistic from your testimony.

Mr. RECTOR. Seventy percent will be on AFDC.

Dr. FURSTENBERG. We will get you the answer, but we do not have it right now.

Chairman SHAW. We will have to let that be the last word.

Dr. Ensign may inquire.

Mr. ENSIGN. Thank you, Mr. Chairman.

I want to get a little bit to the idea about work and some things that Dr. Furstenberg talked about, because you have raised some issues in my mind. You talked about the idea that we have to provide jobs and that jobs are somehow the answer to a lot of the problems that we have in the inner cities.

You also talked about, Dr. Rector, being in the inner cities and maybe not talking to these people about why they got pregnant. Why do they get pregnant?

When you talked to the people in the inner cities, you gave reasons why they did not, but you never gave the reasons why they did get pregnant.

Dr. FURSTENBERG. I do not want to sound facetious, but they get pregnant because they are having sex, and if we could imagine a circumstance where the women that I have studied very closely——

Mr. ENSIGN. Why are they having out-of-wedlock births? That is the question.

Dr. FURSTENBERG. If we could imagine a circumstance where they had to take a pill, 30 days in a row, to get pregnant, you would see a sudden and dramatic drop in the rate of pregnancy.

Once they have sex, they use birth control improperly, most use it improperly, and that is related, largely in part, to their tangible sense of opportunity.

Once they get pregnant, the question is abort, have the child, give the child up for adoption. At that point——

Mr. ENSIGN. In poor areas the reasons for out-of-wedlock births are strictly improper birth control?

Dr. FURSTENBERG. No. I would say, as Marion Wright Edelman said some years ago, that opportunity is the best form of contraception, and in fact I think the drift into pregnancy——

Mr. ENSIGN. Poor people have more opportunity, is that what you are saying, to have more out-of-wedlock births?

Dr. FURSTENBERG. No, I am saying——

Mr. ENSIGN. That is what I am asking you. You were saying you have talked to these people in the inner city, and Dr. Rector had not talked to them, and you knew why, you gave us the reasons why they did not get pregnant.

I am just asking you for the reasons why they are having out-of-wedlock births.

You also, seem to be saying things about birth control.

Dr. FURSTENBERG. I said two things. I said that they are having sex, and they are using birth control improperly, that is, inconsistently.

You have to ask, why do they not use birth control more frequently? Or, why do they not abort when they——

Mr. ENSIGN. As compared to people who are——

Dr. FURSTENBERG. Once pregnancy occurs, there are a whole—you have to navigate a complex path to get, to have a child out of wedlock.

You have got to have sex, you have got to not use birth control, and you have got to not get an abortion, and you have got to not get married. Each of those decision points have different reasons to them.

Mr. ENSIGN. OK. Let us take a different tack. First of all, on your related work—and I thought that was kind of interesting.

During the Depression, was illegitimacy increased to a great degree, like it is, especially in the last 30 years?

Dr. FURSTENBERG. The rise in illegitimacy has been fairly steady throughout this century, but it started at a very low level. During the Depression, did illegitimacy increase? We did not have very good statistics before that. I cannot answer precisely. Certainly marriage decreased during the Depression. It went way down.

Mr. ENSIGN. You would think that people were still having sex back then, so illegitimacy should have gone dramatically up.

Dr. FURSTENBERG. People were not having sex in anywhere near the frequency that they have today. Especially young people. It was relatively uncommon for a 15-, 16-, or 17-year-old to have sex.

Mr. ENSIGN. OK. Let us get to other root causes other than just poverty, other than just lack of jobs,——

Dr. FURSTENBERG. I never said poverty was the only——

Mr. ENSIGN [continuing]. Other than just birth control.

Dr. FURSTENBERG. Yeah.

Dr. ENSIGN. Maybe a lack of morality in this country could be some of the reasons for that.

Dr. FURSTENBERG. No, I never said that poverty was the only cause of nonmarital childbearing.

Mr. ENSIGN. No, I know that——

Dr. FURSTENBERG. It is very clear, when we look across, nationally——

Mr. ENSIGN. Excuse me, doctor. When I asked you for the reasons that they were getting pregnant, you did not mention morality as a problem.

You did not mention that we were having a lot more sex today because of morality problems.

Dr. FURSTENBERG. You did not ask me.

Mr. ENSIGN. I asked you what the reasons were.

Dr. FURSTENBERG. If you had asked me, I would have——

Mr. ENSIGN. I asked you an open-ended question of what—I do not mean to make this confrontational, but I asked you an open-ended question of what the reasons were, and you did not offer that as one of your reasons.

Dr. ZILL. Congressman Ensign.

Mr. ENSIGN. Yes; go ahead.

Dr. ZILL. In line with what you are saying, there is a survey that is done every year of high school seniors, called Monitoring The Future. One of the questions they ask is, how acceptable is it for young people to have a child outside of marriage.

A very substantial proportion of American adolescents think that it is acceptable, it is not particularly bad.

Changing that attitude needs to have some work done on it. Part of what Dr. Furstenberg and I are saying, is that just changing welfare is not going to change that attitude.

Mr. ENSIGN. I agree. I agree with that.

Dr. ZILL. That attitude is held by young people who are not poor.

Mr. ENSIGN. I agree with that, and I do not think that welfare is the only thing that causes illegitimacy. I do think it is a contributing factor.

I do think that this whole welfare mentality, because—and you mentioned, getting back to this worth thing, Dr. Furstenberg—that if you just provide the jobs, that these people have the work ethic.

I would submit to you that they have lost it because of the welfare mentality in their culture. They have grown up with this culture.

The best example I can give is Tunica, Mississippi, that now has riverboat gambling. In Tunica, Mississippi, initially, they all went to work. Unemployment rates just bottomed out.

After 3, 4, 5 months of people working, they realized welfare is easier, "I do not want to work." The unemployment rates have gone back up.

It is not that people have moved in and displaced those jobs. Those jobs are now being replaced by people actually from Memphis and other places, because those people are willing to work, where the people in Tunica are not willing to work because it was easier just to sit back on the welfare roles.

I come from southern Nevada. If you do not work in southern Nevada, and you are an able body, it is because you do not want to work.

I mean, the jobs are absolutely available there, the same as they are in Tunica, Mississippi.

If we had an incentive for people, and it is called a time limit on welfare. In other words, after 2 years you have to go to work or you lose your welfare benefits.

Do you think that that might start changing the culture of this whole thing?

Dr. FURSTENBERG. I do not, and I think that we have a time limit that is in existence right now, that most of the people that go on welfare get in the labor force. Many of them hold jobs. Most of them hold jobs. Most of them are working. Most of them do not have a welfare mentality.

Mr. ENSIGN. Dr. Furstenberg, the welfare system is destroying people across this country.

Dr. FURSTENBERG. You can insist on that——

Mr. ENSIGN. It is destroying the inner-city families.

Chairman SHAW. I have an idea that we will not reach an agreement here between Dr. Furstenberg and Dr. Ensign, so time has expired.

Mr. Rangel.

Mr. RANGEL. I thank the Chairman.

Dr. Rector, we have these hearings so that we, as nonexperts, can make up our mind based on those that have done a lot of research into these areas.

It has been my experience, however, that certain of these research groups get reputations as being conservative research groups, and then liberal research groups.

Notwithstanding the expertise of the research staff, it always seemed to come to the same conclusions on most issues as to how the not-for-profit research group is. So that, if you say someone came from the ADL, you know, they would not be shouting a lot about illegitimacy.

They would talk about out-of-wedlock births, education, no gambling, and things like that. If you go to someone that is considered conservative, they would say cut the welfare, and you would cut illegitimacy, and things of that nature.

Do you agree that certain groups get a reputation, it really does not make any difference what the issue is, that you and I can guess 9 out of 10 times, what the conclusion would be with most of the social problems like immigration, affirmative action, longer jail sentences, capital punishment, or capital gains tax cuts?

I mean, we can kind of figure out what the testimony would be based on the group.

Mr. RECTOR. I think, unfortunately, that is often the case. I would say, however, if you look at the list of studies that I have put in——

Mr. RANGEL. I am going to get to that.

Mr. RECTOR. Yes.

Mr. RANGEL. No, I am going to get to that. If that is so——

Mr. RECTOR. There are actually several notable liberals there who actually have found the effect I am talking about.

Mr. RANGEL. No, no. No, no.

Mr. RECTOR. You do not like my policies at all.

Mr. RANGEL. No, no. Listen. Let us stick on where we agree, because I have the same problems. I am a lawyer, and lawyers do not care what the moral question is, how much money you have, and whatever the problem is, they will be able to be flexible enough to reach the conclusion that best satisfies their client.

In this particular case, I guess you, as a professional, would think your client is the Heritage Foundation.

Mr. RECTOR. No. The Heritage Foundation certainly does not, in any sense, dictate the conclusions of my research. I would simply say——

Mr. RANGEL. I am just asking.

Mr. RECTOR. No.

Mr. RANGEL. The answer is no.

Like Dr. Furstenberg, I would hardly think he would be a candidate to be hired by the Heritage Foundation.

Mr. RECTOR. I probably would not be a candidate to be on his faculty either, so I do not think that gets us very far.

Mr. RANGEL. Either you professionally had your ideas, and they hired you, or you knew what they were looking for, and you reached the conclusions.

I do not mean you, personally. I meant most of the people who do this type of research.

Mr. RECTOR. I think the——

Mr. RANGEL. Liberal or conservative, really.

Mr. RECTOR [continuing]. Reality here is—let me back up a little bit.

I think probably the most compelling teaching I ever got, in learning my research and statistical methods, and we have studies here, the majority of which do show effects, but there are others that do not, and so forth.

My graduate professor told me that if a theory and common sense tells you one thing, and your regression analysis tells you something else, almost certainly the theory and common sense is correct.

In this case, what we have is economic theory, psychological theory, and common sense, all tell us that in life you get what you pay for.

We have been paying to subsidize single parenthood.

Mr. RANGEL. Dr. Rector——

Mr. RECTOR. In this case, also, the empirical evidence backs that up.

Mr. RANGEL. I am not talking about your testimony, Dr. Rector. I am saying in all of the areas that I discussed with you, you agreed with me that before you hear the testimony, you and I, and Members of this Committee, whether it is a liberal group or your group, we can pretty much know how they are going to conclude. You agreed.

I am not saying that you change your opinion based on Heritage.

Mr. RECTOR. I think what would surprise you is, if you got all of the scholars in this field in a room, where we did not have the television cameras running, you would find far less disagreement than we find here before the cameras today.

Mr. RANGEL. God forbid we take away the cameras; but let me ask you this.

Did you get your doctorate in this type of stuff?

Mr. RECTOR. I do not have a doctorate. I have a master's degree.

Mr. RANGEL. You have a master's. OK. Listen, do you find any connection at all between the children that are born without their parents getting married and the education of the mother and the father? In other words, do you find that dumb people normally have these kids? I mean, untrained.

Mr. RECTOR. Women who are lower trained women, that have lower cognitive abilities, are more likely——

Mr. RANGEL. Now these dumb people that have——

Mr. RECTOR. Well, those are your words, Congressman. Do not——

Mr. RANGEL. I do not have any problem with my words. These uneducated, untrained people, do you find that normally they do not intend to get any further training? In other words, they have given up on becoming employable, generally speaking?

Mr. RECTOR. I think that they have, in general, bought into a vision of the future which does not aspire very highly, does not include marriage, and——

Mr. RANGEL. Those are my kind of words.

Mr. RECTOR. Yes.

Mr. RANGEL. OK. Do you find that most of the people that the mother and father associate with, that generally speaking, marriage is not a big priority in terms of where they want to end up in life?

Mr. RECTOR. Precisely. I think that is exactly it. The question is how did that come about.

Mr. RANGEL. I understand. Do you find that these people who really do not aspire to improve themselves, educationally, and marriage is not a priority, that having a child, whether or not that child is going to do better than them, that generally speaking, they do not even think about the welfare of that child?

In other words, they would want the child to love, or to have next to it, or make up for what they believe they never had. To say they wanted a baby to become a doctor, or a lawyer, you do not find that type of thinking, because it has been my experience, not as a professional—if they do not have it for themselves, it is hard to believe that just having a baby, that they can have this hope and dream for their child.

Dr. ZILL. That is not true. Actually, surveys show that the majority of parents, whether poor or wealthy, want and expect their kids to be able to graduate college. Educational aspirations are very high in our society, and they are universal. They are spread throughout. There is some variation——

Mr. RANGEL. That is totally unbelievable.

Dr. ZILL. Well, it is unbelievable, but it is true.

Mr. RANGEL. I am not knocking it. I am just saying in a community where unemployment is so high, that even with improved training, people do not have hope for a job, to believe that a child, 16 or 17 years old, that really can hardly communicate in the English language, would be sophisticated enough to know how important education is.

If they were wishing it for their child, how could they deny the thought that they would, if they got an education they could do better?

Mr. RECTOR. I think that the answer to that is that——

Mr. COLLINS [presiding]. Tell him his time is up.

Mr. RANGEL. The previous Chairman conducted this in a much more courteous way, and I do not think I have any further questions.

Mr. COLLINS. No further questions.

Do you have any questions, Ms. Dunn?

Ms. DUNN. I do. I do have a question.

I am still reeling from the testimony of Dr. McIlhaney. It really hit me right between the eyes. I have never heard anything so powerful. It makes me want to go back and get my kids from wherever they are, and keep them locked up till they are 30 years old.

Dr. MCILHANEY. Sorry.

Ms. DUNN. I guess what I wanted you to continue saying when your time ran out—is what do you have in mind that are potential public policy changes that we could make, that would change this whole attitude and begin solving this terrible problem?

Dr. MCILHANEY. Thank you. That is a very good question.

I think the testimony that we have even heard here today has pointed out the difficulty of accomplishing safety for our young people. It is my opinion that safety is the major problem in our society today.

I think that if we do not accomplish some type of solution to this, that we are going to have a whole generation or two generations of people that are sterile, dying, or diseased.

We already, I am sorry to say, have much of that.

I think that first, we have to realize that the problem is as bad as I have laid it out. By the way, these are not just my opinions.

Our organization has a national board of people who are true experts in these issues that I've talked about. They agree with me, that these things are this bad.

I first think that we have to realize that these issues are really destroying a generation of young people, probably two or three generations.

Second, we then have to commit to looking at the issue honestly. I just had a fleeting moment to say that the policies of the past have failed, and if we will take an honest look at the issue of, for instance, education, but not just education—the policies that American medicine has taken it, and the policies of other groups—we will see that those approaches, to this point, have literally been miserable failures.

I do not say that arbitrarily. I say that based on publications published in the medical and educational literature of the past 10 to 15 years, that even by people that wish the present system were working, affirm the fact that it has been a failure.

Sure, we will see articles that suggest that some sex education programs will increase the use of condoms from 10 to 20 percent, or from 30 to 50 percent. Might decrease the number of kids being abstinent from 50 percent to 60—I mean, increase the number of abstinent kids from 50 to 60 percent.

What we need, though, are programs that will literally make a dramatic change, and there are some out there that show real promise. Decreasing the instance of sexual activity by a factor of at least five. In other words, kids are one-fifth as likely to have sexual intercourse, or have babies, or to get disease.

I think it is an issue that you must take up here, you, who are policy makers, to encourage abstinence for young people until they get into one sexual relationship for life. If you want to call it marriage, fine. I do. I think most societies do. It is not a religious connotation.

Second, medical organizations need to be honest with themselves about the medical data.

Third, educational organizations need to do the same thing. Then of course we get into media, church, social organizations, and so forth, too.

It is a community wide thing. I think the first thing is that we just have to recognize that we have a huge problem.

One thing that you all have not been talking about, Representative Rangel, is when you talk about sexual activity and so forth, is the fact that—is why kids are having sex. Kids are not having sex because it is something that feels good to them.

As teenagers, they are victims of an environment that, because their parents are not paying attention to them, because their boyfriends are going to leave them unless they have sex, or because of sexual abuse.

Most of those youngsters having sex are being pushed into sex by older guys. Seventy-seven percent in a California study. Seventy-seven percent of the girls having sex, and I think it was below the 10th grade, or something like that, were having sex with people outside of high school.

It is a big job. I think we can do it. If we do not do it, we are going to end up with an STD epidemic, or an HIV epidemic, just like in countries that have had that epidemic longer than we have.

A third of the whole population infected with HIV. That is the direction we are heading.

Mr. COLLINS. The lady's time is up.

We appreciate this panel's testimony.

Chairman SHAW. Let me, if I can, just inquire, just a moment, of Dr. McIlhaney.

I was interested in your testimony, about something that I have not heard before, and that is a question of the increased instances of venereal disease among sexually active youngsters as opposed to the adult population.

I do not think that word is out, at least I had not gotten it, and I think probably most of the Members of the Committee were probably surprised to hear that.

If the CDC, Center for Disease Control, were to approach this problem like that of other diseases, what would be the steps that we could take to combat it?

In other words, what can we do now to get that word out, that people are really putting their whole reproductive future in danger as well as the danger, of course, of early pregnancy?

Dr. MCILHANEY. Well, I think that first, the CDC and medical professionals need to state the issue as I have stated it, and I think that we will see that happen.

If the medical people will state this, as it exists—and that is basically what our organization is dedicated to, is to bring the issue before medical organizations, to say, look, what has happened in the past has not worked in preventing these diseases. The epidemic is raging. It really is raging.

I mean, it is a crisis. It is a crisis that is basically—you know, it is tearing at me, personally, to see what is happening to patients I have taken care of through the years, enough to quit a practice that has been very successful, and get involved in this, full time, to basically bring this issue before the medical organizations.

I think the CDC should institute policy that points out especially the vulnerability of young people. These statistics I have shown you, if you start looking at your newspaper or information from CDC, you will see these numbers there all the time.

It is just that they have not decided to do something about it, and it is your children, and it is our grandchildren that are being affected by this.

Chairman SHAW. My grandchildren, too, I am afraid.

Dr. MCILHANEY. Yes.

Chairman SHAW. I think this is something that should be talked about.

You know, we see all of these little health segments on "Good Morning America" and the various other morning shows, it seems like this would be a segment that certainly should be handled.

I think the parents should know about it, to warn their kids, and the kids should know about this. I just do not see this word getting out, and I think it is very important.

Dr. MCILHANEY. Thank you.

Chairman SHAW. Thank you, doctor.

I hate to open up the discussion that you and Dr. Ensign had a few minutes ago, Dr. Furstenberg, but as I understood your testimony, you said by putting a fixed length of time on which someone could receive welfare without having to perform some type of work would not—what was it, exactly?

I do not want to put words in your mouth. I want to be careful not to do that.

Dr. FURSTENBERG. Well, I am not sure what you are asking, but I think I said it would not result in a decrease in nonmarital childbearing. It probably also would not be good for many of the women. The ones that, welfare records, that I am familiar with, suggest that many women—the vast majority of women who go on welfare cycle in and out of welfare over a long period of time.

Chairman SHAW. The average person on welfare today will be on the rolls for 13 years. I think you probably agree with that figure, do you not?

Dr. FURSTENBERG. Depending on how you count the——

Chairman SHAW. Total.

Dr. FURSTENBERG. Pardon me?

Chairman SHAW. In and out total of, you know, in 6 months, out 6 months, in 6 months, would amount to 1 year.

Dr. FURSTENBERG. I have not heard a figure that is as high as 13. You are saying that half of all people are 13 years, or over, or the mean number?

Chairman SHAW. I will send you the data. I am surprised you did not know that. The average person in welfare today will be on welfare for a total of 13 years. Some will be in a total of——

Dr. FURSTENBERG. You are saying the average person who enters welfare——

Chairman SHAW. I did not say the average person. The average stay on welfare is 13 years.

Dr. FURSTENBERG. I see. That is a little bit like saying that if we look at——

Chairman SHAW. That is right. Somebody who is on a month to month would bring that figure down; somebody who is on a lifetime will bring that figure——

Dr. FURSTENBERG. Congressman, it makes a lot of difference whether you study people who go on welfare, because the people who are on welfare a very long time represent a disproportionate share of the population of people on welfare, just as the chronic disease people would be a disproportionate number in a hospital.

You would not be able to calculate the average person by taking the——

Chairman SHAW. Have you looked at the Massachusetts statistics? Have you looked at the Wisconsin statistics, and the Michigan statistics?

I think it shows that certainly time-limiting welfare certainly works.

Dr. FURSTENBERG. It works to get people off welfare. Whether it works to improve—there is no question about that.

Chairman SHAW. Some people think that that may be funny, but I certainly do not, because I think it shows them that there is another way out there, and that they had better find a job and not use up the time that——

Dr. FURSTENBERG. Yes, as I understand it, those studies that have not followed those people for long periods of time, to ask the kinds of questions that I want to know—Are they living in poverty? Are their children living in poverty?

Are their children doing well, or better because they have been off welfare?

Those are the kinds of questions. I think we assume—I think the welfare system as it has evolved has numerous faults that need correction and I have spoken out on the need for welfare reform.

The idea that somehow anything is better than what exists now does not seem to me to be obvious, or well-founded, based on any evidence that we have.

Chairman SHAW. I do not know of anybody who has said or thought that anything is better than what we have today, but I can assure you that every welfare bill that I know of, that has been filed in the Congress, is certainly better than what——

Dr. FURSTENBERG. Will time-limited welfare decrease——

Chairman SHAW [continuing]. We have today, and I think is shown by the fact that not one person defended the status quo in the Congress when the question came up.

Everybody in the Congress voted for a welfare bill, time-limited welfare, by the way.

Dr. FURSTENBERG. Will that decrease illegitimacy or nonmarital childbearing? I think not.

Chairman SHAW. Well, only time will tell on that.

Dr. Zill.

Dr. ZILL. Some of our concern is that while there is broad agreement that there needs to be a change in welfare, this welfare culture has evolved over a long period of time. Some of us are concerned about making changes too precipitously, without knowing what the effects of those changes might be.

I think that what is more called for is genuine trying out solutions on a demonstration project basis, and looking at what the results of those are.

Chairman SHAW. We have done that in the States. Delaware is a fine example. Massachusetts is a fine example. Wisconsin is a fine example.

Dr. ZILL. Very few of those are really what we might call——

Chairman SHAW. Michigan is a fine example. You can even see where certain things are working, such as where there are only one or two counties, like in Florida, and you see that the States are gravitating more and more toward doing that.

Even the administration, where they keep vetoing the bills, they keep talking about time-limiting welfare.

I might say to you, Dr. Zill, and to all the others, the Congress is going to continue to study this subject, after welfare reform, we are not walking away from it.

To walk away from it would do a horrible injustice. We are going to have to study the problems in Charlie Rangel's district further. We have got to get the jobs. These are descendants of people who went to New York to find work.

They came from Ireland. They came from the South. They came from all over the world. For what? To find a job.

There is nothing basically wrong with these people. It is just a question that they have been paid to stay there, and there are no jobs, and now you have got a big, big problem.

I think that we owe it, as a Federal Government, to continue to study the problem and to do what we can to encourage jobs to return to the inner cities where you have these pockets of poverty which have to be worked out. We cannot walk away——

Dr. FURSTENBERG. Congressman, as long as there are jobs that pay a living wage, and a decent wage, I favor your——

Chairman SHAW. What do you call a decent wage, by the way?

Dr. FURSTENBERG. I would say enough for a family, two adults, to live on. The people that I am studying now typically will say that you need four jobs to have a decent living.

Chairman SHAW. Give me an amount.

Dr. FURSTENBERG. Why is that?

Chairman SHAW. Give me an amount.

Dr. FURSTENBERG. Because they are paid minimum wage——

Chairman SHAW. What is a decent wage?

Dr. FURSTENBERG [continuing]. Which $4.25, and that is not enough——

Chairman SHAW. That is why we have the earned income tax credit, and that is why we have Medicaid, and that is why we have child care.

Dr. FURSTENBERG. They do not have the benefits—are you talking about continuous benefits of Medicare and child care they will have? I understand that the bill will——

Chairman SHAW. Medicaid goes on for 1 year, under existing law, for someone that goes off of welfare. The child care needs to be beefed up, there is no question about it.

Dr. FURSTENBERG. Yes. How about the continuation of Medicare? I mean, I think if you billed the benefits, then I think you are getting real reform.

Chairman SHAW. Well, those are some of the things that we are going to have to continue to study.

I would like to know if you could give me what you think is a decent wage, so I will know where you are coming from. A dollar figure for a single mom.

Dr. FURSTENBERG. For a single mom, what would be a decent wage? I would say, if—with a child, or without a child?

Chairman SHAW. With a child. We are talking about AFDC.

Dr. FURSTENBERG. Well, poverty would be, what?, about $12,000 for a mother and child, so I would like to see whatever the benefits, be equal or above——

Chairman SHAW. Well, maybe we ought to look at that, but I think if you are talking minimum wage—that is around $9,000 a year—and if you put the earned income tax credit on top of that, with a child, you are getting close to that sum. I am not saying it is easy. No one says it is easy.

One of the toughest things that somebody can do is to go from welfare to work. We understand that. That is why people are not taking that final step.

We are going to have to change things. We have a different idea of where to come from, but all of us, I think, including the most liberal and the most conservative in this room, would certainly like to see people working rather than living on welfare.

Mr. LEVIN. Mr. Chairman, we will talk further. For example, in the conference report, Medicaid is not assured, and I hope we can change that. Also, the earned income tax credit does not change the gross income.

Dr. ZILL. Congressman Shaw, another thing that many of us would plead is not to forget to focus on the father. I mean, one of the ways to get people above poverty is to have more than one wage earner contributing to the support of the family.

Chairman SHAW. Oh, I can tell you, I think the best way to stop out-of-wedlock births is to get the dad, and we are going to have to address that, as we did in the welfare bill, as we are going to continue to do, because it is about time that we have the male responsible. I think what Charlie Rangel was saying in his testimony, was that these are not teenage boys that are getting these teenage girls pregnant.

Most of them are in their twenties, and that is absolutely horrible, and we are going to identify them, we are going to find them, and we are going to make them pay.

I think that is tremendously important, and that will be the best way, I think, of all the things that we are doing; and of all the things we might disagree on, I think that is one thing that we can agree on, that that is the best way to stop all of these out-of-wedlock births, or certainly have a big effect on it.

These guys are just walking away, fancy free. They think it is funny. They think it has in some way proven their masculinity, and they are destroying these young girls' lives, and they are bringing kids into the world who are going to be impoverished themselves.

I want to thank this panel.

Mr. COLLINS. Mr. Chairman, may I ask a question?

Chairman SHAW. Yes; go ahead.

Mr. COLLINS. I would like to ask Dr. Furstenberg this. You mentioned the program should be designed so that the wage would be equivalent to a living.

Are you saying that the $12,000 would be ample for mother and child as a substantial living to replace the program currently provided as a welfare benefit——

Dr. FURSTENBERG. Congressman, I am a sociologist, not an economist, and I would leave it to the economists to say what an acceptable, modest standard of living. I am very encouraged, if I understood Congressman Shaw saying, that the medical benefits would continue, that you would beef up the child care benefits.

With that job, if you have a package of benefits, that really allow people to live at a modest style of living, I think you will find that most people on welfare want to work.

That is one of the big myths that has got to be exploded.

Mr. COLLINS. We understand and we agree on that. If I recall, in the welfare reform bill that we sent to the President on a couple of occasions, in the area of child care there were funds for child care. In the area of Medicaid, the child will continue to be covered under Medicaid.

Dr. FURSTENBERG. For how long, Congressman?

Mr. COLLINS. There will also be benefits there for food stamps for the child, nutrition programs for the child.

Dr. FURSTENBERG. Most of these people will not move into jobs with benefits. If you have one——

Mr. COLLINS. Let me finish.

Dr. FURSTENBERG. Yes; sorry.

Mr. COLLINS. The adults would have to fend for themselves under a job, and the job wages would supplant the cash benefits that the adult was receiving, but the programs to make sure that the child was provided for would stay in place.

Dr. FURSTENBERG. If you mean by 1 year, I think that is inadequate. It is clearly inadequate. If you are planning to keep those benefits in place, I think that would make the bill a lot more attractive from my point of view.

Chairman SHAW. OK . We are going to have to let that be the last word. We have got to move this hearing along. I do not want to keep the later panels here too late.

The next panel is going to be discussing reducing out-of-wedlock births.

We have Heidi Stirrup who is director of government relations at the Christian Coalition, here, in Washington; Andrea Sheldon, director of government affairs, Traditional Values Coalition, here, in Washington; Sister Mary Rose McGeady, who is the president and chief executive of Covenant House, one of my favorite organizations, with a very fine facility, in my own hometown of Fort Lauderdale. Audrey Rowe is executive vice president of the National Urban League of New York, whom I am told lives in Connecticut.

Welcome, and as I have said to the other panelists, we have your full statement which will be made a part of the record, and you may proceed and summarize as you see fit.

Ms. Stirrup.

STATEMENT OF HEIDI STIRRUP, DIRECTOR, GOVERNMENT RELATIONS, CHRISTIAN COALITION, WASHINGTON, DC

Ms. STIRRUP. Mr. Chairman, Members of the Subcommittee, I am Heidi Stirrup, director of government relations for the Christian Coalition.

Thank you very much for holding this hearing and for inviting me to offer some thoughts on the topic of poverty, illegitimacy and welfare reform.

Speaking on behalf of Christian Coalition, I would like to point out to this Committee that what is needed to combat the skyrocketing rate of out-of-wedlock births are bold policies that will discour-

age dependency, restore a sense of personal responsibility, and encourage stable two-parent families.

Programs that were once judged by the height of their aspirations now must be reconsidered by the depths of their failures and the magnitude of their casualties.

I do not think anyone here is prepared to defend the current welfare system as is. Over $5 trillion has been spent over the past 30 years, and as a result America has a larger poverty element that is more violent, more poorly educated, and includes many more single-parent households than ever before.

This is a national travesty, and it is time to try something different.

What has been swept to the sidelines in the current welfare reform debate, until this hearing, that is, are specific policies designed to save marriages and remove the economic incentives and rewards for single parenthood.

The central problem with welfare, in our view, is the fact that it subsidizes and therefore promotes self-destructive behavior.

Right now, the welfare system promotes nonwork, illegitimacy and divorce. It undermines the work ethic and family structure, and results in more and more people dependent on government aid.

Out-of-wedlock births are a strong predictor of poverty. Unwed mothers are not only more likely to rely on government aid to support their children, but are also more likely to spend years dependent upon welfare.

Because illegitimacy feeds both poverty and itself, there is no way we can reverse the dual trends of welfare dependency and family breakdown until we address illegitimacy.

Welfare cash and assistance provides a perverse economic support system for illegitimacy. A young girl on welfare can get a cash grant, food stamps, medical care, day care, a transportation allowance, and in many cases, a rent allowance.

To many, welfare is more attractive than entry level jobs. It subsidizes unwed motherhood and makes husbands quite dispensable.

Some will argue that while fighting illegitimacy may be a laudable goal, the Federal Government should not impose requirements on the States, and, if left alone, Governors will come up with their own innovative solutions.

To that I would say that the Governors proposed eliminating the one and only provision from the Welfare Reform Conference Report, which would have required a family cap, and instead offered no other alternative, suggesting to me that they are reluctant to effectively deal with this crisis.

At a minimum, Christian Coalition would advocate the following policy changes to combat illegitimacy.

Restore the requirement to prohibit States from using Federal funds to give additional cash benefits to welfare recipients who have additional children; but allow for vouchers for the care and feeding and material needs of the child.

Restore the requirement to prohibit States from using Federal funds to give additional cash benefits to unmarried teenage mothers, who have children out of wedlock; but again, allow for vouchers for the care and feeding and material needs of the child.

Provide reward incentives when welfare mothers marry and exit welfare? Require states to devise their own plans to reduce out-of-wedlock births.

Fix the existing illegitimacy bonus ratio plan so that States can more successfully lower their illegitimacy ratio.

Increase funding for abstinence education from $75 to $200 million.

Require establishment of paternity as a criteria for eligibility of benefits.

Provide tax credits for contributions to private charities to encourage greater reliance on private sector and faith-based organizations who can give prompt aid to those who need it most.

In short, what is needed for true welfare reform are policies which will discourage dependency and restore a sense of personal responsibility, control costs, and reduce the illegitimate birth rates by promoting stable two-parent families.

Instead of offering more Federal money to provide more social services to the ever-expanding dependency population, we must offer policies designed to save marriages and remove the economic incentives and rewards for single parenthood.

We commend the Congress and this Subcommittee for the tremendous effort it is making in attempting to change welfare as we know it.

We encourage you to include policies that will help people help themselves. If we do not save marriage so children can be raised in two-parent households, we will have done a great disservice to our children and our society.

Thank you.

[The prepared statement follows:]

STATEMENT ON BEHALF OF CHRISTIAN COALITION
PRESENTED BY HEIDI STIRRUP, DIRECTOR OF GOVERNMENT RELATIONS
TO THE COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON HUMAN RESOURCES
U.S. HOUSE OF REPRESENTATIVES

HEARING ON
"CAUSES OF POVERTY -- ILLEGITIMACY"

March 12, 1996

Mr. Chairman, members of the Subcommittee, I am Heidi Stirrup, Director of Government Relations for the Christian Coalition. Thank you very much for the opportunity to present testimony to the subcommittee on the topic of poverty and illegitimacy. Christian Coalition applauds Chairman Shaw for holding this important hearing. Illegitimacy is one particular aspect of poverty in the context of welfare reform that we believe is essential to address.

As a pro-family organization, members of the Christian Coalition are comprised of people of differing faiths who are all dedicated to strengthening families and restoring common sense values. Our members are concerned about the breakup of the family, the size and growth of government, and the higher tax burden imposed upon them. They expect government policies to look out for the family -- encourage marriage, reduce the crushing tax burden and promote policies which value families. The current debate over welfare reform offers a great opportunity to address some of these concerns and perhaps even accomplish some of these goals.

Few will dispute the fact that there is a moral and social decline in America today beginning with the decay of the very basic unit of our society -- the family. In fact, it seems there has been a steady decline -- even destruction -- of the family over the last thirty years. What worked for families in the first 190 years of this great nation has given way to what arguably has not worked. The basic family unit has been under attack from illegitimacy, promiscuity, adultery, divorce and homosexuality. It is the increasing rate of out-of-wedlock births that is particularly shocking and troubling and which demands some attention. Our federal public policies should encourage marriage, help families stay together and discourage out-of-wedlock births.

Programs that were once judged by the height of their aspirations now must be reconsidered by the depths of their failures and the magnitude of their casualties. The current welfare system is considered by many as a complete failure. Over $5 *trillion* dollars has been spent over the past thirty years and as a result, America has a *larger* poverty element that is more violent, more poorly educated and includes many more single parent households than ever before. It is time to try something different. Given an opportunity to change the welfare system without affirmatively addressing illegitimacy, we believe will result in an incomplete and inadequate effort. Social policy experts identify illegitimacy as the single most important social problem today largely because it contributes to many other social problems such as crime, drugs, poverty, illiteracy, welfare and homelessness.

Out-of-wedlock births are a strong predictor of poverty. Unwed mothers are not only more likely to rely on government to support their children, but are also more likely to spend years dependent upon welfare. According to a report issued by the Heritage Foundation, one in every three children were born out-of-wedlock last year. The illegitimate birth rate continues to rise about one percentage point every year. Children born out-of-wedlock are *seven* times more likely to be poor than those born to couples who remain married. Girls raised in single parent homes on welfare are five times more likely to give birth out-of-wedlock themselves when compared to girls from intact non-welfare families. Because illegitimacy feeds both poverty and itself, there is no way we can reverse the dual trends of welfare dependency and family breakdown until we address illegitimacy.

While some may question whether welfare *causes* illegitimacy, it is certainly true that welfare cash and assistance provides a perverse economic support system for it. A young girl on welfare can get a cash grant, food stamps, medical care, day care, a transportation allowance, and in many cases a rent allowance. This rapid expansion of welfare benefits makes welfare more attractive than entry-level jobs and subsidizes unwed motherhood making husbands quite dispensable. In fact, for many fathers, welfare provides an automatic escape hatch. They do not have to take responsibility for their children -- the government will.

Suggesting ways to combat illegitimacy requires a multi-faceted approach. First, let's consider some proposals designed to fight illegitimacy already included in the context of welfare reform as contained in the conference report to H.R. 4, Personal Responsibility and Work Opportunity Act of 1995.

Family cap: Allowing states to "opt-in" to a requirement restricting additional cash payments to welfare recipients having additional children while on welfare is really not much more than the status quo and is a minimal step. The financial support that "rewards" irresponsible behavior is in itself irresponsible. Taking away the cash incentive could be the single most immediate step to break the cycle of illegitimacy and dependency.

Cash welfare block grants: While it is true that current welfare reform proposals (both the conference report and the Governors' proposal) rely on block grants which the states *may* use to "prevent and reduce the incidence of out-of-wedlock pregnancies", there is no specific set-aside for *an exclusive* use of funds to combat illegitimacy. Right now, states have some flexibility with their funds but typically AFDC simply subsidizes divorce and very little if any funds are used to directly prevent and reduce illegitimacy.

Illegitimacy ratio bonus plan: The conference report proposal designed to reward states by providing additional block grant money if they successfully reduce out-of-wedlock birth rates without increasing abortion rates is a positive incentive. However, this reward will be very difficult to achieve. The bonus would apply only if states reduce their out-of-wedlock birth ratio by a full percentage point from the base year (1995). With illegitimacy rates rising one percentage point per year on average, even a vigorous effort to control this trend may not result in a net reduction of one percentage point.

Teen pregnancy: Again, allowing states to "opt-in" to requirements restricting cash to unmarried teen mothers is more of the status quo. Requiring teens to be in school or live "with an adult" to be eligible for assistance will not affect much new since most dependent teens already do this. Allowing states to provide "adult-supervised living arrangements" such as second-chance homes for teens, is nothing more than a welfare service add-on. This is another way to make it easier to be a single parent.

Encouraging paternity establishment: Again, *allowing* states to *encourage* paternity is helpful. Why not *require* states to *require* paternity in order to be eligible for benefits. Until there are significant consequences for certain behavior, we cannot expect much change.

National goals to prevent teen pregnancy: A proposal to require the Secretary of Health and Human Services to implement a strategy to prevent teenage pregnancies must not be a condom distribution plan. Abstinence is essential and must be a national priority. It is the only fool-proof solution to prevent pregnancies.

Annual ranking of states regarding out-of-wedlock births: Requiring the Secretary of Health and Human Services to annually rank the five most successful and five least successful states in reducing out-of-wedlock births is useful, but not central to the fight of reducing illegitimacy.

What is striking about these proposals is how timid they are. America is faced with a skyrocketing rise in illegitimacy and what Congress and the National Governors Association recommend is more federal money to the states with added flexibility, but no *requirements* when it comes to fighting illegitimacy. When considering the amount of money this legislation will

authorize, it is astounding to see that for every $1000 the government will provide to essentially subsidize single parenthood, only $1 is provided to reduce illegitimacy. This is hardly a solution for the crisis we're facing.

Recommendations: At a minimum, Christian Coalition would advocate the following policy changes to combat illegitimacy:

- Restore the requirement to prohibit states from using federal funds to give additional cash benefits to welfare recipients who have additional children while on welfare, but allow for vouchers for the care, feeding and material needs of the child.
- Restore the requirement to prohibit states from using federal funds to give additional cash benefits to unmarried teenage mothers who have children out-of-wedlock, but allow for vouchers for the care, feeding and material needs of the child.
- Provide reward incentives when welfare mothers marry and exit welfare.
- Require states to devise their own plans to reduce out-of-wedlock births.
- Fix the bonus payment scheme for rewarding states that reduce their illegitimacy ratios by making the target reductions easier to achieve.
- Increase funding for abstinence education from $75 million to $200 million.
- Require establishment of paternity as a criteria for eligibility of benefits.
- Provide tax credits for contributions to private charities as a way to encourage private sector and faith-based organizations to step in for the failed welfare bureaucracy. These organizations can give prompt aid to those who need it most and encourage self sufficiency and personal responsibility.

In short, what is needed for true welfare reform, are policies which will discourage dependency and restore a sense of personal responsibility, control costs and reduce the illegitimate birth rates by promoting stable, two-parent families. Instead of offering more federal money to provide more social services to the ever expanding dependency population, we must offer policies designed to save marriages and remove the economic incentives and rewards for single parenthood.

We commend the Congress and this subcommittee for the tremendous effort it is making in attempting to "change welfare as we know it." We encourage you to include policies that will help people help themselves. If we do not save marriage so children can be raised in two-parent households, we will have done a great disservice to our children and our society.

Chairman SHAW. Thank you very much.
Ms. Sheldon.

STATEMENT OF ANDREA SHELDON, DIRECTOR, GOVERNMENT AFFAIRS, TRADITIONAL VALUES COALITION, WASHINGTON, DC

Ms. SHELDON. I would like to request that the full text of my statement be entered in the record.

Chairman SHAW. It will be for you, and for the other witnesses. Thank you.

Ms. SHELDON. Mr. Chairman, and Members of the Committee, thank you for the opportunity to testify before you today on the issue of illegitimacy.

My name is Andrea Sheldon and I am the director of government affairs for the Traditional Values Coalition.

We represent over 31,000 multiracial churches made up of various denominations and socioeconomic backgrounds. We believe that America's strength is in its churches.

My interest in the subject of illegitimacy is not merely political but is deeply personal. I have spent years working with people facing the very problems we are here today to discuss.

I have taken in and personally cared for homeless children, thrown birthday parties and baby showers for mothers on welfare, and assisted in job placement and training.

All of this was done through a ministry at my church, Church of the Apostles, in Fairfax, Virginia.

I have seen firsthand, the generational destruction of welfare, and in particular, how illegitimacy sets the course for a troubled life.

Today, there is a myth surrounding the welfare debate, that there is a safety net worth saving. For all practical purposes, there is no safety net. After 30 years and over $4.5 trillion, our country has more children in poverty, more illegitimacy, more teen pregnancies, and more urban blight now than any time in our history.

The collapse of the family is the most important issue facing American society because it is the root cause of a multitude of other social and economic problems.

It is important to recognize the time lag inherent in many problems associated with illegitimacy, and the effect on American society.

The soaring crime rate among urban youth today, in large measure is occurring among young males who were born out of wedlock, during the late seventies.

With nearly one out of three children being born out of wedlock today, the Federal Government must stop encouraging welfare dependency through subsidizing illegitimacy.

Today, I would like to focus on two key welfare reform themes—illegitimacy and the promotion of moral renewal.

Halting the escalation of illegitimacy must be the paramount goal of welfare reform, and simultaneously, policymakers must promote the formation of stable two-parent families. Any genuine welfare reform must reduce the illegitimate birth rate through a family cap.

It has been pointed out, time and again, that no other family in our society, except for those on government assistance, receives an automatic increase in their paychecks for having additional children.

Americans are kind and generous people; however, it is clear that taxpayers want to see an end to their hard-earned dollars being used to subsidize illegitimacy.

Another means of addressing the increasing rate of illegitimacy is through abstinence education. Funding should be used for abstinence only, with a focus on those groups which are most likely to bear children out of wedlock.

Additionally, and equally important, the government must assist in the process of moral rebuilding by allowing private social organizations such as churches and other community institutions to play a far greater role in educating and shaping the moral code of young people.

There is no question that parents, and in particular, low-income parents, must be given far greater choice in how their children are educated, including the right for their tax dollars to follow their children to the school of their choice. The Renewal Community Projects cosponsored by Congressmen Watts and Talent is an essential step in this direction.

Robert Rector of the Heritage Foundation has talked about the necessary role of morality by talking about behavioral poverty.

Behavioral poverty refers to the breakdown of values, and conduct, which lead to the formation of healthy families, stable personalities, and self-sufficiency.

There is no question that welfare spending, intended to alleviate material poverty, has actually led to a dramatic increase in behavioral poverty.

I have seen this in my own work with families who are on welfare. Let me share with you a personal experience.

One day while visiting one of the homeless motels, I had a conversation with two women who were cousins, about 20 years old. They asked me if I had any children, and I said no, that I was not married.

They both responded, almost in unison, and without much thought: "Oh, that does not matter." What was a very natural response for these two young women made a profound impact on me.

These young women had been raised in the system, and knew every benefit it had to offer. Tragically, they were caught in a generational cycle and mentality of behavioral poverty.

The negative consequences of an out-of-wedlock birth on the child, the mother, the family, and society, are well documented. Children born into families receiving welfare assistance are three times more likely to be on welfare when they reach adulthood than children not born into families receiving welfare.

Historically, it has been through social and faith-based institutions, such as churches and synagogues, not the value-free government institutions, that have best dealt with poverty and despair, because they can take into account the spiritual as well as the physical needs of individuals.

Research shows that inner-city children with religious values are 47 percent less likely to drop out of school, 54 percent less likely

to use drugs and 50 percent less likely to engage in criminal activities than those without religious values.

One of the most powerful of all factors in preventing out-of-wedlock births is the regular practice of religious beliefs.

Let me just say that the children who are pictured each night on our evening news, children lying shot on some Washington street, are our children. They are American kids.

Each of us, as individual citizens, need to take personal responsibility for recapturing some part of our country which has been negligently entrusted to government by day and criminals by night.

For too long, this great body has tried to hide from any discussions of morality, and as a result, Congress must face a Federal subsidy system gone awry, and ramifications of public policy that rewards illegitimacy.

[The prepared statement follows:]

STATEMENT OF ANDREA SHELDON
DIRECTOR OF GOVERNMENT AFFAIRS
TRADITIONAL VALUES COALITION

Mr. Chairman, and Members of the Committee, thank you for the opportunity to testify before you today on the issue of illegitimacy. My name is Andrea Sheldon and I am the Director of Government Affairs for the Traditional Values Coalition. Traditional Values Coalition represents over 31,000 multi-racial churches made up of various denominations and socio-economic backgrounds. Traditional Values Coalition believes that America's strength is in her churches.

My interest in the subject of illegitimacy is not merely political but is deeply personal. I have spent years working with the people facing the very problems we are here today to discuss. I have taken in and personally cared for homeless children, thrown birthday parties and baby showers for mothers on welfare and assisted in job placement and training. All of this was done through a ministry, which I coordinated for six years, at my church, Church of the Apostles in Fairfax, Virginia. This ministry reaches out to homeless families, and in particular children, in an attempt to break the cycle of spiritual and economic poverty which plagues them. I have seen first hand the generational destruction of welfare and in particular how illegitimacy sets the course for a troubled life.

Today there is a myth surrounding the welfare debate, that there is a safety net worth saving. For all practical purposes there is no safety net. After 30 years and over $5.4 trillion, our country has more children in poverty, more illegitimacy, more teen pregnancies and more urban blight now than any time in our history.

The collapse of the family is the most important issue facing American society because it is the root cause of a multitude of other social and economic problems. It is important to recognize the time lag inherent in many problems associated with illegitimacy, and the effect on American society. The soaring crime rate among urban youths today in large measure is occurring among males who were born out-of-wedlock during the late 1970's. With nearly one out of three children being born out-of-wedlock today, it is obvious that successful welfare reform must reduce the epidemic rate of out-of-wedlock births. The federal government must stop encouraging welfare dependency through subsidizing illegitimacy. In order to have a healthy society, marriage between one man and one woman must be recognized and encouraged.

Unfortunately, in the last few months welfare reform has been sidetracked and now focuses on child care instead of the real issue -- illegitimacy. Unless Congress once again brings the focus back to policies that reduce out-of-wedlock births and encourage marriage you will not have fundamentally changed welfare and consequently Congress will have failed to pass genuine welfare reform.

In overhauling the failed welfare system, policy makers must continue to be guided by the following three key welfare reform themes:

1) reduce illegitimacy
2) real work requirements
3) promote moral renewal

I would like to focus on two of these today --illegitimacy and the promotion of moral renewal. Halting the escalation of illegitimacy must be the paramount goal of welfare reform and simultaneously, policy makers must promote the formation of stable two parent families. Any genuine welfare reform must reduce the illegitimate birth rate through a family cap.

Additionally, and equally important, the government must assist in the process of moral rebuilding by allowing private social organizations, such as churches and other community institutions, to play a far greater role in educating and shaping the moral code of young people. There is no question that parents, and in particular, low income parents must be given far greater choice in how their children are educated, including the right for their tax dollars to follow their children to the school of their choice.

In her historical study Poverty and Compassion, Gertrude Himmelfarb writes:

> After making the most arduous attempt to objectify the problem of poverty, to divorce poverty from any moral assumptions and conditions, we are learning how inseparable the moral and material dimensions of that problem are. And after trying to devise social policies that are scrupulously neutral and 'value-free,' we are finding these policies fraught with moral implications that have grave material and social consequences.

Robert Rector of the Heritage Foundation has reinforced the necessary role of morality further by talking about two separate concepts of poverty: "material poverty" and "behavioral poverty."

Material poverty is having a family income below the official poverty threshold, and thereby lacking financial resources to meet certain needs.

Behavioral poverty refers to the breakdown of values and conduct which lead to the formation of healthy families, stable personalities and self-sufficiency. Behavioral poverty is manifested by an eroded work ethic and dependency, lack of educational aspiration and achievement, inability or unwillingness to control one's children, increased single parenthood and illegitimacy, criminal activity, and drug and alcohol abuse. There is no question that welfare spending intended to alleviate material poverty has actually led to a dramatic increase in behavioral poverty.

I have seen this in my own work with homeless families who are on welfare. Let me share with you a personal experience.

One day while visiting one of the homeless motels I had a conversation with two women who were cousins, each around 20 years old. They asked me if I had any children and I said no, that I was not married. They both responded almost in unison and without much thought, "Oh, that doesn't matter." What was a very natural response for these two young women made a profound impact on me. These young woman had been raised "in the system" and knew every benefit it had to offer. Tragically, these young women were caught in a generational cycle and mentality of behavioral poverty.

Many advocate that welfare is compassionate, when in fact it has really created government dependence with grave generational consequences. What is compassionate about living in a government housing project with your mother, who lived there with her mother. What is compassionate about dropping out of school at age 14 because you have become pregnant, just as your mother became pregnant with you and dropped out of school, and just as her mother before her.

The negative consequences of an out-of-wedlock birth on a child, the mother, the family and society are well documented. Children born into families receiving welfare assistance are three times more likely to be on welfare when they reach adulthood than children not born into families receiving welfare.

Recent data from the National Longitudinal Survey on Youth show that young girls raised in single-parent homes on welfare are three times more likely to become unwed mothers themselves, as girls raised in two-parent, non-welfare families. Tragically, Uncle Sam is the only dad known to 57% of children whose single mothers are on Aid to Families with Dependent Children (AFDC).

However, those who abide by three simple rules will not be chronically poor in the United States. These three rules for preventing or escaping from poverty are:

- finish high school;
- get a job, any job and stick with it;
- do not have children outside of marriage.

It has been pointed out time and again that no other family in our society, except for those on government assistance, receives an automatic increase in their paychecks for having additional children. Americans are kind and generous people, however, it is clear that taxpayers want to see an end to their hard earned dollars being used to subsidize illegitimacy.

The government must cap the growth of welfare and other spending. Traditional Values Coalition supports the "family cap" provision to cap benefits to mothers having additional children while on welfare. The government must stop encouraging out-of-wedlock births and subsidizing irresponsible choices.

Another means of addressing the increasing rate of illegitimacy is through abstinence education. We must help all youth, and in particular those at risk, to lead healthy, whole

lives. Funding should be used for abstinence only education with a focus on those groups which are most likely to bear children out-of-wedlock.

Much of the rhetoric on welfare reform focuses on government solutions to move individuals off the welfare roles without honestly acknowledging the self-destructive behavior that led them to dependence initially.

Historically, it has been through social and faith-based institutions, not the value-free government institutions, that have best dealt with poverty and despair. In dealing with the growing problems in our society today of family disintegration, substance abuse, crime and despair in low-income communities, there is no question that it is once again the faith-based organizations, churches and synagogues that will be the most effective because only they can take into account the spiritual as well as the physical needs of individuals.

The practice of religion has beneficial effects on behavior and social relations including illegitimacy. One of the most powerful of all factors in preventing out-of-wedlock births is the regular practice of religious belief.

Research by Dr. Richard Freeman of Harvard University shows that inner-city children with religious values are 47% less likely to drop out of school, 54% less likely to use drugs and 50% less likely to engage in criminal activities than those without religious values. Additionally,

- Young women who regularly attend church are roughly half as likely to have a child out-of-wedlock as are those who do not attend church at all.
- Religious belief and practice have also been shown to greatly reduce pre-marital sexual activity among adolescent girls.
- Children aged 10 to 18 who do not attend church are 30 to 50 percent more likely to exhibit anti-social and dysfunctional behavior than are those who regularly attend church.
- Studies show that young people who attend church have a positive affect on the behavior of other youngsters in their immediate neighborhood.

Over the years the government has become increasingly hostile, rather than accomodating, to faith-based organizations. inspite of the significant role they play in society. The government's attempts to thwart the activity of these organizations must be addressed and stopped.

One of the best ways for society to lower the illegitimacy rate is to ensure religious school choice, at the very least for those young people at risk. As we all know, education is about shaping the hearts and minds of children, and inculcating morals and values to these children and what better vehicle than faith-based education .

Traditional Values Coalition believes that the Renewal Community Project co-sponsored by Congressmen J.C. Watts (R-OK) and Jim Talent (R-MO) will be a giant step towards addressing illegitimacy by empowering parents and individuals to move from government dependence to independence. This will be done in a number of ways including through religious school choice.

It is unconscionable that President Bill Clinton, Rev. Jesse Jackson, Senator Ted Kennedy and Congresswoman Maxine Waters, and many other Members of Congress, who have the financial resources to provide private school education for their own children, would deny low-income children the same opportunities of a quality education. For all too many low-income children, religious schools will offer them the best opportunity to a quality education which is their best chance at reversing the cycle that has so entrapped their parents and grandparents.

Mr. Chairman, if we conducted a vote today in this committee on education issues and only allowed those whose children are in public schools or those who were educated in public schools to vote on this matter would we be able to get a quorum?

For too long this great body has tried to hide from any discussions of morality, and as a result you must face a federal subsidy system gone awry and the ramifications of public policy that rewards illegitimacy.

The most important point which needs to be made about the bankruptcy of our current welfare system is that it attempts to treat one dimension of poverty material poverty–while leaving behavioral poverty to run amuk.

Much work needs to be done in our communities and we need to look to each other before we look to HHS or some new federal grant program. The children who are pictured each night on our evening news -- children lying shot on some Washington street– are our children– they are American kids.

Each of us as individual citizens needs to take personal responsibility for recapturing some part of our country which has been negligently entrusted to government by day and to the criminals by night.

Mr. COLLINS. Thank you, Ms. Sheldon.
Sister Mary Rose.

STATEMENT OF SISTER MARY ROSE MCGEADY, PRESIDENT, COVENANT HOUSE, NEW YORK, NEW YORK

Sister MCGEADY. Mr. Chairman and Members of the Committee, in calling for this hearing to address the crisis of out-of-wedlock births and the impact of these births upon the good of American society as a whole, you are performing a significant service to all those people for whom the values of family life are matters of critical social and moral concern.

I am grateful for the opportunity to offer the recommendations of Covenant House regarding how we may best encourage our young people to put off having children until they can do so as responsible and nurturing parents in stable relationships.

I am the president of Covenant House, the largest privately funded shelter for runaway and homeless kids in this country. I am also a Daughter of Charity, the largest order of Catholic women in our church, and I have spent most of my lifetime serving the poor, and especially children and young teenage mothers.

I live in the Bedford-Stuyvesant section of Brooklyn, a very poor and troubled neighborhood, and our Covenant Houses serve thousands of poor teenagers.

I would like to begin my brief remarks this afternoon by challenging what appears to me to be a "given" in this discussion thus far.

The point I wish to make is that while the welfare reform debate has focused national attention on illegitimate births in the United States, in fact, two-thirds of these single women having "illegitimate" children are not below the poverty line, not high school dropouts, not teenagers, and not on welfare.

My point quite simply is that our experience is that there is no correlation between dependence on public assistance by single mothers and the out-of-wedlock birth rate in this country.

This is all the more true, we find, of single teenage mothers.

Reductions in public assistance may of course impact the rate at which the innocent children of these mothers fall below the poverty line, or the rate at which pregnant women opt for abortions.

Any change in the current welfare program that discourages these young women, once they are pregnant, from having their babies, is, in my view, morally unacceptable. These are outcomes which this Committee must carefully consider.

Despite the fact, therefore, that large cuts in public assistance will not cause a decrease in out-of-wedlock births, it remains true that too many poor young women are caught in a cultural trap, in poor communities in which single-parent families are the norm.

For instance, recently, a 15-year-old caller to our crisis hotline asked how she could get pregnant, because all the "coolest" girls in her high school were having babies.

Those who have not lived in these poor communities simply must try to understand that when you are poor and have no options, no hope, little moral guidance, there is little reason to delay sexual gratification, particularly when you are desperately looking for someone to love and someone to love you.

A welfare check is simply not a decisive factor in determining a teenager's decision in this matter. So, what to do?

Covenant House believes that it has a program that is an alternative to these mistaken community norms. Our experience in dealing with young single women demonstrates that teens who develop self-esteem and clearly defined goals for the future are far less likely to seek immediate sexual gratification, or become a parent to make up for the lack of family, or if they are already a single parent, run the risk of a second pregnancy.

Currently, 120 young people, women between the ages of 18 and 21, including single mothers, reside in our New York City long-term residential program, what we call Rights of Passage.

While living here, each girl creates an individual plan designed to result in self-sufficiency. They maintain employment. We work hard with 600 companies in New York City that offer jobs to our Covenant House kids. It is a key element in our program, the cooperation between business and industry and Covenant House.

The girls attend classes. They pay minimal rent based on their income. They do not accept AFDC assistance, and they rely on our in-house vocational training programs, employment workshops, and the encouragement and support of our staff members to accomplish their goals.

Statistics indicate that only 5 percent of our young women become pregnant again while in our program. We preach and teach abstinence in an atmosphere of support, love, pastoral care, and values promotion. Having a future, we find, makes a difference.

The key elements of our program are genuinely marketable job skills for which we train kids, and for whom we give the support of mentors and a loving environment to help them reach their goals, and we work with the boys to develop in them a sense of responsibility in terms of sexual activity.

I realize my time is up. I only want to say two other quick things: there appears to be the belief that the proposed welfare budget cuts, when they take effect, will be made up for in the private sector; that the private sector will be able to step in and take up the slack, despite the fact that every one of the main-line religious agencies, deeply committed to the care of the poor, have denied their ability to do so.

Second, I believe government, church, business, and the community must all work together to make a difference in this teenage pregnancy issue.

Thank you.

[The prepared statement follows:]

STATEMENT OF SISTER MARY ROSE MCGEADY
PRESIDENT, COVENANT HOUSE

Mr. Chairman, Congressmen:

In calling for this hearing, Mr. Chairman, to address the national crisis of out-of-wedlock births and the impact of these births upon the welfare of young people across this country and upon the good of American society as a whole, you are performing a significant service to all those people in this country for whom the values of family life and the growth of our young people to healthy and responsible adulthood are matters of critical social and moral concern.

I am grateful for this opportunity to share the experience and recommendations of Covenant Houses throughout the United States regarding how we may best encourage our young people to put off having children until they can do so as responsible and nurturing parents in stable relationships.

I am the President of Covenant House, the largest privately funded shelter program for homeless kids in the country. I am also a Daughter of Charity, the largest order of Catholic women in the Catholic Church. I have spent my lifetime serving the poor as our founder, St. Vincent de Paul, called us to do.

Most of that time I have worked with children, many of them teen mothers, mostly from the poorest of families, and from some of our toughest neighborhoods. In fact, I live in the Bedford Stuyvesant section of Brooklyn, New York, a very poor and troubled neighborhood. So what I tell you today is a reflection of both my own experience and the experience of thousands of poor kids and their families with whom I work and live.

I would like to begin my brief remarks by challenging what appears to me to be a "given" in this discussion thus far. The phenomenon of skyrocketing single parent families is not only arousing troubling concerns in the United States; it is, in fact, a major problem throughout all of Western Europe. The causes of this breakdown in the traditional two parent family is the subject of enormous debate and analysis. However regrettable, and I say this from the perspective of my own Christian tradition of family life, such global questions are not resolvable within the limited context of our discussions today.

The point I wish to make is that while "the welfare reform debate has focused national attention on illegitimate births" in the United States, in fact fully two-thirds of these single women having "illegitimate births" are

- not below the poverty line,
- not high school drop outs,
- not teenagers, and
- not on welfare.

My point is, quite simply, that there is absolutely no correlation between dependence on public assistance ("welfare") by single mothers and the out-of-wedlock birth rate in this country. This is all the more true with teen single mothers.

Conversely, it is reasonable to argue that freezing public assistance, as is being proposed, for single mothers who have a second child, will have no impact on out-of-wedlock births. It may, of course, impact the rate at which the innocent children of these single mothers fall below the poverty line, or the rate at which pregnant women have abortions. Any change in the current welfare program that discourages these young women once they are pregnant from having their babies is in my view morally unacceptable. These are outcomes which this Committee must carefully consider as it goes about its deliberations.

Despite the fact, therefore, that draconian cuts in public assistance will not cause a decrease in out-of-wedlock births in our society, it does, indeed, remain true that many, too many, young women living at or near the poverty level are caught in what appears to

be a cultural trap in their communities in which single-parent families are the norm, and that there are no social stigma attached to being a single mother. For instance, recently a 15-year-old caller to our crisis telephone hotline asked how she could get pregnant because all the "coolest" girls in her high school class were having babies!

These young women are choosing to have their children. They want to do what's right for these babies and toddlers. We simply cannot punish the babies because of the actions of their mothers and fathers. And punish them we will if we don't help their mothers and fathers. I agree that they need a setting where the mothers are supervised and assisted in caring for their child. I am unalterably opposed to separating mother and father and child unless there simply is no other choice to protect the well-being of the baby.

Those who have not lived in these poor communities simply must try to understand that when you are poor and have no options, no hope, in this society, there is no reason to delay sexual gratification; particularly when you are desperately looking for someone to love and someone to love you. A welfare check is simply not a decisive factor in determining a teenager's decision in this matter.

Covenant House believes that it has a program that is at least as successful as anything being offered today by way of an alternative to these mistaken community norms. In sum, our experience in dealing with single young women demonstrates that teens who develop positive aspirations and perceptions, self-esteem, and clearly defined goals for the future, are far less likely to seek the immediate satisfaction of sexual gratification, or become a parent to make up for a lack of family, or, if they are already a single parent, risk the chance of a second pregnancy.

Currently 120 young people between the ages of 18 and 21 reside in our New York City long-term transitional living program called "Rights of Passage". This includes 20 young mothers and their children. Since 1986 more that 1,000 young men and women have participated in this 12- to 24-month program.

While living here each resident creates an individual plan designed to result in his or her self-sufficiency. They maintain employment, attend classes and pay a minimal rent based on their income. Participants do not accept AFDC assistance, and rely on in-house vocational training programs, employment workshops and the encouragement and support of staff members and mentors to accomplish their goals.

Statistics indicate that if given this opportunity, young mothers can succeed at a rate that is often higher than that of other program participants. Why? Because with a lot of work they begin to believe in themselves, that they themselves can have a better future and that they can give their child a better future. In other words, we give them *hope*.

What is even more impressive, only about 5% of these young women become pregnant again while in the program.

As we analyze the factors which make "Rights of Passage" a success, five elements surface: 1) the skills training programs, normally six months in length, prepare the participants for meaningful employment with genuinely marketable job skills; 2) the program itself was developed, and is partially staffed, by professionals from the relevant industries, who 3) agree to give our kids entry level jobs in their companies once the young people have successfully completed the program; 4) "Rights" relies heavily on volunteer mentors as role models, people established in their own business who agree to get involved in the life of a young person, and 5) for the single mothers Covenant House has an infant-toddler center allowing the young mothers (who pay a modest fee for this service) to work through the job training modules and maintain full employment.

CONCLUSION

Mr. Chairman, as I review the various Welfare Reform proposals before the Congress aimed at reducing the number of out-of-wedlock births, I am truly dismayed. This, for two reasons: first, because the very elements of our teen mother program which appear to account for its success, have, it appears, been systematically cut from these proposals: meaningful job training, job creation, quality day care, a long enough term commitment to the individual in need of assistance to give some genuine promise of success.

Second, there appears to be the belief in many quarters here in Washington that as these proposed welfare time limits and other budget cuts take effect, the private sector will step in and take up the slack, despite the fact that every one of the mainline religious agencies heavily committed to the care of the poor has denied their ability to do so.

Unless these punitive recommendations are reconsidered, far from encouraging these young people to responsible and productive adulthood, we will simply see more examples of the kind of frustration, and despair, and broken lives our band-aid Welfare System has produced in the past.

Mr. Chairman, I want to repeat what I said before the Senate Finance Committee last year: I believe it is the role of government, as it is the role of every decent person, to help poor families and to protect and nurture children in difficult circumstances - children who are at great risk! I believe it is the role of government, every bit as much as it is the role of the church, and businesses, and communities and neighbors, to offer hope to all our citizens. And let me tell you, the poorest and the neediest need an extra hand.

Government must convey a sense of hope, of concern, of caring about these neediest among us. This, ultimately is what this debate is really about. In the words of a colleague at Catholic Charities U.S.A.: "Real jobs, real paychecks, that's real welfare reform."

Thank you and God bless you.

Chairman SHAW. Thank you, Sister. I might say that you and the Covenant House are making a difference, and I congratulate you for that, and thank you for your testimony.

Ms. Rowe.

STATEMENT OF AUDREY ROWE, EXECUTIVE VICE PRESIDENT, NATIONAL URBAN LEAGUE, NEW YORK, NEW YORK

Ms. ROWE. Thank you, Mr. Chairman, Members of the Committee. I appreciate this opportunity to present testimony on this very critical policy debate. I bring to my testimony almost 30 years of experience working on social welfare programs and policies, 12 years of which I have served as commissioner of social services in the District of Columbia, and in Connecticut.

As a parent who has successfully raised three children, one of whom is a recent graduate from the Kennedy School at Harvard University, and another who takes off tomorrow for Paris, France, to pursue some career goals.

I want to share my limited time to present some facts and data on strategies that we at the National Urban League believe this Committee should consider as you pursue your deliberations.

First of all, let's talk about the statistics.

The statistics show that this is a complicated and multidimensional issue. We know it's not just a poverty issue. Census data show that of the unmarried women who gave birth, between July 1993 and June 1994, 57.5 percent came from households with incomes above $10,000.

We know it's not just a teenage issue. Teenagers account for less than all one-third of out-of-wedlock births.

We know it's not a race issue. The National Center for Health Statistics and the Census Bureau show that of all unmarried women who gave birth in 1993, 39.5 were white, 36 percent were black, 21.1 percent were Hispanic, and 3.5 percent were Indian or Asian. It's not just a women's issue.

The Joint Center for Political and Economic Studies estimates that $33 billion of child support goes uncollected each year. It's not necessarily a choice issue.

The Alan Guttmacher Institute reports that the younger a sexually experienced teenager is, the more likely she is to have had involuntary sex.

This profile of out-of-wedlock births implies that a range of factors affect behavior, many of which stem from changes in social and economic structures, not just individual choices.

For example, the lack of educational opportunities. Lack of job and income opportunities.

In a 1994 report on unwed fathers, published by Public Private Ventures, the economic condition for young men has been rapidly deteriorating over the last 20 years.

Between 1973 and 1991, the average earnings of males fell by nearly 31 percent, and by more than 40 percent for males without a high school diploma.

Statistics published by our own Urban League, in 1993, consistently found a relationship between male joblessness, low wages, and marital dissolution or nonmarriage.

Social norms around marriage and childbearing have also evolved over the past 20 years, that may affect how we interpret these statistics.

We have delayed marriages, married women who are having fewer children, timing, and definition of marriages.

We think that all of these factors need to be considered, and we must recognize that simple solutions do not solve complex problems.

The National Urban League recommends strategies that we believe will help curb this problem for individuals living in low-income communities. In order to create long-term change in the area of out-of-wedlock births, particularly for low-income families, we strongly urge that we proceed carefully and incorporate evaluation and research to learn and understand more about the factors affecting behavior for both men and women.

We may also need to look at who is doing the research, or expand on people who are doing the research, given the makeup of our previous panel of research experts.

The National Urban League recommends that we develop strategies that address the increasing span of time between puberty and marriage. This time period represents the vital stage of transition from school to adult employment, and career.

It is a time span for which this Nation has been sorely lacking in public policies related to youth development.

The Urban League recommends expanding, and not retrenching our investment in school-to-work initiatives underway throughout this country.

Since we know educational levels play a key role, we need to look at programs that prevent students from dropping out of school, and programs that address those students who are already out of school.

Finally, the relationship between poverty and out-of-wedlock births requires a national focus on the labor market.

This issue of increasing wage and job opportunities, especially for women and minorities, must be addressed, as well as the role that racial and sex discrimination play in denying minorities and women access to jobs with a livable wage.

I would encourage you, Mr. Chairman, to seriously consider Congressman Rangel's suggestion to bring together the various Committees of cognizance in this Congress to develop comprehensive strategies that are cost effective, and that we believe can truly make a difference.

[The prepared statement follows:]

Testimony By
Audrey Rowe
Executive Vice President
National Urban League

Before

House Subcommittee on Human Resources
Committee on Ways and Means
U.S. House of Representatives

Hearing on
Causes of Poverty, Focusing on
Out-of-Wedlock Births

March 12, 1996

Mr. Chairman and members of this Subcommittee, as Executive Vice President of the National Urban League, I appreciate the opportunity to offer our perspective on the issue of poverty and one of its related factors, out-of-wedlock births. Moving individuals, families, and children from poverty to economic self-sufficiency is one of three priority areas on the National Urban League's agenda, the other two being youth development and racial inclusion.

Founded in 1910, the National Urban League is a non-profit, non-partisan, national social service and civil rights organization with affiliates in 113 cities and the District of Columbia. For more than 86 years, both the National Urban League and its network of affiliates have worked to overcome poverty, racial discrimination, and the lack of jobs that pay a liveable wage.

The issue we are discussing today, the relationship between out-of-wedlock births and poverty, is a complex one that must not be approached from any one-dimensional perspective. We must be very clear about delineating the problem so that our proposed policies aimed at alleviating the problem are based on a clear examination of the data. Otherwise, policies and subsequent strategies based only on perceptions versus reality often lead to destructive stereotypes and ineffective programs.

OUT-OF-WEDLOCK BIRTHS: DISAGGREGATING THE DATA

Statistics show that this is a complicated and multi-dimensional issue. In examining the data on out-of-wedlock births, it is important that we carefully differentiate the various populations impacted by this life event. We know that:

1. This is not just a poverty issue.

- Census data show that of the unmarried women who gave birth between July 1993 and June 1994, 57.5% came from households with incomes above $10,000. Indeed, of these households, 2.9% had incomes $75,000 and up.

2. This is not just a teenage issue.

- While most births to teenagers occur outside marriage, teens account for less than one-third of all out-of-wedlock births, down from 50% in 1970;

- For more than a decade, out-of-wedlock childbearing has risen fastest among women age 20 and older, who now account for 7 of every 10 out-of-wedlock births;

- National Center for Health Statistics show that women age 20 to 29 accounted for the highest number of out-of-wedlock births in 1993; and,

- Studies show that almost two-thirds of teenage mothers age 15 to 19 have adult partners over age 20.

3. This is not just a race issue.

- The National Center for Health Statistics and the Census Bureau show that of all unmarried women who gave birth in 1993,

39.5 percent were white
36.0 percent were black
21.1 percent were Hispanic
3.5 percent were Indian or Asian

4. This is also a man's issue.

- The Joint Center for Political and Economic Studies estimates that $33 billion of child support goes uncollected each year. This suggests that, for whatever the reasons, non-custodial parents (most of whom are fathers) are not economically supporting their children.

- Paternity establishment is very important to children born out-of-wedlock. According to HHS's eighteenth report to Congress on child support enforcement, establishing paternity for such children and having that parent contribute financial assistance for the child's upbringing benefits society and the child (e.g., legal access to medical history, Social Security benefits, pension benefits, veterans' benefits, and other rights of inheritance).

5. And, it is not necessarily a choice or intended issue.

- The Alan Guttmacher Institute reports that the younger a sexually experienced teenager is, the more likely she is to have had involuntary sex. Some 74% of women who had intercourse before age 14 and 60% of those who had sex before age 15 report having had sex involuntarily. These young teens are therefore at great risk for unintended pregnancies and sexually transmitted diseases.

- Studies show that this nation has one of the highest rates of unintended childbearing in the industrialized world: the proportion of pregnancies that are unwanted or mis-timed ranges from 40 percent among married women to 88 percent among never-married women.

FACTORS RELATED TO OUT-OF-WEDLOCK BIRTHS

This profile of out-of-wedlock births implies that a range of factors affect behavior, many of which may stem from changes in social and economic structures and not just from individual choices. For example,

1. Lack of educational opportunities.

- Census Bureau data show that the odds of becoming an unmarried mother fall sharply as education rises. Almost 50 percent of births to high-school dropouts occur out of wedlock; among college graduates, the proportion is just over 6 percent.

2. Lack of job and income opportunities.

- A recent New York Times article noted that studies show most young adults say a man who wants to marry should be able to support a family and that young women are less likely to marry in places where young employed men are scarce.

- As noted in a 1994 report on un-wed fathers, published by Public Private Ventures, the economic condition for young men has been rapidly deteriorating over the last 20 years -- between 1973 and 1991 average earnings of males fell by nearly 31 percent and by more than 40 percent by males without a high school diploma.

- Statistical studies published in the National Urban League's State of Black America 1993 consistently found a relationship between male joblessness or low wages on marital dissolutions or non-marriage. Research published in this journal also note that the availability of "marriageable black men" is lower due to high rates of mortality, unemployment, incarceration, and substance abuse. These are particularly poignant statistics for African American families.

3. Social norms around marriage and childbearing have evolved over the past 20 years that may affect how we INTERPRET these statistics.

- **Delayed marriage:** Census Bureau data show that the median age of first marriage continues to rise. In 1993, the median age was 26.5 years for men and 24.5 years for women. Delayed marriage may increase the chance of out-of-wedlock childbearing.

- **Married Women are having fewer children:** A recent New York Times article notes that the fact that married women are having fewer children inflates the "share" of out-of-wedlock births. This trend needs to be carefully considered when interpreting statistics related to childbearing.

- **Timing and definition of marriage:** The same New York Times article points out that four out of every 10 mothers whose first birth occurs out of wedlock marry within five years. In addition, some unmarried mothers are only single in the legal sense: 1 in 4 has a live-in relationship with a man, often, though not always, the child's father. This factor may encourage marriage later on.

REDUCING OUT-OF-WEDLOCK BIRTHS REQUIRES MULTI-DIMENSIONAL STRATEGIES

As the research indicates, there are many factors to consider in developing sound policies and strategies for reducing out-of-wedlock births. Simple solutions do not solve complex problems. Moving forward too quickly on a large scale with untested strategies is not likely to resolve this issue. And some of the "solutions" currently under consideration could produce adverse effects on the well-being of low-income families and children. Bankrupting the future of any segment of our nation's children will have severe consequences for all Americans.

The National Urban League recommends the following strategies that we believe will help curb this problem for individuals living in low-income communities. But, in order to create long term change in the area of out-of-wedlock births, particularly for low-income families, we strongly urge that we proceed carefully and incorporate evaluation and research to learn and understand more about the factors affecting behavior for both men and women.

Recommendations:

1) Developing strategies that address the increasing span of time between puberty and marriage (if it occurs). What should be happening during this time span that could prevent out-of-wedlock births or reduce its occurrence?

This time period represents the vital stage of transition from school to adult employment/career. It is a time span for which this nation has been sorely lacking in public policies related to youth development. Initial ground has been broken under the School-to-Work legislation. Ongoing work in identifying common ground between youth development and school-to-work efforts reveals that both school-to-work and youth development perspectives emphasize preparing young people for adulthood, not simply deterring or controlling young people from engaging in problem behaviors.

The National Urban League recommends expanding, not retrenching, our investment in school-to-work initiatives underway throughout the country. We also recommend public-private investments in providing adult mentors, after-school activities and child care. Positive messages about postponing sexual activity must be coupled with access to health care for adolescents, including access to family planning services.

2) Educational levels play a key role in reducing the chances of out-of-wedlock births. Clearly, strategies must be targeted to preventing students from dropping out of high-school, as well as strategies for addressing the needs of high school dropouts before they join the out-of-wedlock statistics. Increasing the opportunities for higher education is another clear path to reducing births out of wedlock.

In addition to expanding school-to-work, the National Urban League recommends expanding, not retrenching, our national investment in Head Start, Title I for the educationally disadvantaged, Job Corps, and access to funds for higher education such as Pell Grants.

3) Providing services to reduce the occurrence of unintended childbearing also offer potential for reducing out-of-wedlock births.

Resources that can reduce the incidence of unintended childbearing clearly must include research on and better access to family planning services. Education about sexual involvement and its consequences must be made available to men and women, whether at home, in school, and through the health care system.

4) Increasing wage levels and job opportunities for men and women also represent a critical area for policy development.

The relationship between poverty and out-of-wedlock births requires a major national focus on the labor market. The issue of increasing wages and job opportunities especially for women and minorities must be addressed, as well as the role that racial and sex discrimination play in denying minorities and women equal access to jobs with liveable wages.

Our national focus must be on developing a **national workforce development system** that works for everyone, especially during these dramatically changing times regarding the requirements of a labor market that is driven by technology. This system must include a basic income entitlement for those who have been never-employed, temporarily unemployment, or under-employed, so as to provide an income while transitioning to the labor market.

Mr. Chairman, we have much to do. The National Urban League has and continues to do its part through its myriad of local community based programs. Our national policies and strategies for reducing out-of-wedlock births will only be effective if we fully examine the research, rather than basing them on perceptions and stereotypes about the children and their parents.

Thank you for this opportunity to testify. I will be happy to answer any questions.

Chairman SHAW. Thank you, Ms. Rowe.

Mr. Collins, you may inquire.

Mr. COLLINS. Thank you, Mr. Chairman.

Sister Mary Rose, I wish you would have read the last paragraph of your statement. Well, next to the last. The last one was thank you and God bless you.

The next to the last one was government must convey a sense of hope, of concern, of caring about those neediest among us. This, ultimately, is what this debate is really about. In the words of a colleague at Catholic Charities U.S.A. "Real jobs, real paychecks, that's real welfare reform."

This issue is so broad, that you cannot just say welfare reform is going to take care of it.

That is the reason why, as we looked at the overall concept of the Federal Government and its budget, and tried to bring it into line, we placed provisions within that budget that would do some of the things that are in your next to last paragraph.

The intent was to encourage the private sector to save, encourage the private sector to invest, and encourage the private sector to create jobs. It is the best answer to poverty. It is the best answer for welfare.

We also must look at the environment that our children are being brought up in, and I am not talking about within the home itself or the structure of the home.

I am talking about what comes into that home from the outside.

You turn the television on. What do you see? You cannot watch a decent program on the television in the evening without seeing some type of foreplay, sex play, or insinuation of sex. You cannot listen and watch a movie without hearing words that you would not want your children saying.

You cannot leave your kids at home in the afternoon, after school, because of the soaps and the idiots that you see on there, and the lifestyle that they are trying to present to the American youth that they live, enjoy and are happy doing. It is wrong.

It is not just the youth. Murphy Brown, an adult, single parent, greatest thing since sliced bread. Is it right? Is that what we should be portraying to our children, to other adults? No. It makes it look like divorce is the thing to do. Swap around, shop around. Go from bed to bed.

No, that is not what we need to be showing our kids. It is not what we should be showing our adults. It is not just in the area of poverty, it is not just in the area of welfare, it is not just in the area of tax reform.

It is the overall society and what we have got to do to the values and the morals, and developing a conscience of the people of this country.

Thank you, Ma'am.

Sister MCGEADY. I agree

Mr. COLLINS. I thought you would.

Chairman SHAW. Mr. Rangel.

Mr. RANGEL. Thank you.

I do not see too much testimony, but certainly no programs that reach the conclusion that if a kid has an education and some hope

for a job, that statistically they will be less inclined to be irresponsible, including pregnancy.

Is there anyone that would challenge that?

Because it is going unchallenged, I never understand why we have all this welfare reform and no education.

Do you know there are some Christians in this Congress that would say, that after a certain number of years, a mother of a child should be cut off from Federal assistance if she is not working, even if there are no jobs available and she is unemployable. These are Christian people. They are mostly politicians, too, though.

Christians could never accept that, now, could we? That you would penalize a child and a mother, when you know, statistically, there are no jobs. We say you have got to stop somewhere.

Would a Christian support that? I do not think so.

I would like to know, too, since I do not get hung up with this religion thing too much. I was an altar boy, and very close to the church and understood all of this business about birth, and I was relatively clean before I became a lawyer.

Could you tell me what the miracle of birth of any child has to do with whether that child is legitimate or illegitimate?

I mean, I understand all the law, but a miracle of God passing on his image and likeness through the womb of a woman, made in his image and likeness, and the child is born, and smiles are everywhere.

What part of that exercise is illegitimate?

The Christian Coalition, I thought, would have more experience with this.

Ms. STIRRUP. All I would say to that is it is not so much that it is—that we are not trying to suggest that it is the child that is illegitimate. I guess it is the fact that the child was born outside of marriage, which, frankly, we find is in conflict with moral law and God's law, which says that children should be born within marriage.

Mr. RANGEL. Would you not believe that for this child, Christian or not, that we could be kinder if we just said that the child was born without the blessings of a marriage, rather than having this idea that there is something illegal about the child?

I mean, I would hate to know how a child would feel if a Christian would say, "You know you're illegitimate." I think they call the child—do they not call the child illegitimate?

Ms. STIRRUP. It is the birth that is——

Mr. RANGEL. No, but do not they call the child—I mean, "That is an illegitimate child." Do not we say that?

Ms. STIRRUP. I think what we are talking about, whether or not——

Mr. RANGEL. I know what we mean, but can we not stop talking about the child being illegitimate, and say the parents did not do what was legal? I mean, just to get off on the right foot with all of this stuff.

Ms. STIRRUP. Go ahead.

Ms. SHELDON. We would say that illegitimacy means outside of law, and we believe that morality needs to be brought back into this debate.

I work, as I have said in my testimony, I work with kids——

Mr. RANGEL. You do good work, but will you call a child being born outside of the law a child?

Ms. SHELDON. We are discussing in public policy that illegitimacy——

Mr. RANGEL. I am with you. I am a lawyer.

Ms. SHELDON. Part of the problem, with all due respect, Congressman, is that there is no longer any shame, there is no longer anything right and wrong.

You know what the problem is, that children suffer, the children suffer because of their parents actions.

Mr. RANGEL. Do not they suffer——

Ms. SHELDON. They suffer not only because of whatever name you want to put on it, or do not want to put on it. I have seen the total complete and utter destruction of the children, of their parents, because of the actions, and——

Mr. RANGEL. I agree with you.

Ms. SHELDON [continuing]. It starts at birth and it continues on.

Mr. RANGEL. I am just asking do you think it helps a child to be stigmatized as being illegitimate?

Ms. SHELDON. All the kids that I work with—I do not say, that "you are illegitimate." We talk about a variety of issues.

Mr. RANGEL. I am just trying to bring Christ's teaching——

Ms. SHELDON. Let us come back to jobs. You mentioned jobs also. Jobs are also very important. We believe that we need to talk about more than just jobs.

We need to bring back into the issue the debate of, as I talked about, behavioral policy. What does that mean?

Mr. RANGEL. I thought you were going to say education and training.

Ms. SHELDON. Well, no, let me go on.

Mr. RANGEL. You said more than jobs, because you cannot work in this country unless you know how to do something.

Ms. SHELDON. You are a great lawyer, but let me just also say that we do believe that education is important, and that is why we believe, that school choice is vital, and that parents should have a right to put their children in any school that they choose.

Unfortunately, your colleagues, including Maxine Waters, think it is OK for them to send their own children to private school, but do not want to allow these poor inner-city children the same opportunity. Or Ted Kennedy.

Mr. RANGEL. What would Maxine Waters and I have in common? She is from California.

Ms. SHELDON. I said a Member of Congress.

Mr. RANGEL. You mention her.

Ms. SHELDON. A Member of Congress, Maxine Waters, is someone that we have known for years. Maxine, Ted Kennedy. There are other people that choose to send——

Mr. RANGEL. Oh, Ted, he is Catholic, and I am Catholic. I can understand that. Your search for Maxine, you know, surprised me. [Laughter.]

Ms. SHELDON. Bill Clinton. There are a whole host of people.

Mr. RANGEL. Well, you certainly are getting a broader range. [Laughter.]

Ms. SHELDON. Let me ask a question. If we took a vote today of all the members on this panel, and we excluded those that send their own children to private school, or those that attended private school, would we have a quorum here to vote on educational choice.

Mr. RANGEL. I notice there is a Christian spirit to your testimony, and I want you to know I recognize it, and appreciate it.

I have to go visit with you in Bed-Stuy because, Sister, you nuns always seem to know how to do it right, and I assume you do not just take Catholic kids or those that went to parochial school. I assume because——

Sister MCGEADY. We have very few Catholic kids.

Mr. RANGEL. Yes. I really understand how that works. Even with the vouchers they somehow manage to get your care.

Sister MCGEADY. I would like to say a few words about the babies. The fastest growing group of homeless kids that Covenant House is seeing are teenagers with babies. These babies are very important to us, but they are also very important to these young mothers.

We do very well with these teenage mothers with babies, because they are so motivated to keep their babies.

We try to teach them how to be good mothers, how to discipline their children the right way, how to talk to their kids, how to play with their kids, because learning to be a mother is not something that is easy with these kids who have had very little mothering themselves.

Mr. RANGEL. One of the most exciting things I saw was these young mothers being taught how to teach their kids, and the excitement that they had in being involved in that process, and to see how both of them come out so much better than when they went in, when you do not just look at the kid in school, but you look at the mother who is a child herself, and to see the excitement they get when they feel that they are learning something.

Ms. Rowe, please—I want to work with the Urban League, and Dr. Price, in seeing whether we can attach your programs to the so-called empowerment and enterprise zone, because there is a lot of good work there, and if we can pick up the work that is being done by religious institutions as well as the Urban League, it strengthens the resources that are available for all of us.

I want to thank the Chairman for bringing this meeting here together. I feel a lot more Christian now than when I came in.

Chairman SHAW. Thank you, Charlie.

Mr. English may inquire.

Mr. ENGLISH. Thank you, Mr. Chairman, and I am glad that the testimony is headed in this direction. For a while it seemed to be moving on to tenebrous waters.

Sister Mary Rose, I wanted to follow up on your testimony, which I thought was excellent, and I, too, want to say the work I understand you are doing at the Covenant House is extraordinary.

In your testimony you state there is absolutely no correlation between dependence on public assistance by single mothers and the out-of-wedlock birth rate in this country.

This is all the more true with teen single mothers.

I would like to read to you the conclusion of a 1993 study that was referenced in Dr. Furstenberg's testimony.

All else equal, higher levels of public assistance were associated with lower prevalence of marriage for black men and black women; lower prevalence of husband-wife families; lower percentage of marital births for black women; and lower percentages of black children living in husband-wife families.

These results differed from those reported in some previous aggregate level studies, but they are quite simply robust, and were substantively, as well as statistically significant.

In addition, as I had noted earlier in testimony, our staff has compiled 22 studies that were published on the relationship between welfare benefits and illegitimacy rates, of which 16 have reported at least one significant correlation.

You have a great deal of experience, on the street, as it were, dealing with this issue. Based on these studies, is it not fair for policy makers to think that perhaps there is some kind of relationship between welfare and out-of-wedlock birth rates?

Sister MCGEADY. This was discussed about an hour ago in terms of the studies that one of the presenters talked about. I took that sentence from the data that we have from the Coalition on the Prevention of Teenage Pregnancy.

I think there have been some studies that would support what I said.

Also, our experience would support that girls are not having babies to go on welfare. That they are having babies because they are looking for love. We can say, "Looking for love in all the wrong places" maybe, but they are not saying, "I am going to have a baby so I can go on welfare."

It may be the outcome, subsequent to the birth of the child, but we do not find the prebirth statistics being a correlation with being on welfare.

In other words, somebody asked earlier—I think it was Mr. Levin—was there a correlation between—or what percentage of babies born in this country were born to girls on welfare. Our experience is very low.

Mr. ENGLISH. I think your practical perspective has some weight here.

Is it not fair to say that a lot of the studies do suggest some sort of a correlation?

Sister MCGEADY. Maybe. I just have not seen them. I know that everybody is studying it right now.

Mr. ENGLISH. I appreciate that, Sister.

Ms. Sheldon, would you like to comment on whether you think there is adequate basis in scientific studies to suggest there might be a correlation?

Ms. SHELDON. I have dealt with teen mothers. I have dealt with women on welfare. I think it is important to point out that 13 percent of out-of-wedlock births are to women 18 and under. That means there are a significant number of women that are having children, not just teens.

I believe that with welfare—that they get all sorts of assistance, it comes in a lot of different ways, as you all know.

It continues the cycle. It makes it easier. Not every girl says, "I am going to have a baby to live a great life on welfare."

What I found is it is generational; it is cyclical. The people I have worked with in the motels—and that is why I pointed out that these two girls were cousins.

Different makeups of families are on welfare. Mothers, grandmothers, daughters. I would really encourage that there be some real significant study done to address the issue of generational welfare dependence.

Mr. ENGLISH. Ms. Stirrup, anticipating, if we were to pass in Congress an opt-out policy with regard to the family cap, how many States do you think, knowing the national picture, would you expect to opt out?

Ms. STIRRUP. I could not give you an exact number, but the good news is that if you were to include that policy, all 50 legislatures would have to discuss the issue, if, for example, they wanted to opt out.

You could be sure, that for those States that had the debate and felt strongly enough, that opting out was what they wanted to do. They would at least have to have that debate. It is difficult for me to assess how many would do that, but the important thing is to have the debate.

Mr. ENGLISH. Thank you, Mr. Chairman. My time has expired, but I am deeply grateful to all of the panelists for taking the time to come here, and provide a variety of perspectives.

Thank you.

Chairman SHAW. Thank you, Mr. English.

Dr. Ensign.

Dr. ENSIGN. Thank you, Mr. Chairman.

Sister, I just want to address one of your—we were talking about the studies and the correlations. Some people say it is causal effect. Some people say it is just more of a correlation. Some people say that there is definitely no cause between welfare, and out-of-wedlock births.

Let me just ask a common sense type of a question, without getting into studies or statistics, or anything like that.

If you have a culture that has developed, where things become acceptable in that culture—premarital sex becomes acceptable, welfare becomes acceptable, not having the father around becomes acceptable. In other words, if someone gets pregnant, they are just going to have the child, because everybody else they see around gets pregnant, and has a child.

Do you think that may be a factor within the whole welfare mentality, the whole welfare culture.

Is it possible, that that has been a very significant contributing factor, because of this whole welfare mentality that can develop?

Sister MCGEADY. I have to say, I am not sure that I understand the concept of welfare mentality. We get girls who come to our Covenant Houses, and the usual story is this.

"I was not happy at home, I went to live with my boyfriend. I thought the way to hang on to him was to have his baby. I got pregnant, and he took off." Or, "I had the baby, and he abandoned me."

Here they are, without much education, without a job, without anybody to take care of——

Mr. ENSIGN. OK. Before you go on, let me paint it this way.

Do you think that—and what I mean by the welfare culture, to further define that, is because there used to be quite a lot of negatives associated with being a single parent—but there used to be

very much of a stigma associated with out-of-wedlock birth, that has, in a lot of our culture——

Sister MCGEADY. It is not there anymore.

Mr. ENSIGN. Exactly. OK. That is what I am saying. One of the reasons, perhaps, is that our welfare state has taken away the absolute need for a father.

Because the welfare state can supplant the father, financially, not obviously in any other way—but financially.

So, Because of that, can the mentality now be that—the consequences are not as great as they used to be, because I can, at least, have the father, by way of financial support from the government?

Sister MCGEADY. Well, that may be true, but I think what we are after in public policy is answering the question, what are the alternatives to that?

Mr. ENSIGN. I agree with you.

Sister MCGEADY. How do we turn this around?

When a girl comes to a Covenant House, and says to us, help me get on welfare. We say to her, we have a better idea. We are going to help you finish high school, we are going to help with your baby in day care, we are going to job-train you, we are going to help you get a decent job. My answer to the question that was asked earlier is I think a kid has got to make a minimum of $7.50 an hour to survive.

Mr. ENSIGN. OK.

Sister MCGEADY. We find that the way to begin to turn what you call the welfare mentality around, she comes to us seeing the only solution as going on welfare, and we say to her, there are better solutions.

I think that is where this country needs to go with people who are potential clients on welfare, to say to them, we have a better way to go. We are going to help you with child care, help you get a job.

Mr. ENSIGN. Sister, I think we would agree, once that person gets to that point. There is a tremendous organization that is not a religious organization, it is called Life-Line, and it is in Las Vegas. It was founded by a wonderful woman, Ruth McGoardy. She funded it for the first 25 years based on her inheritance. About 5 years ago she ran out of money, and now is looking for other sources of funding.

They have had a 98 percent completion rate, getting the girls the GEDs and doing all the things that you are talking about. I think that is terrific and should be encouraged.

What I am asking is, can we through public policy discourage those girls from getting in that situation in the first place? In other words, if we change our welfare system, will those changes that we are talking about have fewer and fewer people lead to where they have to come to see you?

Sister MCGEADY. OK. There may be some girls who will not have a baby or will choose to have an abortion because they cannot get welfare.

Mr. ENSIGN. No. I am talking about choosing to think first.

Sister MCGEADY. Choose not to get pregnant in the first place? Well, I will tell you if I had the answer to that I guess I could run for President, but——

Mr. ENSIGN. OK. I think this is just one of the factors, but one of the things I am talking about, we are talking about a much broader moral problem in this country. Welfare, I think, is just one of the factors, and I mentioned that earlier.

Sister MCGEADY. Oh, yes, you are right.

Mr. ENSIGN. I think that certainly we have to get back to people taking responsibility for themselves and we have to get back to teaching basic moral values in this country, and teaching that it is absolutely the best thing that you can do for yourself and your spouse and your children to wait until marriage to have sex. That is a societal problem that we have to get back to but I am just saying that perhaps welfare is one of the small pieces of the whole problem.

Sister MCGEADY. It is a significant piece of our culture now, but in order to turn the teenage pregnancy issue around we have to have impact on our culture. Our teenage culture is very accepting of sexual activity by the age of 15, 16 or 17. To turn the teenage culture around, I think, is the real challenge for this Nation.

Mr. ENSIGN. Well, Thank you, Mr. Chairman, and President Clinton is going to do something about the television shows in Hollywood, along with Bob Dole, so we are not going to have to worry about those people having that severe impact any more.

Thanks.

Chairman SHAW. Mr. Rangel, you wish to inquire for another moment?

Mr. RANGEL. I would ask the Sister one question because I have noticed a lot of stigmas being removed and changes in cultures since I was a kid. I do not drink hard liquor or gamble, but do you believe there has been a change in the culture of the United States where communities, and large communities can just drink and gamble, have girls running around half-clothed, and that this is being accepted?

Not only legally, in some States, but that morally it is acceptable?

Sister MCGEADY. I think we are in the midst, in this country, of an enormous values shift, and that the toleration of things that we have traditionally considered immoral, wrong, or just bad for the country and bad for kids, I think a lot of it has gone down the tubes, and this country really needs to put the skids on and ask ourselves, where are we going in terms of values?

There has been a lot of talk in the Congress and every place else in this country about values, but nobody is stopping to say, how do we begin to inculcate values in our kids again?

Mr. RANGEL. I would like to join in that struggle because I think too many people just drink away their wages and gamble unnecessarily and we can maybe turn some of those things around, back to the values we used to have.

Sister MCGEADY. The increase in prostitution in this country, if we really could present the statistics here, it would blow everybody's mind.

Mr. RANGEL. You find normally a correlation between drinking, gambling, and prostitution.

Thank you so much.

Chairman SHAW. Charlie, you say you are more Christian than you were when you came in here. I congratulate you for that statement, and I want to thank this very fine panel of witnesses for being with us this afternoon.

I would like to invite the final group of witnesses to the table, and their discussion will focus on reducing out-of-wedlock births. That will be Kathleen M. Sullivan, the director of Project Reality from Golf, Illinois, and I have got to know where Golf, Illinois is; Marion Howard, Ph.D., clinical director of the Teen Services Program at Grady Memorial Hospital and professor of gynecology and obstetrics at Emory University in Atlanta, Georgia; Sarah Brown, director, National Campaign to Prevent Teen Pregnancies, right here, in Washington, DC.

Ms. Sullivan, we will start with your testimony, if you would, please.

STATEMENT OF KATHLEEN M. SULLIVAN, DIRECTOR, PROJECT REALITY, GOLF, ILLINOIS

Ms. SULLIVAN. Thank you, Mr. Chairman.

In our experience of working in and studying the area of adolescent health, both emotional and physical, for the past 10 years, we have observed notable changes. First, the problems associated with adolescence becoming sexually involved have been compounded and have become a major public health cost and concern in areas other than pregnancy. The examples are, rampant sexually transmitted diseases, as we heard from Dr. McIlhaney, and severe emotional trauma caused by rejection, depression, stress, and loneliness resulting from broken physical unions.

There is hope on the scene. Abstinence-centered education, the only true solution, which was thought impossible 10 years ago, has been exceptionally well received by tens of thousands of students who have had the opportunity to participate in this innovative, reasoned, sensible approach.

Today, abstinence education is a national debate and organizations, such as Project Reality and others like Teen Aid of Spokane, Washington, which have developed true abstinence-centered materials can show statistically that it works very well. The national debate needs to be expanded, and we commend you for taking the leadership role in giving us this opportunity by holding these hearings.

For 25 years, public policy programs and funding have been concentrated under the category or heading of "teen pregnancy." Maybe it is time we reconsider the very concept of that category. When we speak about teen pregnancy the perception is that it is a female problem and in reality we know that is not accurate.

Pregnancy is not the problem. Becoming involved in sexual activity is the problem. Pregnancy is only one factor or result of the problem of sexual activity. Promiscuity's three paramount consequences are emotional trauma, STDs, and pregnancy, and each must be seriously and adequately addressed.

In most discussions and programs to date, teen pregnancy is the major focus. Let us deal with the consequences of the emotional trauma. I personally witnessed this about 3 years ago when speaking to a parent's group in Maryland. At the end of my presentation, a young, 30-something, very tall, athletic man came up and he said, "if I had heard you say what you said tonight 18 years ago I never would have done it. The reason I did it was peer pressure, and I have hated what I did to that girl ever since and I have hated myself ever since."

What that told me was that for 18 years he had this emotional trauma pent up in him. The emotional factor is what really gets the attention of the young males. The emotional factor can be summed up in our slogan which is becoming a real talking tool in schools, Condoms Don't Protect the Heart.

This type of physical relationship among adolescents seldom lasts, and it is often ended by the girl who has found an older guy. The girls are usually more mature at this age. We know that today many teen pregnancies are fathered by 20-year-olds, however the rejected young male's hurt is internalized. We ought to really study this situation—they adopt a macho impression—and we ought to study and analize—does early emotional hurt have a relationship to verbal abuse, sexual harassment and domestic violence?

The answer to this question is beautifully expressed by the letters attached from two of our eighth grade students from the city of Chicago public schools. They are representative of the thousands of positive comments we get, and 90 percent are positive comments. One summed it up, best in our 10 year's experience, "I didn't know I didn't have to do it." The emphasis on the emotional factor is stressed in order to show why policy and funding should be redirected to address prevention of the real problem; Adolescent sexual involvement prior to marriage, rather than only addressing continuing programs that address just one of the factors.

Dr. McIlhaney went through all the enormous number of STDs today. Referring to teen pregnancy is missing the point completely. It is too limiting and misleading in that it gives a female-only perception of the problem and exclude the emotional as well as the disease factors which really affect both males and females.

We should redefine the topic and school courses to be adolescent health, emotional as well as physical. This attracts not only the attention of both male and female, but it provides a much wider approach to their thinking and understanding of self control.

Self-control develops self-esteem. This approach is cost effective. We have a tremendous amount, a treasure of data but by the time the researchers research the research it will be 10 or 15 years down the line. I can just speak from our very current experiences, and tell you that in answer to the question "Can sexual urges be controlled?" The kids know instinctively it can. Only 4 to 5 percent of them answer that sexual urges are "never" controllable. That tells us they know it is something that can be controlled, what they want to know is, why should I control it and how do I control it?

I hope the rest of my testimony can be entered for the full record, but in summary, I would like to really urge that every effort be made in policy as well as funding to redirect our governmental programs at every level into the proven, 100 percent safe abstinence-

centered programs. We know they work in Chicago. We were in 88 schools last year in the city of Chicago. This year we have already serviced 90, and it is only March. We started 5 years ago with only 11.

The demand is tremendous, and the response of the kids is extremely gratifying.

[The prepared statement and attachments follow:]

TESTIMONY ON ABSTINENCE EDUCATION PRESENTED MARCH 12, 1996

BY KATHLEEN M. SULLIVAN-DIRECTOR OF PROJECT REALITY

COMMITTEE ON WAYS AND MEANS

Subcommittee on Human Resources

HEARING ON CAUSES OF POVERTY WITH A FOCUS ON "OUT-OF-WEDLOCK" BIRTHS

In our experience of working in and studying the area of adolescent health, both emotional and physical, for the past ten years, we have observed notable changes:

A. The problems associated with adolescents becoming sexually involved have been compounded and have become a major public health cost and concern in areas other than pregnancy, e.g. rampant sexually-transmitted diseases and severe emotional trauma, caused by rejection, depression, stress and loneliness resulting from broken physical unions.

B. Abstinence-centered education, the only true solution, which was thought impossible ten years ago, has been exceptionally well-received by tens of thousands of students who have had the opportunity to participate in this innovative, reasoned, sensible approach.
Today, abstinence education is a national debate and organizations, such as Project Reality and others, like Teen Aid of Spokane, WA, which have developed true abstinence-centered materials, can show statistically that it works very well.

This national debate needs to be expanded and we commend you for taking a leadership role in holding these hearings.

For 25 years, public policy programs and funding have been concentrated under the category, or heading, of "Teen Pregnancy." Maybe it is time we reconsider the very concept of **this** category. When we speak about "teen pregnancy," the perception is that it is a female problem and, in reality, we know that is not accurate.

Pregnancy **is not the** problem. Becoming sexually involved **is the** problem. Pregnancy is only one factor or result of the real problem, Sexual Activity. Promiscuity's three paramount consequences, emotional trauma, sexually-transmitted diseases, and pregnancy, must each be seriously and adequately addressed.

Since, in most discussions and programs to date, teen pregnancy is the major focus, let us, for just a moment, deal with the consequence of emotional trauma. I personally became critically aware of this, approximately three years ago, when I gave a talk to parents in Maryland. At the end of my presentation, several people approached me including a husky, thirty-something, rather serious man. He waited until everyone had left and then remarked: "If I had heard what you said tonight 18 years ago, I never would have done it. I went along from peer pressure, but I have hated what I did to that girl ever since and I have hated myself. -----But I never thought there was anyone who understood what we guys go through." For 18 years this emotional hurt was bottled up.

The emotional factor is what really gets the attention of the young males. The emotional factor can be summed up in our slogan: "Condoms don't protect the heart."

This type of physical relationship seldom lasts and it's often ended by the girl who has found an older guy. The girls are usually more mature at this age. We know that today many teen pregnancies are fathered by 20 year-old men. However, the **rejected young** male's hurt is internalized, and he adopts a macho image as a defense mechanism. We should ask: "Does early emotional hurt have a relationship to verbal abuse, sexual harassment and domestic abuse so prevalent today?"

The answer to this question is beautifully expressed by the letters attached from two 8th grade students. They are representative of thousands of positive comments our teachers receive. One comment eloquently sums up the 90% positive comments received over the 10 years of evaluations: **"I didn't know I didn't have to do it."**

My emphasis on the emotional factor is to ask that policy and funding be redirected to address **prevention** of the real problem, adolescent sexual involvement prior to marriage, rather than only continuing programs that address just **one** of the fallout results, pregnancy.

Besides the emotional trauma suffered by our **young** girls and boys, we are faced with an extraordinary increase in Sexually Transmitted Diseases. Last week, the Associated Press proclaimed that "teenagers are contracting the AID virus at an average of more than one an hour." Then there's a new disease, Chlamydia, causing sterility in early adulthood. There are cancerous conditions resulting from HPV, and "antibiotic resistant STD's" seriously affecting the health of the teen population. Consider this cost to our future generations and the cost in dollars for health care.

Referring to teen pregnancy is missing the point. It is far too limiting and misleading in that it gives a "female only" perception of the problem and excludes the emotional and disease factors.

We should redefine the topic and school courses as Adolescent Health - Emotional/Physical. This attracts not only the attention of both male and female students but provides the wider approach to their thinking and understanding of **self-control** in all areas of their life.

Self control develops self esteem.

Abstinence Education works! In ten years of extensive evaluation, we have collected a treasure of data. Attached is a summary showing how even the "at risk" students respond to our abstinence-centered message. One of the questions we ask is: "Can sexual urges be controlled?" Only 4 to 5% answer: "Never." This very low negative response was tallied early in 1986 and has remained constant.

What this tells us is: Adolescents know instinctively that sexual emotions are something that can be controlled. What they want to know is "**WHY** should I control them and **HOW** do I control them?"

This is where a true Abstinence-centered program can result in building a commitment to adopt abstinence as **THE** healthiest lifestyle.

However, another highly visible program, Postponing Sexual Involvment (PSI), was one of the first to be evaluated in the '80's, when it was a straight abstinence program. That evaluation of the '80's showed very positive results. However, that program, today, has become a combination approach, and it does not appear to be effective. The State of California just terminated their ENABL (Education Now and Babies Later), which I understand was based on PSI.

For several years Project Reality has conducted a study in three levels of abstinence education in Illinois, funded by Illinois Department of Public Aid and supported by Governor Jim Edgar. A summary of our current year's operation is attached. I would like to draw your attention to a few specific items to demonstrate the degree of interest.

In a two part classroom presentation by a team of seven teachers, our Chicago Division started with eleven schools requesting services in '89. Last year they were invited into 88 City of Chicago Public Schools, completing 925 presentations. This year they are already up to 90 schools and it is only March.

Our middle school program, consisting of an 8 unit curriculum with a strong medical emphasis, had 9,000 students participating in the Illinois Pilot Project last year.

The high school program, consisting of a 15 unit composite approach of abstinence towards drugs, alcohol and sexual activity, has 1700 students in the Illinois Pilot Program.

In summary, we strongly recommend that Congress redirects policies and funding to address the best preventative medicine possible: **Abstinence-Centered Education**.

This approach is not just a theoretical idea, but a proven approach that is realistic. It is the **one** real solution to rebuilding the **respect** for each individual, including their sexuality, and directing our young people to complete adulthood.

CHOOSING THE BEST CURRICULUM 1994-1995

Students responding: 5807 *Average age:* 14

27. Do you think sexual urges can be controlled?

	1994		1995	
	PRE	POST	PRE	POST
ALWAYS	22%	26%	42%	49%
SOMETIMES	42%	39%	30%	32%
NEVER	5%	5%	3%	4%

35. Having sex before marriage is against my own personal standards of right and wrong.

	1994		1995	
	PRE	POST	PRE	POST
STRONGLY AGREE	18%	26%	21%	26%
AGREE	18%	24%	18%	23%
NOT SURE	25%	22%	19%	20%
DISAGREE	23%	17%	25%	19%
STRONGLY DISAGREE	12%	8%	12%	9%

55. The best way to avoid an unwanted pregnancy is to wait until marriage before having sex?

	1994		1995	
	PRE	POST	PRE	POST
STRONGLY AGREE	36%	49%	41%	47%
AGREE	35%	32%	37%	35%
NOT SURE	13%	7%	8%	8%
DISAGREE	11%	4%	8%	4%
STONGLY DISAGREE	4%	4%	3%	2%

34. The best way to avoid a sexually transmitted disease is to wait until marriage before having sex?

	1994		1995	
	PRE	POST	PRE	POST
STRONGLY AGREE	33%	54%	38%	53%
AGREE	31%	31%	29%	29%
NOT SURE	14%	6%	11%	7%
DISAGREE	13%	3%	12%	4%
STRONGLY DISAGREE	6%	3%	7%	3%

37. A teen who has had sex outside of marriage would be better off to stop and wait for marriage?

	1994		1995	
	PRE	POST	PRE	POST
STRONGLY AGREE	18%	33%	21%	30%
AGREE	32%	37%	32%	39%
NOT SURE	28%	18%	24%	17%
DISAGREE	16%	6%	14%	8%
STRONGLY DISAGREE	6%	3%	6%	4%

41. Even if there is no pregnancy, having sex can cause a lot of problems for unmarried teens?

	1994		1995	
	PRE	POST	PRE	POST
STRONGLY AGREE	29%	42%	30%	38%
AGREE	41%	38%	38%	39%
NOT SURE	16%	10%	15%	11%
DISAGREE	9%	4%	9%	5%
STRONGLY DISAGREE	4%	3%	4%	3%

42. In our world today, movies, TV, videos, music, and advertising influences our sexual behavior?

	1995	
	PRE	POST
STRONGLY AGREE	28%	37%
AGREE	43%	41%
NOT SURE	12%	9%
DISAGREE	9%	6%
STRONGLY DISAGREE	5%	4%

Thanks for Abstinence Education

Chicago, IL
2/6/96

Sex. Sex is a precious gift that everyone will one day most likely experience. It isn't something to rush into. The first time should be special and worth waiting for. If you have sex before you're married, it is something useless. If the person you give yourself to runs out on you, they have a part of you that you can never get back.

Abstinence is something I vow to have until my wife comes along. I will save myself for her and only her. Hopefully she'll do the same for me, Whoever she is.

Today's pressures can really bug you. They say: "Everyone is doing it." Well that's what they think. I am different. I'm someone who chooses to just wait. If one day I have a girlfriend, and she wants to have sex with me, she'll respect me when I say no. Love isn't just based on sex. Love is a relationship between two people that should be kept alive until the day of marriage. If someone loves me just for sex, they have something comming. I am the type of person that will stand firm behind what I believe. "Just wait." Those are the two words that lots of people forget to say.

I'm a present. I'm wrapped up and I have something special inside of me. If I let someone open it too soon, when marriage comes along, there will be nothing for my wife to say she got to open. My virginity is something for my wife, my partner for life. My motto: "Just Wait."

Letter from an 8th grade boy in Chicago Pub. S.

Thursday, 5/11/95

Today Mrs. Olson, a nurse, came to talk to us about sexual abstinence. She talked about STD's and pregnancy.

But she also talked about something I never really thought of:
hurt, and your feelings when you have sex.

She also talked about love and sex. I never realized how different they can be. Sex is just sex. It can be done without love. Love is when someone cares about you, and talks to you.

I've known all along the after you have sex with your boyfriend,you can't go back to just holding hands with him. Ms. Olson taught us about abstinence and she demonstrated with the tape that two abstinent people who got married can probably last longer than two people who have had a lot of sexual partners.

Not too long ago I was actually thinking of becoming sexually active with this one guy.

But just after listening to Mrs. Olson for one hour,I want to save myself for my husband.

It's not pregnancy or STD's that are stopping me from doing "it". Well, it's part of the reason, but most of the reason is that I don't want to end up getting hurt by my boyfriend. And when I do "it" with my husband I want "it" to be special.

Letter from an 8th grade girl in Chicago Pub. S.

Daniel Webster Elementary School
4055 West Arthington Street
Chicago, Illinois 60624
(312) 534-6925
Mr. James E. Sanders, Principal
Ms. Edith Allen, Assistant Principal

1/2/96

Dear Ms. Meyer,

Please share this newspaper article with Mr. Tyler. This student wrote an article for the Webster School newspaper completely on her own. I thought it was noteworthy.

Sincerely,
M. Macey
Counselor

Crystal Pierce

Abstain

On Nov. 9, 1995 a man by the name of Mr.Tyler made a visit to Daniel Webster.Mr.Tyler works with the organization called the South-West Parents Commitee.He goes to any Elementary, and High Schools in the Chicago area that invites him as well as civic and community organizations.

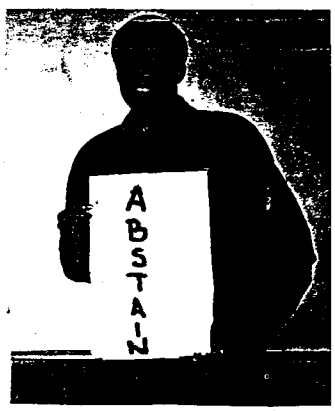
The reason why Mr.Tyler works with organizations because he thinks our young people are getting a raw deal towards the information about sexual behaviors.Beyond that he knows that these young people are the heritage and the future of America, and they deserve every chance we give them toward a happy, healthy, and productive life.

Mr.Tyler was discussing the issue of Abstinence. Abstinence means not doing.The reason why he talked to us about Abstinence is because there are a lot of sexual diseases, and one of those diseases, that we are all aware of is A.I.D.S. Mr.Tyler said that young girls think using Birth Control Pills is practicing safe sex. Yet Birth Control Pills do not protect girls from any sexually transmitted diseases.Other kinds of mechanical protection are also not free from danger and harm. Mr.Tyler said that the answer to the problem is manogomy (Waiting until married and have sex with that person).

About two weeks later Mr.Tyler made another visit at Daniel Webster. This time he showed us a tape. The name of the tape was called No SecondChance. I believe when they made the title they were referring to no second chance for avoiding A.I.D.S.

At the beginning of the tape there was a lady talking with the class about A.I.D.S. They talked about five ways you can catch this disease.They are through: I.V Needles,sex,blood tranfusion,Mother to child in child birth,and kissing.Then they showed an example of an entire family who had contracted A.I.D.S. The Father gave to his wife.then they had a baby who was born with the disease.

I asked students how they felt about Abstinence after they watched the tape. One student said that her thoughts had changed and that wanted to wait until she's married to have sex!



Illinois Pilot Schools 1995 - 1996

Project Reality has been a pioneer in the national field of adolescent health education. It has been teaching and evaluating abstinence-centered programs in the public schools since 1985.

For the current school year, 1995 - 96, Project Reality is administering a program with three divisions under a grant funded by the State of Illinois Department of Public Aid.

Two of these divisions have sites throughout the State. The third is concentrated in the City of Chicago.

Project Reality provides teacher training seminars for all three divisions. We also conduct an extensive evaluation through a pre-post survey of 69 questions in both high school and middle school programs. The analyses for these two divisions is done by Northwestern University School of Medicine, Psychology Department. The Chicago City program (which is more compact) has a 10 question survey (pre-post) and is analyzed by Dr. William C. McCready, Northern Illinois University.

The three divisions and a brief description are as follows:

Statewide:

Senior High School, Facing Reality, *Grades 9-11,*

15 units. A **composite approach**, abstinence towards drugs, alcohol and sexual activity. Instruction and questionnaire administration by in-school faculty.

Students: 3,000

Middle School, Choosing the Best, *Grades 7-9,*

8 units. **Strong medical emphasis** concentrates on sexual abstinence. Includes eighteen slides, from the Medical Institute for Sexual Health, and two videos. Is appropriate for AIDS education. Instruction and questionnaire administration by in-school faculty.

Students: 11,000

Chicago Division: *100 Schools*

City of Chicago, Southwest Parents Committee Division

A two-part series presented by a seven member team, whose credentials include medical, educational and bi-lingual training. The evaluations are administered by school faculty before and after abstinence presentations.

Students 12,000

Southwest Parents, started with 11 schools five years ago, served 88 schools last year with 925 presentations.

Total Students served in FY'95: 23,000

Chairman SHAW. Dr. Howard.

STATEMENT OF MARION HOWARD, PH.D., DIRECTOR, ADOLESCENT REPRODUCTIVE HEALTH CENTER; CLINICAL DIRECTOR, TEEN SERVICES PROGRAM, GRADY HEALTH SYSTEMS; AND PROFESSOR OF GYNECOLOGY AND OBSTETRICS, EMORY UNIVERSITY, ATLANTA, GEORGIA

Dr. HOWARD. As far as my understanding of the statistics are about 85 percent of births to teens are unintended. Basically something else was happening to kids, 85 percent of them did not want it to, we would really take a good look at that and see why it is going on.

I think the wonderful thing about working with young people is that there is so much room for growth and change, that we can do a better job of helping them. I think the two things we need to get across to young people is that all people do two things about life. They either abstain or they protect themselves from unwanted consequences.

If you are happily married, if you do not want 12 children, you protect yourself from consequences of your behavior. If your husband goes off to Bosnia or your wife does or there is an illness in the family, you abstain from having sex during that time period, hopefully, if you are married.

Throughout life people do two things, they either abstain or they protect themselves from things they do not want to happen. What young people, I think, need are role models of people who basically do that. Children learn more by what we do than by just what we tell them to do. The media exploits sex. Daily kids hear about famous adults, business leaders, sports figures, religious leaders, even politicians who have not managed their sexual behavior very well, even princes and princesses now do it, too.

I think this bombardment of the media about all the mismanagement about so-and-so remained faithful to his wife for 20 years and they had a great sex life distorts what young people understand about what real life is about.

I certainly think that for many of the young women we work with that they are in circumstances that are beyond their control. They cannot control what housing project they live in or how bad the crime is. They cannot control their brother's drug habits. You can point out to them reproduction is something you can control, you can take charge of your life, and this is something that is yours alone.

Certainly young people need to know, nobody operates intelligently in a vacuum. If you do not know HPV or HIV is out there why would you change your behavior? If you do not know how you get pregnant, and 98 percent of teenage girls when surveyed said they did, and 2 percent said they did not know, and only 50 percent gave the wrong answer, so there is a lot of misinformation out there.

There is a joke about the two preschoolers who were talking and one said, my dad found a condom on the patio last night. The other one says, what is a patio? The reason I tell that joke is because we assume kids know a lot but they do not really know very much. They have as much misinformation as they do information.

They need knowledge, and then they need support to use that knowledge. If they do know about condoms they need to be under the guidance of health professionals. If they are going to use contraceptives they need to be guided by health professionals.

Young men and young women think everybody is doing it. They need role models their own age. We actually hired and trained 60 11th and 12th graders to come down to the 8th grade. These are young people who believe it is not appropriate for young people to have sex. They come down and actually teach young people skills to resist social and peer pressures to become sexually involved.

We also give young people information about how to protect themselves but these young men and women are such powerful role models that after we added that program we found that young people who did not have the program were five times more likely to become sexually involved in the eighth grade, and at the end of the ninth grade there was still a one-third reduction in sexual involvement and there were actually fewer teen pregnancies, just by seeing that there were kids who could be successful and popular in the teen world and not become sexually involved. Providing them with role models is a tremendously important thing to do.

I remember there was one young man who came to us who said that he had actually had sex before we came to the eighth grade with the team leaders. He said I was going to sit in the back of the room and nobody was going to tell me what I was going to do. I was just going to talk with my buddies and I was going to be real cool. Then he said, but the team leaders were so engaging, we just had to talk, and finally, as my buddies and I talked outside after school, we just decided that what you were saying made sense. I have not had sex since. He said, I couldn't wait to become an 11th or 12th grader so I could do for somebody else what was done for me.

Ultimately what do we need to do? We need to help young people understand throughout life that they will either abstain or protect themselves and help them to do both. We must give them knowledge and information to do that in ways that are meaningful to them. In other words, give them messages in ways that youth can understand and accept them, in this very sexually provocative world that we give them to live in. That has been mentioned before.

We have to give them support to do that. Programs that support abstinence, and if they choose not to abstain because young people exist all along a continuum, programs to support protection.

Finally, I put this in my prepared statement, we must recognize that the problem is not a welfare culture problem that has been discussed here today but, essentially, it is a total cultural problem. There are issues having to do with not recognizing and not adjusting the fact that young people are becoming fertile today so much earlier. Half of all girls now become fertile before the age of 12. That is unprecedented. Boys 1 year later. We have not adjusted to this change in biology, and because of that we have a problem.

Two, we have to recognize that poverty and racism do exist in this country, and do affect choices that young people make. Three, that we have enormously changed our attitudes in parenting. We do not exult parenting in this culture. Until we can make parents

feel that their job is worthwhile, and help them understand what parenting is, how can we help young people understand what it means to be a parent?

Finally, we have to recognize that perhaps we have not resolved the problems between the sexes. More women are battered in the United States than in any other country. Maybe we need to help young people understand what it means to be respectful of self, respectful of others, that men need to respect women and vice versa, and young people need to learn that from us.

There has been a value shift, but as I said, young people, no one sets out to make a mistake. Young people want what we want for ourselves, to be optimistic about their own life chances and the life chances of their children. With our help they can do a much better job of that.

Thank you.

[The prepared statement is being held in the Committee's files.]

STATEMENT OF SARAH S. BROWN, DIRECTOR, NATIONAL CAMPAIGN TO PREVENT TEEN PREGNANCY, WASHINGTON, DC

Ms. BROWN. Well, thank you for inviting me to this Subcommittee. As the last person here I think one of my problems is that most of the things that I wanted to say to you have been touched on by other people. I am going to soldier on anyway.

My name is Sarah Brown, and I am here in two capacities. One, as the director of a brandnew national campaign to prevent teen pregnancy. Second, as the director of a recently completed project with the Institute of Medicine on unplanned, unintended pregnancy.

My main message to you today is that the debate in recent months on the Hill about welfare reform has overlooked at least four important ideas and data sets. The first has to do with whether pregnancies among women on welfare are consciously desired and planned? The second concerns sexual abuse of young women. The third centers on the age differential between teenagers having babies and the men who father them. The fourth focuses on U.S/ Western European comparisons on a variety of demographic measures.

Now, as I said, a couple of these have been touched on already but let me go through them quickly, nonetheless.

With regard to the first point, national, State, and local data are crystal clear that the vast majority of pregnancies among women in poverty, including those who are teenagers, are neither planned nor actively desired. Somehow the picture has been painted in recent months that pregnancy and childbearing among welfare populations, and especially among unmarried teenagers are very purposefully undertaken. In particular, the small amount of money that an additional baby may bring is a clear incentive for childbearing.

National data show that most pregnancies and births to women in poverty and to unmarried teens, in particular, are unplanned, unintended, and often flat out unwanted altogether at time of conception.

For example, data from the National Survey of Family Growth shows that over 80 percent of pregnancies among unmarried teens

are unintended, as are a full three-quarters of pregnancies among women in poverty. This data obviously does not square with the current welfare debate image.

High levels of confusion, denial, and ambivalence, in fact, characterize the beginnings of most of these pregnancies that have been the topic of this hearing.

The second idea, new data—and I think this really is a new area that we are learning about—new data have clarified a hunch long held by practitioners that many of the youngest women who become pregnant and bear children were, the victims of sexual abuse in their own childhoods.

In one recent study in Washington State of pregnant teens, a full two-thirds of the sample of teen mothers had been sexually abused as children, significantly more than a comparison group of equally poor teens who were not pregnant. The growing understanding is that these kind of traumatic childhood experiences leave young women with very few personal resources to resist precocious sexual involvement or to resist pregnancy.

Please remember, as a number of people have stated, the younger the age of first intercourse, the higher the likelihood that sexual activity is involuntary.

Third idea, many of the fathers of babies born to teen mothers are over 20 and sometimes they are well over 20. This age gap furthers our growing sense that teen mothers in poverty and those close to it are more often victims of predatory males than willing participants.

Finally, with regard to the particular issue we have been discussing all afternoon, of whether welfare payments stimulate poor, often unmarried women, to have babies, I think that a look at Western Europe is very instructive.

Please puzzle over the following fact. Social welfare benefits in many Western European countries are far more generous than ours, and, yet, their rates of unintended pregnancy, teen pregnancy, and childbearing by poor women are appreciably lower than ours. Before we convince ourselves of the clear relationship between welfare payments and specific fertility measures, we need to understand this paradox, and we have to understand it in the context of the United States.

These data on United States versus Europe, incidentally, are very clear, much clearer than the sort of U.S.-based data that we have been discussing all afternoon.

The simple point in conclusion is that unfortunately things are more complicated than they seem. Pregnancy and childbearing by teens and by women in poverty are typically unintended and unplanned. There is an important overlay in this population that involves early histories of sexual abuse and relationships with men who are significantly older. Finally, U.S.-European data give us little reason to be absolutely certain that welfare payments dictate fertility.

What this means in a policy context is that unfortunately we are going to have to be more textured, we are going to have to be more complete and more complex in our discussions of underlying causes and remedies.

These kind of data and nuance make it much more difficult. I appreciate it, but I think, in fact, that is the way it is.

I am going to stop there. I thought I was going to beat the red light, I am sorry I did not. I would be happy to answer any questions you have, in particular, any you might have about the new teen pregnancy campaign.

Thank you for the opportunity to be here.

Chairman SHAW. Thank you, Ms. Brown.

Mr. Levin.

Mr. LEVIN. Tell us about the new national campaign.

Ms. BROWN. One of the ill effects of having too much publicity too soon, having the light shined on you in technicolor, is that it gave the impression that everything was settled, everybody was appointed, all the funding was in place, staff in place, and we were rearing to go. In fact, nothing could be further from the truth.

We have organized a new independent nonprofit, nongovernmental organization, a new 501(c)(3) totally separate from government. We have had one board meeting but we are still very much in the process of trying to figure out what might be best to do. We have a 17-member founding board but it is not complete. We have to line up funding.

I can give you some information about our early ideas, and the founding board, but I do not want to get off on that agenda because I know that is not your focus. I will tell you that our chairman is former New Jersey Governor Tom Kane, our president is Isabell Sawhill of the Urban League, and as of last week, I have been asked to be the director of the campaign.

Mr. LEVIN. If you would, put together the first and the four points that the vast majority of the pregnancies among teens are unplanned, unintended. Those women in poverty and unmarried teens most of all, and the fourth point about Europe. I mean if they are unintended and unplanned, then how does——

Ms. BROWN. Why do they do better?

Mr. LEVIN. Why, yes?

Ms. BROWN. Well, it is a very important question, and I get asked that all the time. There is a very limited scholarship in this area, but let me tell you what we think we know. There are about four reasons why Europe seems to do better in these issues of teen pregnancy, nonmarital births and so forth.

The first is that there seems to be a very strong social consensus in Europe that although sexual activity may be acceptable, getting pregnant when you are in no position to bear a child is not. Here, in this country, as we well know, we spend a lot of time arguing about sexuality, not only for teens, but for unmarried people in general. The television says one thing, our communities and families often say other things. What we end up doing is giving a very confusing message.

The observers of Europe say the message is very straight. It is not that sex is bad or wrong, unless you are very young, it is that what is wrong is bearing children when you are in no position to take care of them.

The emphasis is on protection, avoiding unwanted, unintended pregnancies, and avoiding STDs.

Now, is that the right message for us? I do not know. We are not Western Europe, we have a lot of differences in this country. The lesson to take home is consistency of the message, not even necessarily what the specific message is.

The second reason, very quickly, the belief is that contraceptive services are much more widely available through a wider variety of providers. Again, we are not just talking about teenagers, we are talking about men and women in their twenties, thirties, and forties. The financing for preventive services is in place more uniformly and systematically than it is in the United States It is this consistency of message of media, church, family, home, and school that seems to be behind the lower rates.

A last comment, I would love to see some more work in that area, though. What I am basing this on is a very limited series of observations, and it is a really important question. Their rates of sexual activity are the same as ours. The age of first intercourse is the same as ours, but the Europeans do not get pregnant in the same way we do.

Mr. LEVIN. Thank you.

Chairman SHAW. Mr. Stark.

Mr. STARK. Thank you, Mr. Chairman.

I am sorry I could not be here but we had corrections day which is not where you go to jail, but this Committee had a bill on the floor and I am sorry that I——

Chairman SHAW. Perhaps you could call this hearing corrections day.

Mr. STARK. Yes, I am sure I could have learned a good deal. I am most happy to see Sarah Brown, who has worked with many of us and with the country on children's issues for a number of years.

I would presume is, indeed, the recognized authority on this. I have just been looking at some of the testimony of the previous witnesses. Outside of the religious area, the modern-day pharisees who appear before us from time to time, may or may not be experts in intercourse and abstinence and the like.

There seems to be this idea that somehow single parenthood is directly related to births without benefit of sacraments. Do you have any statistics that show that that is true? Is there some relationship between single parents and out-of-wedlock births?

Or are many single parents there as the result of divorce, death? Which is the case?

Ms. BROWN. You know, I think I am going to punt on that one, which is uncharacteristic for me. I am not going to be able to give you quickly—I can certainly get it for you soon—the proportion of nonmarital births that are to never-married women as distinct from divorced or widowed women.

My strong sense is that the latter category is, by far, in the minority.

Mr. STARK. Which?

Ms. BROWN. The divorced or widowed, and so forth, previously married. I think what has been of concern in this Committee, and in the nation, is really the unmarried women giving birth. It has not been so much a woman who finds herself single later or a relationship collapses in her thirties and she has a nonmarital delivery.

Mr. STARK. Your suspicion is that they are apt to be unmarried and perhaps, unfortunately, very young people.

I am——

Ms. BROWN. Well, actually let me just clarify that. I think this issue of very young, people slip between nonmarital births and teen births as though they were one and the same. A number of witnesses have pointed out repeatedly this afternoon that only one-third or less of births to single women are teenage women.

We seem to think that——

Mr. STARK. Say that again?

Ms. BROWN. If you put all the babies in the room who have a single mother, less than 30 percent are teenage mothers. These are women in their twenties, also in their thirties, principally in their twenties. Teen childbearing is not the same as single women having babies. There is an overlap but they are not synonymous.

Mr. STARK. What you are suggesting is that less than one-third are of out-of-wedlock births?

Ms. BROWN. That is right.

Mr. STARK. Are with mothers under 20?

Ms. BROWN. That is correct, and let me give you——

Chairman SHAW. Could I ask you a question?

Mr. STARK. Sure.

Chairman SHAW. Do you have the statistics as to the age of the mother at the time of the birth of the first child? Because obviously a mother, you could have less than one-third if a mother was a teenager when she had her first child she was in her twenties when she had her second. So, that could prove your point right there. I am just wondering, in fact, I am surprised that the statistic you gave is as high as a third.

The question is, what percent of first child births are born to a teenage mom?

Ms. BROWN. I want to get you the precise number, and there are people in this room who have it, but your point is well taken. We do not just focus on first births. The issue is if the mother is 28 when she has her third, how old was she when she had her first birth?

There are two reasons to be concerned about adolescent childbearing. Not only that first birth, but also what sort of a sequence it sets off. You are absolutely right about that. It is a major issue but I think it is important to clarify that it is not just teenagers in this country who are having trouble managing their fertility. It is women in their twenties and their partners, and even in their thirties and forties. Seventy-seven percent of pregnancies among women 40 and over, are unintended. It is not just teenagers.

The stakes are particularly high for teenagers, but it is not just them.

Mr. STARK. I guess my next question is—I do not mean to be facetious, Mr. Chairman—but wouldn't it be more difficult to sell abstinence to a person over 20 who had already bitten the apple, so to speak?

I could see trying it with 10- and 12-year-olds who have yet to have their first encounter. It is difficult for me to remember when I might have been a good subject for this. I am not sure that abstinence is a very useful approach to what I would consider for an

adult legally, physically and emotionally, after they have already been sexually active.

Is there any evidence that you know of that this would be a good course, well attended?

Ms. BROWN. Well, let's talk about it a little bit. I think that a number of the witnesses here today who have talked about abstinence are performing an enormous public service by focusing people's attention on this. I think a witness a couple of panels ago pointed out that we did not use to talk about it as much, and now it is a topic that is more on people's minds and in their hearts when they think particularly about teenagers.

Here is the concern about abstinence. I am very utilitarian on this point. When you look at programs that have been evaluated, using very careful experimental designs, there is a very limited representation in that pool of abstinence programs. I am not saying that they do not work, I am saying we do not know whether or not they work.

We have very few, and actually they are rather interesting. If someone produced for a scientific body six or seven randomized trials that showed that a good, strong abstinence program particularly for young teens had measurable results in behavior over an extended period of time, I think most adults in this country, and many teenagers would be very interested. Our problem is that the evaluation dollars have not been directed to abstinence. They have been directed to a variety of other approaches, and generally with pretty discouraging results.

I think the general approach that at least the evaluation community takes is that abstinence is an extremely important option, really at all ages, but we need to learn far more than we do now about its proper place, how to teach it, how to combine it with other messages, sometimes about contraception for people who are already sexually active. It is a very important question, and I think it is largely something we need an evaluation on.

Again, you have to use good experimental designs with randomization and control groups to control for self-selection bias.

Mr. STARK. Thank you.

Thank you, Mr. Chairman.

Chairman SHAW. Have the abstinence programs been evaluated?

Ms. SULLIVAN. Mr. Chairman, there has been very little money put into abstinence at all. That is the first point we need to pay attention to. In the State of Illinois, for instance, there is currently $21 million that goes into teen pregnancy, of which my organization gets less than 1 percent, and we handled 23,000 students in Illinois in the pilot programs last year. The State of Illinois, right now, is the only one, to my knowledge, that is funding abstinence programs. Just a small portion of that actually goes to the research but we are in the middle of a longitudinal study.

Unfortunately, we were part of a longitudinal study that was started in 1990, and we were just about to do the followup when the new administration took over and we were cut off. There has been very little. On the other hand, we do have extensively large numbers of prepost tests and it is very encouraging.

The bottom line to the whole thing is the demand. When we started 10 years ago, abstinence was not even talked about, the

media ridiculed it. Everybody said, oh, do not be ridiculous, kids won't listen. Today, it is a national debate everywhere. Now, the criticism is well, we have not been evaluated enough.

I really wonder about the numerous evaluations referred to today, as I said, the researchers evaluate the evaluations, a lot of those references are 10 or 15 years old. That is why you are not seeing answers to a lot of the questions you are asking, they cannot give the answers because the research is old research.

If I could take the liberty of just diverting slightly, for instance, one of the things I would like to suggest for welfare reform is that there is some interesting talk about added day care. If every welfare mother took in one other as a day care home project, that could create a tremendous decrease, and it would very likely teach those mothers to be better mothers.

We need some creative approaches, and this abstinence approach with the degree of success that we are seeing the interest in the schools. Hardly anybody has anything good to say about the Chicago public schools, yet, starting with 11 schools we now have up to 90 schools that say we want you to come in and teach our kids how to be healthy. I can give you anecdotal stories that are incredible.

One, in particular, our teacher was in the first part of the two-part Chicago session. The first program went great. The second week there was a student there that was not there the first time, and he was very disruptive. He kept saying, "it ain't going to work. You can't last with one person, you get tired of them, it just isn't going to work." This was eighth grade.

The teacher took our team teacher aside and said, there is something you ought to know about this student. The others in the class kept answering him, they were giving all the good answers to the disruptive student. The teacher pulled her aside and said, "that child lives with 6 siblings, but there are 20 children in this school that are fathered by his father." Sure, the point is those students had never had the opportunity to hear the disease factor, yet they were experiencing the emotional trauma.

Chairman SHAW. You were here during Dr. McIlhaney's testimony, and is that part of——

Ms. SULLIVAN. Of our program?

Chairman SHAW [continuing]. The teaching that young girls are more susceptible to the disease?

Ms. SULLIVAN. Oh, emphatically. Their tissue linings are not yet developed. They are extremely more vulnerable. The sad thing is they do not know that. They do not know that disease can be affected in other parts of the body not covered by a condom.

Chairman SHAW. Let me switch over to Dr. Howard now. Do you have anything to add to Dr. McIlhaney's testimony, with regard to the disease factor with young girls who are sexually active?

Dr. HOWARD. Well, one of the things we do know is that the inability to bear a child has tripled among young black women and doubled among young white women over the last decade or so because of having sex early over time and having a number of partners. As much as we are concerned about out-of-wedlock births I think we also have to be concerned about the infertility rates. It

is very important that we stress to young people all the consequences.

That is why I say no one operates intelligently in a vacuum, and we have to give young people this kind of information but not from a point of view of fear, but from a point of view of with knowledge we can empower them to make better choices.

Chairman SHAW. Dr. Howard, I want to focus on part of your testimony with regard to the fertility of women dropping and of men, too. Is that global? Second, what is causing that?

Dr. HOWARD. Some of the best thinking says that it is related to nutrition. In other words, our improved lifestyles and choices are an ability to protect ourselves and that is the reason that fertility is dropping, particularly among Westernized countries.

Chairman SHAW. Is that at all economic levels? I would guess that somebody from a middle-class or a higher income group would probably have a better nutrition program than somebody who is living in poverty?

Dr. HOWARD. Well, I think just generally nutrition across the board has been changing.

Chairman SHAW. Is this in other countries, too?

Dr. HOWARD. Yes, it is happening in other countries.

Chairman SHAW. How about countries without television?

I am curious because I am just wondering about the bombardment that these kids are getting on matters from television. I think Mr. Collins was talking about this a few moments ago. My mother broke her hip, and for the last few weeks she has been staying at our house down in Florida, the lady taking care of her watches the soaps, as I walk through the room, and this is during the time that the kids are home, I have seen things on television that I do not see at 8 or 9 o'clock at night. I am just very curious about whether the children having this available regularly to them—and many of them watch the soaps I am sure—whether this and other things that they can see through other entertainment could be affecting them, could be responsible for stimulating them early and, therefore, contributing to early fertility?

Dr. HOWARD. Well, I really think it really does relate more to better nutrition. I think a good example of that is that there was a period around the sixties and early seventies when we had an influx of Puerto Rican women coming to New York. The cesarean rate just zoomed, and the reason was because of the better nutrition they get in New York. They grew such bigger babies that their pelvic capacity just could not deliver those babies. Nutrition can have a tremendous role to play on reproductive health.

Chairman SHAW. Not television?

Dr. HOWARD. Not television.

Ms. SULLIVAN. We cover that in our questionnaire, do the movies and television have an influence on your behavior, and it is very interesting to see the movement because at the beginning the kids will say, oh, no, it doesn't really. At the end of the program, they realize from analyzing and discussing it they see very clearly that it does influence them.

Dr. HOWARD. I would agree with that. Kids say they do it because they see it on television but I just do not think that it biologically makes a difference.

Chairman SHAW. I want to thank this panel and the other panels for sticking with us today. It is now almost 5 o'clock, and I think it has been a very interesting day. I think all of us have learned something, and I hope that the final panel, by listening to the former panels, also learned something.

Thank you so much for being with us and giving us your time.

[Whereupon, at 4:55 p.m., the hearing was adjourned.]

[Submissions for the record follow:]

STATEMENT OF GARY L. BAUER
PRESIDENT, FAMILY RESEARCH COUNCIL

In the welfare debate last year, President Clinton himself stated that "the real source of [the] problem is the inordinate number of out-of-wedlock births in this country."[1] He also conceded that "there's no question that [ending welfare for unwed mothers] would work. The question is... 'Is it morally right?'"[2]

While the President's proposed policies leave much to be desired, he has formulated precisely the right question to frame the current debate over welfare reform in general and illegitimacy in particular. There can be no more important policy objective than the preservation -- or more properly in this day and age, the revitalization -- of our nation's moral capital. As James Q. Wilson wrote in his oft-cited article, "The Rediscovery of Character: Private Virtue and Public Policy":

> The essential first step is to acknowledge that at root, in almost every area of important public concern, we are seeking to induce persons to act virtuously.... Not only is such conduct desirable in its own right, it appears now to be necessary if large improvements are to be made in those matters we consider problems.[3]

There exists a striking public consensus that the welfare state's practice of subsidizing illegitimacy is not only a massive problem, but a moral problem at root.

Even so unlikely a source as Bruce Reed, President Clinton's leading aide on welfare reform, once acknowledged that the essential purpose of reform must be to reverse the alarming rise in out-of-wedlock births.[4] If not driven exclusively by AFDC "benefits," the increase has at least been sustained and perpetuated by the expansion of a system that pays recipients to bear illegitimate children. Current trends indicate that by the year 2015 -- some studies project as early as 2000 -- one of every two American babies will be born to a single mother, and illegitimacy will surpass divorce as the main cause of fatherlessness.

Already, according to the Census Bureau, approximately one of every three babies born in the United States is born to a single mother. In the black inner city, more than 80% of children are born without fathers. In many poor white communities, the figure is nearing 50% -- and illegitimacy is increasing more rapidly among whites than any other racial group. Illegitimacy ratios for the country's white population have now climbed higher than the illegitimacy ratios in the black community that compelled Senator Moynihan to issue his famous warning about the breakdown of the black family.

Even if a job program can succeed in putting more unmarried welfare mothers to work (which is unlikely),[5] we will still be left with roughly the same number of fatherless children. While Great Britain has already succeeded in implementing reforms that make work economically more attractive than welfare, the reforms of the 1980s have only served to underscore in both Britain and America the fact that little progress can be made without addressing the collapse of the family.[6]

When the Moynihan Report appeared over thirty years ago, liberal intellectuals excoriated the author for "defending middle class values." "What may seem to be a disease to the white middle class may be a healthy adaptation to the Negro lower class," Bayard Rustin intoned.[7] Today, however, overwhelming empirical evidence demonstrates that there is nothing at all "healthy" about the decay of families and that not all personal choices are equal in terms of their impact on children, families, and communities. The evidence itself has propelled illegitimacy to the forefront of the current national debate over welfare reform -- or at least, *had* propelled

illegitimacy to the forefront before President Clinton and the Governors signaled their retreat.

Retreat is inexcusable; for the fact remains that intact families bestow upon individuals and communities advantages that simply come no other way. We cannot repeat too often, in a climate rife with attempts to seize the moral high ground, that no moral judgment even need be adduced. The empirical evidence amassed by social scientists in the last ten years (and chronicled by Barbara Dafoe Whitehead in her April 1993 Atlantic article, "Dan Quayle Was Right") has confirmed in exquisite detail what those who have lived in broken families already know. A single woman with children is not a viable economic unit for the vast majority, but children need biological fathers for much more than the extra dollars they add to the family budget. As social scientist Charles Murray has written, single parenthood is "damaging to children in so many ways that to list them individually would be to trivialize them."[8]

Children born to single mothers are more likely to experience abuse or neglect; and they have higher infant mortality rates and lower birth weights regardless of the age or race of the mother. The proportion of low birth-weight babies, for example, increases by 50% if the mother is not married. Dr. Nicholas Eberstadt, author of "Why Babies Die in D.C." (*The Public Interest*, Spring 1994), observes that "so substantial are the differentials associated with illegitimacy that an American baby born to a teen-age mother is less likely to register low birth-weight if the mother is married and black than if she is unmarried but white."[9] In the early 1980s, black and white babies alike were less likely to survive the first year of life born to an unmarried college graduate than to a married high school dropout.[10]

For those children born out-of-wedlock who do survive, long-term life prospects are equally discouraging. According to data from the National Fatherhood Initiative, only 4.4% of children who live with both parents are expelled or suspended from school. By contrast, 15.5% of fatherless children will be dismissed or suspended. Among children living with a never-married mother, 29.7% repeat a grade in school as opposed to 11.6% of children overall. And a 1988 University of Illinois study of adults born outside of marriage found that the longer the time spent in a single-parent family, the less education the child ultimately attained -- regardless of the parent's income level.

Children born out-of-wedlock also have greater problems with behavioral development. The National Survey of Children found that children from single-parent families are two to three times more likely to have emotional problems -- three times as likely to find themselves in psychotherapy. Lack of self-control is a common failing.

Not surprisingly, Charles Murray has concluded that "illegitimacy is the single most important social problem of our time...because it drives everything else."[11] According to the Bureau of Justice Statistics, more than 70 percent of all juveniles in state reform institutions come from fatherless homes. Raymond A. Knight and Robert A. Prentky have reported in the journal *Criminal Justice Behavior* that 60% of all violent rapists who were repeat offenders came from single-parent households. And a Michigan State University study reported in 1987 in *Behavioral Sciences and the Law* found that 75% of the adolescent murderers surveyed had come from homes where the parents were divorced or never married. *The relationship between crime and one-parent families is so powerful, in fact, that controlling for family structure erases the relationship between crime and race and between crime and low income.*

Compounding the cycle of despair, illegitimacy feeds itself too. Young white women who grow up without a father in the home are more than twice as likely to

bear children out-of-wedlock and to do so during their teenage years when they are most likely to form long-term attachments to AFDC.[12] Research by the Heritage Foundation, based on the National Longitudinal Survey of Youth, found that young girls raised in single-parent homes in public housing are roughly five times more likely to bear children out-of-wedlock themselves than girls raised in two-parent homes.[13]

If those on the welfare rolls have suffered most conspicuously, it is also true that the welfare system has corrupted the ideals and narrowed the vision of many who live well beyond the bounds of the inner city -- even as it is now threatening our most cherished civic institutions. One obvious casualty is the weakening of our conviction that the so-called "bourgeois virtues" are available to all, regardless of race or class. Early American social workers, like Mary Ellen Richmond, understood the importance of middle class norm-setting. "The way to reintegrate the deviant into society, she argued, is to educate and indeed direct them toward the shared values of the mainstream culture."[14]

The role of the traditional two-parent family is essential in sustaining the institutions of a free society precisely because it is the vehicle by which values are transmitted from generation to generation. If the family fails to impart virtues that temper and restrain behavior, broad legal freedoms must give way. So, too, human dignity and equality, as the Founders understood them. Virtue, historian Gertrude Himmelfarb has said, is the only true basis of equality and the only requisite for citizenship.[15] As Charles Murray made clear in his now famous op-ed "The Coming White Underclass," either we act now to reduce illegitimacy and to reinfuse our public policy with a commitment to higher and nobler things -- or we run the risk of sabotaging the entire experiment in democratic self-government.

Or, as Michael Novak put it:

> [T]he project of self-government depends on the capacity of citizens to govern their own passions, urges, habits, and expectations. If they cannot govern their own lives individually, how can they be successful in self-government as a republic? The project of self-government is moral -- or not at all.[16]

The Founding Fathers and many succeeding generations understood that only a virtuous people can be free. Do we?

Given the consequences for the individual child, the surrounding community, and the national polity, bringing a baby into this world without a sense of sacred responsibility cannot long be regarded as a morally neutral act. In a report issued in December 1994, the Progressive Policy Institute, policy arm of the Democratic Leadership Council, joined others in acknowledging that "it is wrong -- not simply foolish or impractical -- for women and men to make babies they cannot support emotionally and financially."[17] Donna Shalala made the same concession a year earlier, however reluctantly, when she said in an interview, "I don't like to put this in moral terms, but I do believe that having children out-of-wedlock is wrong."[18]

Congress should now recognize that it is also wrong to sanction such activity by subsidizing it. Republican strategist Bill Kristol has said that "neither our politics nor our sociology can ultimately be neutral as to the content of the laws of Nature and Nature's God,"[19] chief among which is the fact that we were made to live in families. Charles Murray asks rhetorically: if "a social policy that induces people to believe that they are not responsible for their lives is one that inhibits the pursuit of happiness and is to that extent immoral[,] [c]an then a policy that fails to stigmatize be a moral one?"[20]

Historical experience, related by Marvin Olasky and others, does indeed demonstrate that the most effective social services have been offered by private community groups, without any illusion of moral neutrality. In her seminal historical study Poverty and Compassion, Gertrude Himmelfarb writes that:

> [a]fter making the most arduous attempt to objectify the problem of poverty, to divorce poverty from any moral assumptions and conditions, we are learning how inseparable the moral and material dimensions of that problem are. And after trying to devise social policies that are scrupulously neutral and value-free, we are finding these policies fraught with moral implications that have grave material and social consequences.[21]

George Liebmann says, more simply, in a recent issue of The American Enterprise, "Rescuing an underclass is by definition a highly moralistic undertaking."[22] While controlling welfare spending is a happy byproduct of terminating benefits to teen mothers, even more promising is the opportunity to begin reversing the message of the counterculture that has so eroded the character of our people, in part by assaulting the family.

Senator Daniel Patrick Moynihan has used the phrase "defining deviancy down" to describe Americans' tendency to ignore excess levels of deviancy by normalizing what used to be considered pathology. Only by "defining deviancy down" have we been able to ignore until now all the signs of impending disaster that attend a burgeoning illegitimacy rate. Barbara Whitehead's 1993 Atlantic article heralded a real and significant change in the public mood, however; and the near-mythic ascendancy of Charles Murray's "Coming White Underclass" piece the same year seemed to confirm a general convergence of public opinion. In a recent Family Research Council survey of 1,000 Americans, a substantial majority (81 percent) of respondents indicated that "women having babies out of wedlock that they can't support financially" is a serious problem. The mounting public consensus presents a unique opportunity to implement more than symbolic change in the 104th Congress and to make sanctions against illegitimacy the focus of that change.

In sending his welfare package to Congress more than 30 years ago, President Kennedy articulated contemporary liberals' fundamental misunderstanding of the causal role welfare plays in boosting illegitimacy rates.

> [W]elfare programs, [he said], must contribute to the attack on . . . family breakdown [and] illegitimacy. . . . Unless such problems are dealt with effectively, they fester, and grow, sapping the strength of society as a whole and extending their consequences in troubled families from one generation to the next.[23]

Kennedy's insight about the consequences has proven historically accurate; but his "service" approach to curbing illegitimacy worked no better than the current President's will -- a fact which an unnamed aide on the Clinton welfare task force acknowledged last year.

While the President advocates a massive and expensive public relations campaign against teen pregnancy, the anonymous aide confided to Newsweek reporter Joe Klein: "We looked at a hundred different programs around the country that were trying to deal with this problem, and not one of them moved the needle. There just weren't any results."[24] Likewise, a formal study of the Teenage Parent Demonstration, sponsored by the Department of Health and Human Services in response to "persistently high rates of teenage pregnancies and births," found that "[t]he program had an unusual and disappointing pattern of impacts on pregnancy and birth rates . . . despite . . . the substantial efforts of the programs to empower [the] young mothers to take control of their fertility."[25]

Out-of-wedlock births, moreover, remain a strong predictor of poverty. A recent U.S. Census Bureau report on poverty found that the median household income for women householders with no husband present is only $19,872. For black Americans, the median single parent household -- which now represents the family structure of 48% of all black families -- is less than $12,000 per year. Married black families, by contrast, receive a median income of $45,041. Both Republican William Bennett and Democrat William Galston have noted that, according to the Census Bureau, the family income of black two-parent families is almost two-and-a-half times the family income of white single-parent families. Children of white single-parents are two-and-a-half times likelier to be living in poverty than children in black two-parent families. Today's major economic indicator, in other words, is family stability -- not race.

In a meticulously researched article in the January 6, 1996 issue of *World* magazine, Robert Rector of the Heritage Foundation demonstrates that it is neither easy to raise family income through welfare transfers nor historically true that higher welfare benefits and broadened eligibility have improved children's life prospects. It *is* true, however, that unwed mothers are not only more likely to rely on government to support their children, but are also more likely to spend years dependent upon welfare. Because illegitimacy feeds both poverty and itself, we cannot reasonably expect to address welfare dependency until we address illegitimacy.

Charles Murray anticipated the problem in his 1988 book In Pursuit of Happiness and Good Government. "The task," he concludes, "is not to devise a public relations campaign to discourage single teenage girls from having babies, but to neutralize whatever is impeding the age-old impulse of human beings to form families."[26] Eliminating grants to unwed teenage mothers will be necessary, but not sufficient, to restore the integrity of the family unit.

The primary argument is *not* that women have babies just to get the dollars -- although anecdotal evidence does exist to suggest that welfare checks can drive fertility directly. There is the story of a five-month-old girl named Ariel Hill who was born on Christmas Eve 1992 and died a brutal death in May of 1993. She lived with her 22-year-old mother and four other siblings in a squalid unit of public housing. The family's chief source of income was welfare. One day, her mother grew tired of her screaming and dumped her in a sink of scalding water as punishment. She died, weighing less than seven pounds. She had not been fed in days. When investigators examined the apartment, they found a scrap of paper with the name of each child and the dollar amount of welfare that child earned for the mother.

In all probability, however, Ariel Hill's mother is an aberration. The chief concern is simply that welfare *enables* men and women to indulge in irresponsible behavior by shielding them from the natural economic consequences of their actions -- actions that often do issue in tragic results for the children who are born of their thoughtlessness. "By lessening the costs attached to unwed reproduction," anthropologist David Murray argues, "welfare subsidizes choices that interfere with future opportunity. . . . A monthly increase in cash is usually not enough to 'cause' someone to bear a child. But by increasing the benefits and reducing the burdens of a choice that is desirable on other grounds, welfare becomes a catalyst in the timing and frequency of the decision. How could it be otherwise?"[27] -- unless one assumes that welfare recipients are less likely to be rational judges of their own self-interest.

Fealty to the premise that all individuals are morally autonomous creatures argues against such a premise. And the migration of welfare recipients to states with

higher welfare benefits provides empirical corroboration that welfare mothers are indeed capable of making rational decisions to govern their own lives. Welfare mothers are dependent, we believe, not because they are incompetent or morally deficient but because they have made rational decisions in an irrational system.

Moral concern, informed by empirical evidence, demands admission that the service approach to both family breakdown and welfare dependency has failed. Welfare reform that fails to curb the cash that subsidizes illegitimacy is, not a vision of reducing dependency, but a vision of administering "benefits" to an ever-expanding population that will always be mired in dependency. It is an abandonment of the conviction that people on welfare are fully human and fully capable of achieving self-sufficiency. And it is an insidious guarantee that welfare spending will continue to crawl steadily upward while illegitimacy continues to increase as well.

If the amount of money we are spending on welfare were buying healthy families and stable communities, we would raise no objection. Our concern is, not that we are spending too much, but that we are killing off marriage and all the blessings and safeguards marriage buys for women and children.

Admitting the failure of the service approach will require tough political choices. Those choices will undoubtedly offend both the welfare industry and feminist ideology. But politicians should take heart from polling data that demonstrate broad-based public support for modest but real steps to reduce illegitimacy.

According to a poll conducted by Voter/Consumer Research for Family Research Council in mid-October 1995, three out of four Americans believe welfare encourages illegitimacy. By a ratio of two to one, Americans feel that reducing illegitimacy is a more important -- and more realistic -- goal than "getting single mothers with few job skills into jobs that will pay them enough to support themselves and their children." Voters favor a preventative, anti-illegitimacy strategy, in other words, rather than a remedial workfare strategy. And by an overwhelming margin of 84% to 13%, they favor the family cap provision as a modest first step toward reversing the trend in illegitimacy.

Only by historical accident were unwed mothers -- of any age -- ever included in the AFDC program. Frances Perkins, President Roosevelt's Secretary of Labor and chief architect of welfare policy, opposed extending federal entitlements to unmarried mothers because she foresaw that subsidizing illegitimacy would escalate family breakdown. And, tragically, she was right. While less than 3% of the young beneficiaries of the program in the late 1930s were the children of unwed mothers, today the tables have completely turned. In the year between October 1991 and September 1992, only 1.6% of the children on AFDC qualified because a parent was deceased.

It would be ironic at best if the current majority in Congress were to find themselves to the left of the most liberal member of the Roosevelt Administration because they rejected her intuition, now confirmed by years of sad experience. It is the potential to reverse that sad experience that must define "compassion" in the present debate. As the one policy option that promises to effect change in the current system, restrictions on benefits by definition constitute the compassionate alternative.

Gertrude Himmelfarb notes that the word "compassion" once described "a moral sentiment, not a political principle, a sentiment evoked by misery or sorrow, not by poverty as such."[28] As political salvationism sought to preempt traditional morals in the last 30 years, it was only natural that moral sentiments should be confused with political principles. Likewise, that misery and sorrow should be equated with

material poverty; for the redefinition of compassion required a highly artificial view of man as no more than a material being.

If compassion is once again properly understood, perhaps then it will become more obvious that the object of our concern must be "misery" and "sorrow," not economic poverty, and that the "misery" most evident today is the spiritual and moral deprivation visited upon dependents of the welfare system. It is time that we stop suppressing the moral responsibilities that make life precious for a resident of the inner city just the same as for a middle-class suburbanite. It is time, in short, to secure equal access to the central satisfactions of family, virtue, and freedom.

In the end, our society will adopt answers by default only because there is no alternative strategy. There are two competing alternatives currently at play to define the future of the welfare state. Either we will treat welfare dependents as wards of a custodial state, and we will spend lavishly to keep them comfortable while we ask them simply to leave us alone. Or we can begin relimiting government and restoring social functions to neighborhoods, communities, and churches.

The family cap is a symbolic first attempt to begin reversing the big-government policies that have proven so obviously destructive to children and families -- and an important opportunity to begin dissolving the wall that separates welfare families from middle-class society.

We can't afford to wait any longer to act. Senator Moynihan, who led the charge against illegitimacy thirty years ago, has already fallen victim to despair. While candid about the human cost of the current system, he argues for the status quo simply because he believes there is no longer any alternative. Young males in the inner city "can be horrid to themselves, horrid to one another, horrid to the rest of us," he says. Dismantle the current system, and they will be unleashed on the rest of us.

It seems appropriate to us to subject Moynihan's "containment policy" to the test President Clinton formulated in the early days of the welfare debate -- "Is this morally correct?" We would have to answer "no." Surely the underclass is no less human and no farther beyond reclamation than the rest of us flawed individuals.

Moynihan also bases his opposition to reform on projections about the number of children who will be thrown into the streets. Social scientist Charles Murray responds that, "like all policy projections, this analysis reflects a set of assumptions"[29] -- namely, that limiting welfare will do nothing to change behavior.

But Father Robert Sirico has noted an interesting demographic trend that suggests otherwise. Food stamp rolls have fallen dramatically -- without any change in underlying economic data. And the bulk of the drop occurred since January 1995, when Congress convened to announce new limits on entitlements. During the previous four years, the rolls had steadily swelled, sometimes expanding by 40,000 recipients per week. Sirico concludes that food stamp recipients factored in expectations of what the new Congress would do and acted accordingly. "Poor people are a lot smarter than social scientists give them credit for being. Like everyone else, they plan ahead, with a view toward a certain amount of future financial stability, which sometimes leads them to the want ads and to churches and community organizations,"[30] he says.

Political opponents cannot merely claim that Republican reforms will cause suffering and expect to maintain their credibility. In addition to thinking creatively about the ways policy affects human behavior, we also have to come to terms with

the degree of suffering that is occurring now. Proponents of the status quo say that only the federal government has the resources to maintain existing welfare programs. But perhaps existing welfare programs should *not* be maintained precisely because they have caused so much duress for the children and adults mired in dependency. The degree of Senator Moynihan's despair is an argument that we can do no less than search for a radically different approach to welfare. The time to begin is now.

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March 5, 1996

Dear Mr. Moseley:

I have been reading and listening to reports about the budgeting for child care and low income families. Most of what I hear and read is a lack of funding due to budget cuts so as to balance the budget. I agree with making the necessary cuts to meet the requirements for a balanced budget. On the other hand, I see a need for child care in our society today and in the future. I'm sure you are aware of the statistics about how many households have two working parents or a single parent trying to support their family. Along with these figures are the families who have one or both parents who have been laid off and need re-training.Which is expensive and in many cases will require money the parents don't have. What will happen to the children?

I'm sure you have been feeling the pressures and you are well aware of all the concerns. I am concerned about our future -- our children. **But, I don't agree with continuing to put the pressure on the government to support child care with funding from our tax dollars.** I have a proposal that reflects the thinking of John F. Kennedy - **ASK NOT WHAT YOUR COUNTRY CAN DO FOR YOU! ASK WHAT YOU CAN DO FOR YOUR COUNTRY!**

MY PROPOSAL:

* stop funding child care through the government
* rewrite the tax law pertaining to businesses being able to get a tax write-off from donations and grants to non-profits only.
* **change that tax law by broadening it to include FOR-PROFIT CHILD CARE WITH A SLIDING FEE SCALE as well.**
* by broadening the tax law, the businesses can help to support child care in their area and the country.
* it would be up to the child care businesses to write for grants and take the pressure off the government for funding the low income families.
* it would be up to the private businesses to set the criteria that they would require for giving the grants and gifts-in-kind, with emphasis on high quality.
* with the tax write-off and larger amounts of money available, the businesses would be building a partnership with our future - our Children!!

* child care centers would become more competitive in developing higher quality programs

* it would help to eliminate the underground child care that doesn't even come close high quality child care, therefore, giving EVERY CHILD the opportunity to strive for the best they can be!!

* child care centers would be able to develop **SLIDING SCALE FEES** that would allow them to provide **HIGH QUALITY CHILD CARE FOR ALL CHILDREN** of **ALL ECONOMIC LEVELS!!!**

I have recently started a child care business, **TESSIE'S CHILD CARE, INC.** which is based on obtaining **PRIVATE GRANTS FROM BUSINESSES** to offset the Sliding Scale Fees for the low income families. I made it a for-profit corporation because I want to be in control of the operation of the business, not to get rich. My objectives are:

* to provide affordable, high quality child care for **ALL CHILDREN**

* to help low income families have an opportunity to increase their abilities to improve their quality of life

* to promote all people working together in a positive effort to improve the quality of life in America.

* to enhance the education of children by being an education based program that promotes learning for children by using many different learning strategies and hands-on projects

* to promote parenting training to help those parents interested in improving their parenting skills

* to improve training for all staff members so as to broaden their scope and understanding of children and activities to aid in their teaching of the children and work with the parents

* to improve the community by inviting volunteers to visit the classrooms to teach, tell and read stories, to share their work skills, and to show the children how we all work together to help each other

* to provide a professional and parent "Borrowing Center" so that materials, books, toys, and equipment can be made available to aid in teaching the children and increase adult understanding of children

* to provide child care at the highest level possible for **ALL CHILDREN** !!

Over the last two decades we have seen other countries meet and surpass our education standards. Our children haven't lost their inherent abilities to learn, they have been concentrating on learning things that promote the bad news in the media. Our children have become street wise and couch potatoes. What kind of a future is there for our children? How will they live and govern themselves and their children?

With high quality child care available only for those who can afford it we as a Nation are making a serious mistake. All children need and deserve to have good care and learn to RESPECT themselves and others as well as property. They don't learn that while they are home alone, crowded in a poor environment, or running the streets.

On the other side of the coin, for a family to be involved in a program as I have described, they would have to show proof of working, in training or going to school. It would be verified every six (6) months. The parents have to be truly interested in helping their families and our country.

This is all a positive step for our country and a simple solution to the child care reform of today. To change the tax laws to allow businesses to donate money and gifts-in-kind to **FOR-PROFIT** child care with a **SLIDING SCALE FEE** for families of low income.

This structure also promotes families to get off the welfare system if the parents are required to work a MINIMUM of 30 hours per week and no maximum. The parents going to school or getting training would have to carry a full load (12 units) or (8 hours) of training per day.

The government could also use this as an opportunity to create more jobs, and training centers for parents who wish to improve their quality of life and the standards of living for the United States.

Thank you for your consideration of my proposal. I would be happy to come to Washington and speak with the committee and further explain and demonstrate my ideas.

Yours truly,

Theresa E. Schneider

WELFARE REFORM

HEARINGS

BEFORE THE

SUBCOMMITTEE ON HUMAN RESOURCES

OF THE

COMMITTEE ON WAYS AND MEANS

HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTH CONGRESS

SECOND SESSION

MAY 22 AND 23, 1996

Serial 104–62

Printed for the use of the Committee on Ways and Means

U.S. GOVERNMENT PRINTING OFFICE

37–329 CC WASHINGTON : 1997

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-054167-0

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WELFARE REFORM

WEDNESDAY, MAY 22, 1996

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

The Subcommittee met, pursuant to notice, at 10:44 a.m., in room 1100, Longworth House Office Building, Hon. E. Clay Shaw, Jr., (Chairman of the Subcommittee) presiding.

[The advisories announcing the hearings follow:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON HUMAN RESOURCES

FOR IMMEDIATE RELEASE
May 15, 1996
No. HR-11

CONTACT: (202) 225-1025

Shaw Announces Hearing on Welfare Reform

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 welfare reform. **The hearing will take place on Wednesday, May 22, and continue on Thursday, May 23, 1996, in the main Committee hearing room, 1100 Longworth House Office Building, beginning at 10:00 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 a representative from the Clinton Administration and individuals familiar with various welfare programs. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Subcommittee and for inclusion in the printed record of the hearings.

BACKGROUND:

Several welfare reform bills have been introduced in the 104th Congress. Two similar welfare reform bills have been passed by both the House and Senate, one as part of the Seven-Year Balanced Budget Reconciliation Act of 1995, and the other as a stand-alone provision. Since President Clinton's veto of those two bills in December 1995 and January 1996, several other bills have been developed or introduced, including a bill that President Clinton submitted to Congress as part of his fiscal year 1997 budget.

As Congress prepares to develop new welfare reform legislation, the Subcommittee intends to examine the President's bill and several of the leading welfare reform issues.

Committee Chairman Bill Archer (R-TX), along with Subcommittee Chairman Shaw, intend to introduce a welfare reform bill in preparation for consideration by the Committee on Ways and Means based on the principles and specific proposals recently advanced by the National Governors' Association.

FOCUS OF THE HEARINGS:

Dr. Mary Jo Bane, Assistant Secretary for Children and Families of the U.S. Department of Health and Human Services, will testify on May 22 to explain and answer questions about the President's welfare reform bill.

On May 23, the Subcommittee will continue its investigation with a more detailed focus on why welfare reform is necessary. Invited witnesses will present testimony on welfare dependency, welfare for noncitizens, welfare fraud and abuse, and child support enforcement.

The Subcommittee has already conducted a hearing on the role of welfare in promoting nonmarital births. Nonetheless, it is expected that this issue will receive attention on both days.

In announcing the hearing, Chairman Shaw said: "We are going to make another serious effort to reform the nation's failed welfare system. In holding this hearing, we intend to show that our current welfare system causes more problems than it solves. For the sake of poor parents and especially poor children who are often snared in welfare's vicious traps, we simply must find a way to achieve welfare reform this year."

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, Thursday, June 6, 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 Committee on Ways and Means office, Room 1102 Longworth House Office Building, at least two hours 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'.

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NOTICE -- CHANGE IN ROOM

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON HUMAN RESOURCES

FOR IMMEDIATE RELEASE
May 17, 1996
No. HR-11-Revised

CONTACT: (202) 225-1025

Room Change for Subcommittee Hearing on Thursday, May 23, 1996, on Welfare Reform

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 hearing on Welfare Reform previously scheduled for Thursday, May 23, 1996, at 10:00 a.m., in 1100 Longworth House Office Building, **will be held instead in room B-318 Rayburn House Office Building.**

All other details for the hearing remain the same. (See Subcommittee press release No. HR-11, dated May 15, 1996.)

*****

NOTICE -- CHANGE IN TIME

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON HUMAN RESOURCES

FOR IMMEDIATE RELEASE
May 21, 1996
No. HR-11-Revised

CONTACT: (202) 225-1025

Time Change for Subcommittee Hearing on Wednesday, May 22, 1996, on Welfare Reform

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 hearing on Welfare Reform previously scheduled for Wednesday, May 22, 1996, at 10:00 a.m., in 1100 Longworth House Office Building, **will be held instead at 10:30 a.m.**

All other details for the hearing remain the same. (See Subcommittee press release No. HR-11, dated May 15, 1996.)

*****

Chairman SHAW. Good morning. If staff and guests could take their seats, we will proceed with the hearing this morning.

I am pleased to have with us today the Assistant Secretary for Children and Families of the Department of Health and Human Services, Dr. Mary Jo Bane. We thank you for coming and look forward to your testimony. You are certainly an old friend of this Subcommittee.

Today's hearing is the first day of a 2-day hearing. Dr. Bane will describe to us the details of the 360-page welfare bill that President Clinton sent to the Hill on April 26. Tomorrow, we will hold a hearing on the new Republican welfare bill.

This has been quite a week for welfare reform, from President Clinton's radio speech on Saturday to Senator Dole's welfare reform initiative yesterday. It is safe to say that our Nation is about to engage in a very healthy national conversation about how to restructure the failed Federal welfare state, and, I might say, it is about time. We should have done this many, many years ago.

As Republicans move forward with welfare reform, our efforts will be built upon what I call the four pillars of the Republican welfare reform. Pillar one—able-bodied people should work for their benefits. I note that CBO, the Congressional Budget Office, has analyzed the work requirements of the Republican plan and compared them to the President's work requirements. The Congressional Budget Office has concluded the President's plan puts far fewer people to work than the Republican plan. I hope the administration will agree to toughen up its work requirements by dropping many of the exemptions and loopholes it has proposed.

The second pillar—welfare should not be a way of life. It should be a temporary helping hand, a hand up, not a handout. The average length of stay for someone on welfare is 13 years today. I think it should be limited to 5 years, with no exceptions other than those determined by the Nation's Governors. Washington should have no say whatsoever in determining these limited exemptions. But here, too, I note the administration's bill includes a wide variety of Washington-based loopholes and exemptions that render the 5-year limit absolutely meaningless.

The third pillar—if you are not an American citizen, you should not automatically get welfare. To me, this is common sense. America is and will always be a land of opportunity for immigrants, but no one should come here looking for a handout. Dr. Bane, there is some room here in your bill for improvement. I hope you will agree to consider tougher standards so that welfare does not go to people who are not American citizens.

Get welfare out of Washington and return it to the States. This is the final pillar of welfare reform. We should abolish the Federal entitlement to welfare and turn the program over to the States. The Washington lawyers and bureaucrats have not gotten it right yet. It is time to get them out of the way. Here, too, I hope the administration will come around.

Further, if you are a felon sitting in a State or local prison, you should not get welfare. Our denial of welfare to felons' provisions are new and I hope that you will agree to support them. I am confident that you will, in all likelihood.

Before I yield to the distinguished Ranking Democratic Member, I want to make one final observation. My radio is an old one and its reception is not very good, but it sure seems like the radio address I heard from President Clinton on Saturday is not coming in well anymore. I thought I heard the President say that he endorsed the Wisconsin waiver request. Now I read the President wants to change or deny many key items in the waiver. Instead of committing to sign the waiver in its entirety, the President now has committed himself to "negotiations." Dr. Bane, I hope you will give us the latest on the President's position on the Wisconsin waiver.

Now I yield to the gentleman from Tennessee for opening remarks.

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

We, as Democrats, want to join with you and say that in the spirit of the Human Resources Subcommittee, we would like to see a bipartisan bill move from this Subcommittee to the Full Committee and hopefully reform the welfare system in this Nation as long as we can continue to focus on education, training, and protecting children in this country.

I personally would like to welcome Dr. Mary Jo Bane to testify before the Subcommittee today, and Mr. Chairman, I would like to yield to Mrs. Kennelly from Connecticut to give the opening statement on behalf of the Minority on the Subcommittee.

Chairman SHAW. The gentlelady from Connecticut.

Mrs. KENNELLY. Thank you, Mr. Ford, and thank you, Mr. Chairman, for calling this hearing this morning, and thank you for inviting Dr. Mary Jo Bane to be our only witness.

Dr. Bane knows the welfare issue. She is both an academic and a practitioner. She ran the New York Social Service Department, conducted our first real research on durations of welfare stays, and taught public policy at Harvard's Kennedy School for many years. Mary Jo Bane is an expert on welfare and a straight shooter, and I am delighted she could join us today.

In case anyone has not noticed, we have entered a Presidential election year and welfare reform is a hot topic. President Clinton can point with pride to a vast array of encouraging statistics. There are 1.3 million fewer welfare recipients today than when he took office and 1 million fewer food stamp recipients. The poverty rate is down, as are teenage pregnancy rates in 30 of the 41 States. Child support collections have grown by 40 percent and millions of families are now getting child support that they are owed. Paternity establishments are also up.

So that is good news for all of us. It is even better news for the American people. But President Clinton is not satisfied. He and Senator Dole both want a new welfare system, built on a strong commitment to work and personal responsibility. So do I, and so does, I think, every member on this panel.

Real welfare reform gives poor children a safety net on which to rely, and that is what President Clinton wants and I would think everyone on this Subcommittee would also want. We really should want welfare reform that makes sure children are not punished for the mistakes of their parents. Real welfare reform also makes certain that States deliver on their commitment to protecting children.

What we might see if we have a block grant, sending back everything to the States to decide upon with no Federal standards, the poor, the elderly, the disabled, and children fighting for very, very limited resources.

So real welfare reform means protection of the children, but it also means tough, fair work requirements for adults. It means making sure everyone who is able to work works.

So I welcome this hearing. I only wish the public had more time to examine the bill that is before us at this moment or is about to come before us, but I really think every member of this panel wants to move ahead. If this is more than an election year go around or election year posturing, then Democrats and Republicans are going to have to work together to bring forth welfare reform. The American public has had it. They know the system is broken.

Mr. Chairman, I hope at this point in this session all of us can work together. We know the subject cold. We have Dr. Bane with us today. Let us do welfare reform that protects the children and makes sure those that have gotten into the situation are able to go to work.

Chairman SHAW. Thank you, Mrs. Kennelly.

Dr. Bane, as was pointed out by Mrs. Kennelly, you are the only witness this morning. You may proceed as you wish. Your full statement will be made a part of the record, without objection.

Dr. Bane.

STATEMENT OF HON. MARY JO BANE, PH.D., ASSISTANT SECRETARY FOR CHILDREN AND FAMILIES, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Ms. BANE. Thank you. Mr. Chairman, Mr. Ford, Members of the Subcommittee, I want to thank you for giving me the opportunity to testify about the President's vision of welfare reform. I would like to summarize the testimony which has been submitted for the record.

Throughout the years, this Subcommittee, including many of its current Members, has built a great tradition of bipartisan leadership on issues of welfare reform. The administration looks forward to working closely with you in this tradition to reach a bipartisan consensus on welfare reform legislation.

Last month, the administration submitted to Congress a welfare reform bill entitled the "Work First and Personal Responsibility Act of 1996." This bill will replace the current welfare system with one that demands responsibility, strengthens families, protects children, and provides States with broad flexibility. This comprehensive proposal lays the groundwork to reform the Nation's failed welfare system, and it serves as an excellent starting point for further discussions that we hope will lead to bipartisan reform.

The President has made it quite clear that if Congress sends him a clean welfare reform bill that requires work, promotes responsibility, and protects children, he will sign it.

We greatly appreciate the efforts of the National Governors' Association in achieving a bipartisan consensus on a framework for welfare legislation and in continuing to work to add further details to their proposal. While their proposal needs to be improved in important ways, we believe the Governors have moved the debate for-

ward and have increased the likelihood that Republicans and Democrats, working together, will produce bipartisan solutions to reforming our welfare and Medicaid Programs.

We also appreciate the fine work of the bipartisan Castle-Tanner and Breaux-Chafee groups on welfare reform. It is now up to this administration and this Congress to build on the spirit of these bipartisan efforts to reach our mutual goals: Flexibility for the States, incentives for AFDC recipients to move from welfare to work, increased parental responsibility, and protections for our most precious resource, our children.

We in the administration are proud the efforts we have taken over the past years at both the Federal and the State levels have begun to pay off. Welfare rolls are down. Since January 1993 the number of people receiving AFDC has declined about 9 percent, from 14.1 million recipients in January 1993 to 12.8 million recipients in February 1996.

Many more AFDC recipients are participating in work and training activities. Between 1992 and 1995, the number of recipients participating in the JOBS Program in an average month rose 28 percent, from 510,000 to 650,000.

The child and general poverty rates are down. The poverty rates for children under 18 declined from 22.7 percent in 1993 to 21.8 percent in 1994, while the overall poverty rate declined from 15.1 to 14.5 percent. After 4 straight years of increases in the number of people in poverty, the number of those living in poverty fell, from 39.3 million in 1993 to 38.1 million in 1994.

Child support collections are up. Between 1992 and 1995, child support collections rose 40 percent, from $8 to $11 billion. Similarly, preliminary data show an estimated 735,000 paternities established in fiscal year 1995, up from about 516,000 in 1992.

Under the Clinton administration, the country is producing more jobs and enabling more families to become self-supporting. The financial conditions of State and local governments have improved, enabling them to implement the provisions of the Family Support Act more fully.

The President has worked with Congress to expand the earned income tax credit to help make work pay more than welfare. This program is a powerful work incentive that enables hundreds of thousands of families to choose work over welfare.

In addition to the improved economy, we believe that the initiation and implementation of major welfare reform efforts at the State and local level have been critical factors in the decline of the welfare rolls. Over the last 3 years, we have worked with Governors and other State and local elected officials to give 38 States the flexibility to design welfare reform strategies that meet their specific needs. These efforts are directly affecting almost 10 million welfare recipients throughout the country, or 75 percent of all welfare recipients nationwide.

We continue to move ahead. On May 10, the President directed Secretary Shalala to implement an initiative to strengthen parental responsibility among teen parents. This initiative builds on the belief, which I am confident is shared by this Subcommittee, by the Congress, and by the States, that encouraging parental responsibility must remain a bipartisan imperative.

Building on the successful effort of several teen parent demonstrations, these actions are designed to ensure that virtually all teen parents on welfare get the education and support they need to move toward self-sufficiency. We want to ensure that, consistent with law, teen parents get and stay on a path that will give them and their children the opportunity to achieve productive and healthy lives.

While the demonstrations, recent executive actions, and other initiatives underway can help the welfare system work more effectively, we know they cannot produce the fundamental nationwide changes that bipartisan congressional legislation would.

The President, as part of his balanced budget plan, has proposed a commonsense reform plan that would help to balance the budget while meeting our welfare reform objectives. The "Work First and Personal Responsibility Act of 1996" has several key features that we believe are essential to any true welfare reform measure.

First, it promotes work. It replaces welfare with a new time-limited, conditional benefit in return for work. Within 2 years, parents must go to work, and after 5 years, cash benefits end. All adult recipients must enter into personal responsibility agreements. States with the most effective programs are eligible for performance bonuses.

Second, it promotes responsibility and family. It requires minor mothers to live at home and go to school and it gives States the option to deny additional benefits for additional children who are born while their parents are on welfare. It also contains tough child support enforcement measures and increases the responsibility of alien sponsors by making affidavits of support legally enforceable and by expanding the deeming of sponsor income.

Third, it protects children. It preserves the national commitment to healthy and safe child care, nutrition assistance, foster care, and adoption assistance, and it preserves the ability of States to respond to growing caseloads. It protects States in the event of economic downturns or population growth. It maintains health coverage for poor families. It provides the resources needed to guarantee child care for families required to work and transition off welfare, and it provides mandatory child vouchers for children whose parents reach the time limit.

Fourth, it promotes State flexibility. It gives States new flexibility to design their own approaches to welfare reform. It retains, however, procedural requirements where needed to maintain program integrity, protect against worker displacement, and protect against fraud, while at the same time making it easier to recover improper payments.

The NGA agreement makes numerous modifications to the conference welfare bill that President Clinton was forced to veto last year. Many of these modifications, if adopted by Congress, would improve and strengthen Congress' welfare reform bill and would move it closer to the President's vision of true welfare reform. I have summarized those improvements in my statement for the record.

While the NGA proposal improves on the conference bill in a number of ways, the administration does have serious concerns about several provisions. We agree that States must have flexibility

to design programs to meet their specific needs. However, it is equally essential that the Federal Government ensure accountability in the use of tax dollars and make certain that the safety net for poor children is maintained. These concerns also are summarized in my statement for the record.

The Castle-Tanner proposal addresses many of our concerns about the NGA proposal and provides more viable funding for welfare-to-work activities than either H.R. 4 or the NGA proposal. We believe this proposal provides more viable work, child care, and contingency funding than these other proposals, and it provides for a stronger Federal-State partnership. We have some specific concerns with the proposal, however, which generally involve the AFDC-Medicaid linkage, support for children after the time limit, and immigrant provisions.

We also have some general budgetary concerns with both the Castle-Tanner proposal and the NGA agreement. We support the increased work and child care funding in both these proposals, but we are concerned that changes and reductions in other areas could be too deep and harm children. We believe that it is possible to promote work and protect children without banning benefits to legal tax paying immigrants and without cutting nutrition programs too deeply.

With these changes, we believe that the Castle-Tanner bill could provide the foundation for a truly bipartisan bill.

In conclusion, Mr. Chairman, let me restate the administration's commitment to enact bipartisan welfare reform legislation. The American people want Congress to pass a bill that the President can sign, a bill that honors our values and ensures fiscal integrity. The American people want a bill that promotes work and responsibility. The American people want a bill that protects children and our other most vulnerable citizens. They want a bill that supports families that play by the rules and rewards those who work hard to support themselves. They want a bill that ensures accountability for the use of taxpayer funds. They want real welfare reform. They do not want the Federal Government to abdicate its responsibilities.

The challenge we face is to develop a bill that can do all these things. It is a difficult challenge, but we know that it can be done.

Again, I want to thank this Subcommittee for giving me the opportunity to testify today, and I look forward to answering your questions.

[The prepared statement follows:]

STATEMENT OF MARY JO BANE, PH.D.
ASSISTANT SECRETARY FOR CHILDREN AND FAMILIES
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Mr. Chairman, Mr. Ford, and members of the Subcommittee: I want to thank you for giving me the opportunity to testify today about the President's vision for welfare reform. Throughout the years, this committee, including many of its current members, has built a great tradition of bipartisan leadership on the issues of welfare reform. We look forward to working closely with you in this tradition to reach a bipartisan consensus on welfare reform legislation.

Last month, the Administration submitted to Congress a welfare reform bill entitled the "Work First and Personal Responsibility Act of 1996". This bill will replace the current welfare system with one that demands responsibility, strengthens families, protects children, and provides states with broad flexibility. This comprehensive proposal lays the groundwork to reform the Nation's failed welfare system and serves as an excellent starting point for further discussions that we hope will lead to bipartisan reform.

The President has made it clear that, if Congress sends him a clean welfare reform bill that requires work, promotes responsibility and protects children, he will sign it. However, as the President has noted, good welfare reform should not be ruined by attaching bad proposals that shouldn't be there in the first place. For example, the President has told Congress not to link welfare reform to Medicaid changes that cut coverage to children, to pregnant women, to the elderly, to disabled adults, and to families with children with disabilities, or to cuts in the earned income tax credit which would result in raising taxes on working families. We strongly hope for legislation that builds upon the original NGA welfare agreement, the Senate-passed bill, and the recent bipartisan initiatives in both Houses in a way that can be endorsed by a majority of Democrats and Republicans in both chambers of Congress and supported by the American people.

We greatly appreciate the efforts of the NGA in achieving a bipartisan consensus on a framework for welfare legislation and in continuing to work to add further detail to their proposal. While their proposal still needs to be improved in important ways, we believe that the governors have moved the debate forward and have increased the likelihood that Republicans and Democrats will produce bipartisan solutions to reforming our welfare and Medicaid programs. We also appreciate the fine work of the bipartisan Castle/Tanner and Breaux/Chafee groups on welfare reform. H.R. 3266, introduced by Representatives Castle (R-DE) and John Tanner (D-TN), addresses many of our concerns with the H.R. 4 conference report. It is now up to this Administration and this Congress to build on the spirit of these bipartisan efforts to reach our mutual goals: flexibility for the states; incentives for AFDC recipients to move from welfare to work; increased parental responsibility; and protections for our most precious resource, our children.

The Administration is concerned that the Budget Resolutions do not appear consistent with the goal of bipartisan welfare reform that will move people from welfare to work and protect children. Both the House and the Senate Committee-reported resolutions seek the full level of savings that were in the bill the President vetoed -- 6-year savings of $53 billion (excluding Medicaid savings) under CBO's new baseline. I hope and trust this Committee will report out welfare reform provisions that both Republicans and Democrats can support, and will work with the other Committees and the Senate to develop a bill the President can sign.

The Changing Landscape

We are proud that the efforts we have taken over the past years at both the federal and state levels have begun to pay off. As the President noted in his State of the Union Address, we have started to receive some considerable good news. Several long-term negative trends have begun to reverse themselves.

Recent Trends

The welfare rolls are down. Since January of 1993, the number of people receiving AFDC has declined about 9 percent -- from 14.1 million to 12.8 million in February of 1996.

Many more AFDC recipients are participating in work and training activities. Between 1992 and 1995, the number of recipients participating in the JOBS program (in an average month) rose 28 percent, from 510,000 to 650,000.

The child and general poverty rates are down. The poverty rates for children under 18 declined from 22.7 percent in 1993 to 21.8 percent in 1994, while the general poverty rate declined from 15.1 percent to 14.5 percent. After four straight years of increases, the number of people living in poverty fell -- from 39.3 million in 1993 to 38.1 million in 1994.

Food stamp rolls are down. Food stamp participation has fallen by over 2 million persons since February 1994, to 25.7 million in February 1996.

Teen birth rates have gone down. According to the CDC, the birth rate for teens aged 15-19 declined 4 percent from 1991 to 1993. (Also, in 30 of 41 reporting states, teen pregnancy rates declined between 1991 and 1992.)

We also have encouraging evidence on how well the JOBS program can work. A recent evaluation of employment-focused JOBS programs showed that program enrollees received 22 percent fewer AFDC benefits and 14 percent fewer food stamp benefits than those not enrolled in JOBS. They also were about 25 percent more likely to be employed and to have higher earnings.

Child support collections are up. We continue to make progress in our efforts to ensure that absent parents contribute to the support of their children. Between 1992 and 1995, child support collections rose 40 percent, from $8 billion to $11 billion. Similarly, preliminary data show an estimated 735,000 paternities established in FY 1995, up from about 516,000 in 1992. These increases reflect improvements in state collection and paternity establishment efforts, IRS offsets of income tax refunds, and federal accountability for payments of support due by federal employees.

Economic Gains

Under the Clinton Administration, we are producing more jobs and enabling more families to become self-supporting. The financial conditions of state and local governments have improved, enabling them to implement the provisions of the Family Support Act more fully. States have been able to provide AFDC recipients more of the services they need to secure and keep employment.

The President also has worked with the Congress to expand the Earned Income Tax Credit to help make work pay more than welfare. This program is a powerful work incentive that enables

hundreds of thousands of families to choose work over welfare. The expansion enacted in 1993 increased the annual take-home pay by $1,430 for a two-child family with a parent working full time at the minimum wage.

Waiver and Demonstration Projects

In addition to the improved economy, we believe the initiation and implementation of major welfare reform efforts at the state and local level have been critical factors in the decline of the welfare rolls. Over the last three years, we have worked with governors and other state and local elected officials to give 38 states flexibility to design welfare reform strategies that meet their specific needs. This Administration has encouraged states to find innovative ways to move people from welfare to work and to promote parental responsibility. These efforts are directly affecting almost 10 million recipients throughout the country or 75 percent of all welfare recipients nationwide. States, led by governors of both parties, are now demanding and supporting work; time-limiting assistance; requiring teens to stay in school and live at home; strengthening child support enforcement; and strengthening families. To enable us to be more responsive to states' interest in welfare reform, last summer we implemented a "fast-track waiver" process which promises approval within 30 days for state requests which follow one of five strategies for reform. Our "fast track" process also allows electronic application via the Internet.

Executive Actions

We continue to move ahead. The President directed and regulations were published by the Department of Agriculture on May 1st that would change the rule to ensure that welfare recipients who refuse to work or go to school do not receive increased food stamp benefits to offset the decreases made in their welfare checks.

On May 10, the President directed Secretary Shalala to implement an initiative to strengthen parental responsibility among teen parents. This initiative builds on the belief -- which I'm confident is shared by this committee, Congress, and the states -- that encouraging parental responsibility must remain a bipartisan imperative.

Building on the successful efforts of several teen parent demonstrations, these actions are designed to ensure that virtually all teen parents on welfare get the education and support they need to move towards self-sufficiency. We want to ensure that, consistent with current law, teen parents get and stay on a path that will give them and their children the opportunity to achieve productive and healthy lives. Ohio has used the flexibility offered by the current waiver process to implement a model program called LEAP -- Learning, Earning, and Parenting. A recent report showed that LEAP has significantly increased the number of teen mothers who completed school, went to work, and left welfare.

Secretary Shalala has written to all governors recognizing efforts made to date and soliciting their cooperation in fully implementing the President's initiative. On May 14th, we issued an action transmittal giving state agencies additional guidance. The action transmittal:

1) Requires states and Tribal grantees to update their JOBS plans by describing how they will monitor school attendance, ensure that teen parents stay in school, and provide needed services, such as safe and healthy child care for children while their parents are in school.

2) Requires states and Tribal grantees to require teen parents to sign comprehensive personal responsibility plans. These plans address not just employment goals, but expectations regarding school attendance, possible parenting activities or other parental responsibilities, and services to be provided in support of their participation in activities. The Personal Responsibility Plan reminds the teen parent that establishing paternity to receive child support, finishing school and then finding work are paramount to becoming self-sufficient. In this way, Personal Responsibility Plans reinforce state-designed welfare reform and cultural change activities taking place across the country.

3) Enables states to reward teen parents who stay in school and complete high school, in addition to sanctioning those who don't. This will allow more states to follow Ohio's lead and set up programs similar to the encouraging LEAP initiative.

4) Strongly urges states to implement the optional AFDC provision requiring minor parents to live at home or with a responsible adult to receive assistance.. Currently, only 21 states are implementing this minor parent provision. We are urging all 50 states to help ensure that teen parents live in supportive family environments to improve their chances for productive, successful lives.

Finally, the action transmittal addresses our commitment to working in partnership with states on developing effective teen parent programs, through information-sharing, technical assistance, and other related activities.

Need for Legislative Action

While the waiver projects, recent executive actions, and other initiatives underway can help the welfare system work more effectively, we know they cannot produce the fundamental, nationwide changes that bipartisan Congressional legislation would. As the President said in January, we should take advantage of bipartisan consensus on time limits, work requirements, and child support enforcement to enact national welfare reform legislation. The President has consistently called for bipartisan welfare reform, and the Administration applauds the way Republican and Democrat governors came together on the NGA recommendations. While we have some specific concerns, we also feel there is great promise in the NGA plan and the bipartisan proposals put forward by the Castle/Tanner group on welfare reform in the House, and the Breaux/Chafee group in the Senate. We hope these bipartisan efforts can provide the necessary catalyst for enactment of legislation this year.

We all want welfare reform that promotes work, requires responsibility, and protects children. Real welfare reform is first and foremost about work: requiring recipients to make the transition into the work force as quickly as possible and giving them the tools they need to enter and succeed in the labor market. This will require a change in the culture of welfare offices so that every action provides support and encouragement for the transition to work.

<u>The President's Proposal</u>

The President, as part of his balanced budget plan, has proposed a common sense reform plan that would help to balance the budget while meeting our welfare reform objectives. This comprehensive proposal honors the values of work, responsibility

and the family, while providing states with broad flexibility to tailor welfare reforms to meet state and local needs. The "Work First and Personal Responsibility Act of 1996" has several key features which we believe are essential to any true welfare reform measure.

It promotes work. It replaces welfare with a new, time-limited, conditional benefit in return for work. Within two years, parents must go to work, and after five years, cash benefits end. All adult recipients must enter into personal responsibility agreements. States with the most effective programs are eligible for performance bonuses.

It promotes responsibility and family. It requires minor mothers to live at home and go to school, and it gives states the option to deny additional benefits for additional children who are born while their parents are on welfare. It also contains tough child support enforcement measures: streamlined paternity establishment, new hire reporting, uniform interstate child support laws, computerized statewide collections, and driver's license revocation. In the immigration area, it increases the responsibilities of alien sponsors by making affidavits of support legally enforceable and expanding the deeming of sponsor income.

It protects children. It preserves the national commitment to healthy and safe child care, nutrition assistance, foster care, and adoption assistance, and it preserves the ability of states to respond to growing caseloads. It protects states in the event of economic downturns or population growth, maintains health coverage for poor families, provides the resources needed to guarantee child care for families required to work and transition off welfare, and provides mandatory vouchers for children whose parents reach the time limit.

It provides state flexibility. It gives states new flexibility to design their own approaches to welfare reform. It allows states not only to set their own benefit levels, but gives them new freedom to decide the eligibility rules for needy families -- e.g., in terms of counting income, setting resource limits, and defining family units. It also provides states more flexibility to administer their programs as they see fit, with a redirection of federal oversight from process to outcome issues. However, it retains procedural requirements where needed to maintain program integrity, protect against worker displacement and protect against fraud (while making it easier to recover improper payments).

Taken together, these proposals will end the current welfare system, by requiring work, demanding responsibility, strengthening families, protecting children, and providing state flexibility.

The NGA Agreement

The NGA agreement makes numerous modifications to the conference welfare bill that President Clinton was forced to veto last year. Many of these modifications, if adopted by the Congress, would improve and strengthen Congress' welfare reform bill and move it closer to the President's vision of true welfare reform.

As we understand it, the NGA proposal:

- reflects an understanding of the child care resources states will need in implementing welfare reform by adding $4 billion for child care above the level in the conference report for H.R. 4. This improves upon

H.R. 4, which does not provide child care resources needed for those required to move from welfare to work and low-income working families at-risk of welfare dependency.

- recognizes the importance of child support enforcement to welfare reform and includes all of the major proposals for child support enforcement reform in the President's bill.

- makes improvements to the performance bonus provisions in the conference agreement by establishing a separate funding stream to pay for bonuses.

- modifies the work requirements to make them more feasible and less costly for states to meet. In particular, the Administration is very supportive of provisions that allow part-time work for mothers with pre-school age children and that give states more flexibility to set the number of hours per week welfare recipients must work.

- adopts several provisions from the Senate-passed bill -- including exemptions from the time limit; a true state option on implementing a family cap; and requirements that teen mothers live at home and stay in school.

- does not include any of the provisions for a child nutrition block grant demonstration proposed in H.R. 4, which would have undermined the program's ability to respond automatically to economic changes and maintain national nutrition standards.

- does not include any immigrant provisions. However, in the NGA letter to the welfare conferees dated October 10, 1995, the governors specifically *supported* the deeming approach of the Administration and *opposed* banning provisions such as those contained in H.R. 4.

- provides some additional resources for a countercyclical contingency fund and adopts another, more responsive trigger mechanism (which allows states to qualify for contingency funds) based on Food Stamp caseload.

Maintaining a strong federal-state partnership. While the NGA proposal improves on the conference bill in a number of ways, the Administration has serious concerns about several provisions. We agree that states must have flexibility to design programs to meet their specific needs. However, it is equally essential that the federal government ensure accountability in the use of tax dollars and make certain the safety net for poor children is maintained.

A serious concern about the NGA proposal generally is that the federal-state partnership is severely weakened. The current system of federal and state matching always has been the "glue" that holds this partnership together; it is an integral part of the welfare reform plan the Administration has proposed, but is largely absent from the NGA proposals. There is not adequate accountability for taxpayer dollars or adequate protections against worker displacement. Among the specific NGA provisions we oppose are:

- the authority of states to transfer up to 30 percent of their cash assistance block to other programs such as Title XX, the Social Services Block Grant -- in effect, permitting substitution of federal dollars for state dollars and potentially reducing the effective

maintenance of effort requirement to 45 percent or less (and 0 percent for some states).

- the omission of Senate provisions for ensuring safe and healthy child care.

- the lack of a strong requirement that states set forth and commit themselves to objective criteria for the delivery of benefits and fair and equitable treatment.

- the block grants in child welfare. Federal and state child protection programs provide an essential safety net for the nation's abused and neglected children in foster care and special needs children needing adoption. As we embark upon bold new welfare reform initiatives, it is critical to maintain a strong child protection system for these extremely vulnerable children. Unlike the Senate's bipartisan approach to child protection, the NGA proposal jeopardizes this essential safety net by allowing states to replace current entitlements for adoption, foster care, independent living and family preservation with block grants. The NGA proposal also would block grant important programs focused on prevention of child abuse and neglect.

- the optional food stamp block grant and other provisions that weaken national standards. The nutrition and health of millions of children, working families, and elderly could be jeopardized if many states took advantage of this option.

- the NGA would cut off all food stamp benefits to over half a million low-income Americans who cannot find a job after four months. We agree that anyone who can work should work, but think that work programs need to be available to people who want to work but can't find a job.

Castle/Tanner Proposal

The Castle/Tanner proposal addresses many of our concerns about the NGA proposals and provides more viable funding for welfare to work activities than either H.R. 4 or the NGA proposal. In particular, this bipartisan compromise provides better assurances that recipients will be treated fairly and equitably; provides $3 billion in additional federal matching funds for work activities; maintains health and safety protections for children in child care; allows for further expansion of contingency funding (above the $2 billion cap) under poor economic conditions and during periods of increased need; strengthens the general maintenance-of-effort requirements; requires personal responsibility plans for all AFDC recipients; includes a modest proposal for a national strategy for preventing out-of-wedlock teen pregnancies; and maintains the current safety net for the nation's abused, neglected and adopted children and children in foster care.

We believe this proposal provides more viable work, child care, and contingency funding than either H.R. 4 or the NGA proposal, and it provides for a stronger federal-state partnership. We have some specific concerns with the proposal, however, which generally involve the AFDC-Medicaid linkage, support for children after the time limit, and immigrant provisions. We also have some general budgetary concerns in both the Castle-Tanner proposal and the NGA agreement. We support the increased work and child care funding in both these proposals, but we are concerned that changes and reductions in other areas may be deep and could harm children. We believe it is possible to promote work and protect children without banning benefits to

legal tax-paying immigrants or cutting nutrition programs too deeply.

With these changes we believe the Castle-Tanner bill could provide the foundation for a truly bipartisan bill.

Conclusion

In conclusion, Mr. Chairman, let me restate the Administration's commitment to enact bipartisan welfare reform legislation. I know the President shares my hope that, with the leadership of this committee, the bipartisan cooperation that existed in 1988 will surface again to address the critical issue of welfare reform.

The American people want Congress to pass a bill that the President can sign -- that honors our values and ensures fiscal integrity. They want a bill that promotes work and responsibility, but also protects children and our other most vulnerable citizens. They want a bill that supports families who play by the rules and rewards those who work hard to support themselves. They want a bill which ensures accountability for use of taxpayer funds. They want real welfare reform; they do not want the federal government to abdicate its responsibilities.

The challenge you face is to develop a bill that can do all these things. It is a difficult challenge, but we know it can be done. The Administration was disappointed with the bill that came out of conference on H.R. 4 last year, but we have been heartened by some of the developments that have taken place since then. We hope that additional progress can be made and that Congress will produce a bill the President can sign.

Again, I want to thank this Committee for giving me the opportunity to testify today, and I look forward to answering your questions.

Chairman SHAW. Thank you, Dr. Bane.

Mr. Camp.

Mr. CAMP. Thank you, Mr. Chairman, and thank you, Dr. Bane. I note that in your testimony we all want welfare reform that promotes work, yet I note in the legislation the President has endorsed, which I do not believe has been introduced, has it?

Ms. BANE. The President has submitted it, yes.

Mr. CAMP. Submitted it, but it has not been introduced in the Congress yet?

Ms. BANE. I believe that is correct.

Mr. CAMP. It has a work requirement and also a provision that benefits would end after 5 years.

Ms. BANE. That is correct.

Chairman SHAW. Cash benefits.

Mr. CAMP. Cash benefits only, but not Medicaid or food stamps. But that has several exceptions, if I understand it, and you do not note any of those exceptions in your testimony. Those include a hardship exception for working simply 20 hours a week, one person in the family, is that correct?

Ms. BANE. Mr. Camp, the bill that we have presented has both tough work requirements and tough time limits. It also provides protection for children and those who cannot work.

Mr. CAMP. Please answer the question. Are there exemptions to the ending of benefits in the bill?

Ms. BANE. There are exemptions to the ending of benefits, that is correct. States are allowed to continue providing supplemental welfare to those people who are working and who, because of their low wages, are not receiving income that is equal to their welfare benefits.

Mr. CAMP. So a voucher is required by the State?

Ms. BANE. The exemption that I have just described applies to working families and is allowed to the States. Our bill does provide for the protection of children whose families are cut off from welfare after the time limit by requiring the States to provide vouchers for their basic needs.

Mr. CAMP. So if one person in the family is working 20 hours a week, the termination of benefits does not apply?

Ms. BANE. Again, Mr. Camp, that is an option that we offer to the States. Many States, by the way, Mr. Camp, have asked for this in their waiver requests.

Mr. CAMP. They are either required to do that or to define their own hardship rule. That is the option you are referring to——

Ms. BANE. That is correct.

Mr. CAMP [continuing]. Hardship exceptions cannot exceed 20 percent of their caseload, is that right?

Ms. BANE. That is correct.

Mr. CAMP. So they either use the defined hardship exceptions in your bill, and I am trying to get what those are, which exempts up to 15 percent of the caseload, or they go the other route and exempt up to 20 percent. I am just trying to flesh out your testimony, which does not indicate those provisions. I just think we need to know what they are.

Ms. BANE. We also have exemptions in our bill, Mr. Camp, for those adults who are unable to work. I think we all agree that

work requirements ought to apply to those who are able to work. Some exemptions in that regard are spelled out for people with serious disabilities, for people who are required to care for a disabled child, and so on.

Mr. CAMP. Also, if the unemployment rate in an area exceeds 8 percent, whether they have the ability to find work or not, the time limit does not apply?

Ms. BANE. Again, that is an option for the States, Mr. Camp. If they wish to use that as an exemption, they may. Many States, again, have asked for that kind of exemption from time limits under their waiver proposals.

Mr. CAMP. And then that one alternative also allows other special hardship exemptions?

Ms. BANE. That is correct.

Mr. CAMP. The last point I want to make is, under this bill, the Congressional Budget Office has determined that in the year 2002, 900,000 welfare parents would be required to be working. Under our bill, the Republican bill, 1.3 million would be required to be working. Do you dispute those figures at all, or are you aware of them?

Ms. BANE. I am certainly aware of them. Mr. Camp, we are all struggling in putting our bills together to have tough work requirements and to make sure the resources are available so States can provide work and child care.

Our bill contains a requirement, as a condition of eligibility, that those who can work do so as soon as the State determines that they are ready to work, or by 2 years, whichever is sooner. The bill has tough, tough sanctions for anyone who refuses to look for a job or to work.

Mr. CAMP. I see my time has expired, but you would not dispute the Congressional Budget Office finding? Do you accept that finding?

Ms. BANE. I believe that those were accurate for the versions of the bills which the Congressional Budget Office looked at.

Mr. CAMP. Thank you.

Thank you, Mr. Chairman.

Chairman SHAW. The time of the gentleman has expired.

Mr. Ford is now recognized.

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

Again, Dr. Bane, let me welcome you to the Subcommittee. Could you just briefly, giving me a quick overview, maybe, of Governor Thompson's plan or the Wisconsin plan, I guess comparing that with the Republican bill. I was just looking at the child care component which is provided to families earning up to 165 percent of the poverty line. Basically, as we try to craft a welfare bill in the Ways and Means Committee, could you give me some comparisons here. I think the waiver came from this administration for Governor Thompson and his welfare package, is that correct?

Ms. BANE. The concept of the Wisconsin waiver request, which is to replace a welfare check with work, to require welfare recipients to work and to ensure that they have the supports to do so, is a concept that this administration enthusiastically supports. We are delighted that Governor Thompson recognizes the importance of both requiring and ensuring work for welfare recipients, of en-

suring child care, not only to welfare recipients but also to those who move off the rolls, and ensuring, we believe, though we have not seen this part of the waiver, health care coverage for those recipients.

Mr. FORD. That is right, but child care and health care coverage during the participation in the work and training phase of the welfare waiver under Governor Thompson's plan, there is a big difference in that and what was sent to the President in the Republican welfare package that was vetoed by the President. Is that correct?

Ms. BANE. The welfare package that was sent to the President and that he vetoed did not, in fact, contain a guarantee of child care for those who are required to work. Governor Thompson's welfare reform proposal contains an assurance of child care not only for those families, but also for other working families.

Mr. FORD. What about the training and education component of Governor Thompson's plan? How does that differ from what was in the welfare package that was vetoed by the President that was better known as the Republican bill here in the Congress?

Ms. BANE. The concept behind the Wisconsin welfare plan is to move recipients into the work force as quickly as possible, get them attached to the work force, and make sure that they are working as quickly as they can in a job which demands as much of them as they can handle. I have not looked closely, Mr. Ford, at the education and training provisions in the Wisconsin waiver proposal.

Mr. FORD. We, as Democrats and Republicans and the American people, including the recipients themselves, agree that welfare recipients that are able to work should work and want to work. As Chairman of this Subcommittee of over a decade, I learned quickly that welfare recipients throughout this country who are able to work wanted to work. The difficulty in many cases is training and education. That was a big problem, and I am sure that a bipartisan effort, with Republicans, Democrats, and this President, would address education and training. We would all like to see a welfare reform package that would offer opportunity for able-bodied Americans, who are unfortunately forced onto the welfare rolls, to move into the work force.

Tell me, Dr. Bane, with the welfare bill moving through this Congress, you have indicated in your opening statement that the President wants a welfare package that would not place children in the welfare population in any danger. I think the problem we are faced with today is that the bill penalizes children while we are trying to go after welfare recipients who are able to work and are not in the work force. If there is a bill that will not offer child care, a bill that will not offer training and education, will the President reject it?

I am not trying to put you on the spot, it is just that I am trying to say to my Chairman and to the Republicans that we as Democrats want to work with you. We would like to have a bill that is bipartisan and would protect children in America and make sure that we have training and education that will move able-bodied adults off the welfare rolls.

Ms. BANE. Mr. Ford, I think the President has been very clear in his support, and indeed, his encouragement for welfare reform

that promotes work, encourages parental responsibility, and provides a safety net for children. I think we very much want to work with this Congress to ensure that the welfare reform that passes does, in fact, ensure that safety net for children.

Mr. FORD. One final question. What is the welfare population? What are those numbers, 15, 14 million?

Ms. BANE. It is about 14 million now, Mr. Ford.

Mr. FORD. Give me a breakdown on those numbers. How many adults are there and how many eligible adults could move into the work force immediately?

Ms. BANE. About two-thirds of the welfare population is, as you know, children. There are——

Mr. FORD. So about 10 million in the population are children.

Ms. BANE. That is correct. About 5 million adults, 4.5 million.

Mr. FORD. Would all 5 million be eligible to work? Would some of the 5 million be disabled adults?

Ms. BANE. Under the President's bill and under many of the bipartisan efforts, any adult who is able to work would, in fact, be required to work.

Mr. FORD. But would all 5 million be able to work?

Ms. BANE. Obviously, many of those five million are not able to work for a variety of reasons, because——

Mr. FORD. So we are talking about a smaller number than the 5 million adults?

Ms. BANE. We do not have an exact estimate, Mr. Ford, of how many welfare recipients have disabilities themselves, have responsibilities for disabled children, or have other responsibilities that would preclude them from working.

Mr. FORD. Thank you, Mr. Chairman.

Chairman SHAW. The time of the gentleman has expired.

Mr. Collins.

Mr. COLLINS. Thank you, Mr. Chairman.

Thank you, Ms. Bane, for attending this meeting again with us today. You have been here several times in the past and it is always a pleasure.

I am pleased to hear the President say that, again, he is wanting the Congress to send him another welfare reform bill. I am also pleased to hear my colleagues on the other side of the aisle say that they are ready, too, to work in a bipartisan effort to achieve this goal because it is a goal that the American people share.

It started in 1992 with the election of Bill Clinton. The majority of people in this country voted for change. Of course, the majority did not vote for the President. Some of them who voted for change voted for another independent candidate. But it is a very hot political issue this year. I am pleased to see and would like to inform them that they are going to get an opportunity to work with us again on this particular issue.

You mentioned a lot of flexibility on behalf of the President and his intent for the States, but the fact of the matter is, the President is actually opposed to block grants to States for welfare and Medicaid, is that not true?

Ms. BANE. The administration has a strong preference to retain the current funding structure which entitles the States to receive a Federal share for increased expenditures during times of reces-

sion and population growth. We also think it is extremely important that the States continue to contribute their own resources to the welfare system. We also believe very strongly that it is important that the States commit to treating welfare recipients fairly and equitably.

Mr. COLLINS. My question——

Ms. BANE. We prefer the entitlement to States as a mechanism to do that, but the President has also indicated his concern with these issues, which can be solved in other ways.

Mr. COLLINS. So the President is actually opposed to the block grant system to the States which would give the States complete flexibility and would also, being that there is only a certain amount of money in block grants, require the States to spend their money on behalf of welfare recipients, is that not true?

Ms. BANE. Naturally, the——

Mr. COLLINS. Yes or no? My time is limited, and you can drag out an answer for a period of time. Is the President opposed to the block grant system?

Ms. BANE. The President has stated his preference for the entitlement and his concern about the three major issues which are involved there.

Mr. COLLINS. I understand that, Ms. Bane, but I also read in your statement that the President is opposed to the block grant system. You put that into your written statement.

You mentioned that the President has submitted a bill, is that not true?

Ms. BANE. That is correct.

Mr. COLLINS. But the bill actually has not been introduced, did I understand that right?

Ms. BANE. I believe that is correct.

Mr. COLLINS. Is that proposal being changed again, the President's bill that he submitted?

Ms. BANE. No.

Mr. COLLINS. You mentioned in your testimony also that the bill would give the States flexibility in exclusions for 5 years on work requirements, but in the proposal, or in the bill that was submitted, the words "shall not"—"shall not" means the States do not have flexibility. They have to abide by certain rules mandated by the Federal Government, is that not true?

Ms. BANE. When the bill says "shall," that is correct.

Mr. COLLINS. Shall or shall not. It means that they shall abide by Federal guidelines. So that takes away the flexibility in that particular area, is that not true?

Ms. BANE. There is an enormous amount of flexibility for the States under the bill that the administration submitted, Mr. Collins, in determining who is eligible, in determining who is needy, and in determining what the requirements are for those who receive welfare.

Mr. COLLINS. But it shall and shall not exempt certain people. Those are mandates.

Ms. BANE. The exemptions for those who cannot work are indeed exemptions that we believe should be in place in all States.

Mr. COLLINS. And would be in place in the President's bill.

Ms. BANE. That is correct.

Mr. COLLINS. Shall means that the States shall do this; they shall not do that. That is a mandate at the Federal level and not State flexibility which you first referred to.

Ms. BANE. The exemptions for those who cannot work would be the same in all States under the President's bill. That is correct.

Mr. COLLINS. And it takes away the States flexibility?

Ms. BANE. In that particular area.

Mr. COLLINS. Georgia has a Work First Program that Governor Zel Miller, who is a very close friend of President Clinton, strongly supports and proposed. He also supports the block grant position. Do you find that kind of odd?

Ms. BANE. I think there are legitimate differences of opinion. Some States would benefit under the block grants. Some States would be terribly disadvantaged under the block grants. It is not surprising that the Governors differ.

Mr. COLLINS. But is it not true that the Governor of a State who does support the block grants, too, is very concerned about constituents in that State, so therefore they do have the recipient at heart, not so much the President?

My time is up. Thank you.

Chairman SHAW. Did you want an answer to that?

Mr. COLLINS. No, Mr. Chairman.

Chairman SHAW. Mr. Levin, you may inquire.

Mr. LEVIN. Dr. Bane, welcome. I think all of us should welcome your clear statement about the need to reform welfare, that the status quo is unacceptable, that we need to link welfare with work, with some workable time limits, that we need to combine the national interest in the 9 or 10 million children who are involved with major State flexibility.

Indeed, you would think at first blush after hearing your testimony that an agreement would be feasible. Indeed, as I have said before at a hearing here, I think there is a mainstream that is for welfare reform that can find common ground if it will do so and avoid making this a political issue.

I think the problem until now, in part, has been that the majority has proceeded on a very partisan basis and I think your call to try to work this out on a bipartisan basis needs to be heeded. Otherwise, we are just going to reach a dead end again.

Let me ask you so it is clear, just review quickly the problems the President had with H.R. 4, why he vetoed it.

Ms. BANE. The President vetoed H.R. 4 because it would have done little to move people from welfare to work and because it included deep budget cuts and structural changes in child welfare, school lunch, aid to disabled children, and other programs that have nothing to do with real welfare reform.

The President vetoed the bill because welfare reform is, first and foremost, about work, and because the conference bill weakened several important provisions. Any welfare reform bill that we would all support would make sure adequate child care resources are available for people who work, that health coverage is guaranteed, that States maintain their stake in moving people from welfare to work, and that there is a performance bonus for States who succeed in moving people from welfare to work.

The President also vetoed the bill because it seemed to be designed to meet arbitrary budget targets rather than to really accomplish its ends. It included harmful cuts to children who are abused and neglected, disabled children, strict bans on immigrants, and so on.

Mr. LEVIN. Let me just quickly review those, because the Governors then issued a proposal and apparently there is now a new Republican bill. It would appear the Governors' proposal moved in the direction that the President urged in his veto message.

For example, in child care, did the Governors' proposal improve on H.R. 4, the conference report that was vetoed by the President?

Ms. BANE. The Governors' proposal clearly improved on H.R. 4 in that area. Mr. Levin, I would note that I am speaking about the Governors' proposal as it has been described, not about the bill which I understand Mr. Shaw will be introducing.

Mr. LEVIN. Apparently, there was a discussion of that this morning. We have not seen it. But from the outline that we have, it would appear this new proposal moves from the bill that was vetoed toward more adequate money for child care.

Let me ask you, in terms of SSI—let us just take a few of these others—the bill that was vetoed had a two-tier system.

Ms. BANE. That is correct.

Mr. LEVIN. The Governors rejected that?

Ms. BANE. The Governors rejected that, and I believe there is actually fairly wide bipartisan agreement now, Mr. Levin, on appropriate ways to tighten up the SSI system as it relates to disabled children without making it discriminatory, if you will, to cut in on those benefits.

Mr. LEVIN. That is one reason it seemed to me that the bill that was vetoed was harsh on kids.

Ms. BANE. Absolutely.

Mr. LEVIN. It has been dropped, apparently. The contingency fund in case of a recession, the Governors essentially said that what was in H.R. 4 was inadequate. Just comment a bit about the importance of the contingency fund, why the President found it inadequate, and what it is, maybe.

Ms. BANE. The contingency fund is a mechanism for responding to changes in the economy and changes in population that in most cases are not under the control of the States but which have an effect on the number of State citizens who need help. We think the Federal Government should share in the cost of helping the needy under those conditions. Therefore, we think it is important that there be an adequate contingency fund that can adequately respond to those changes in State economies and State populations.

Mr. LEVIN. Thank you. My time is up.

Chairman SHAW. Mr. English may inquire.

Mr. ENGLISH. Thank you, Mr. Chairman.

Secretary Bane, I welcome some of your comments this morning and some of the comments of my colleagues on the other side because I take them to be an indication that the rear guard action that we saw last year against welfare reform on a very partisan basis might stop this year, and we do have an opportunity to move forward on a very bipartisan basis.

To do so, I want to clarify the administration's position because some of us have wondered if the administration's position on welfare reform is not a moving target. I would like to pass a bill out of this Subcommittee and through Congress that the President will not veto, so I would like to pin down a couple of specifics.

The President in his veto message said that H.R. 4 "does too little to move people from welfare to work." I would like to pin you down on the specifics of what we are talking about. The Congressional Budget Office has determined that in 2002, 900,000 welfare parents would be required to be working under your proposal, whereas 1.3 million would be required to be working under the new Republican bill and H.R. 4, which the President vetoed.

If H.R. 4 is, in fact, weak on work, as we were hearing that incantation last year in this Subcommittee, how is the President's bill tough on work? If we pass something along the lines of what is now being proposed on the Republican side, with tougher work requirements, can we be guaranteed that we are not going to see a veto based on the idea that our bill is too weak on work?

Ms. BANE. I think we share the goals of developing a bill which is both tough on work and provides the resources to make it possible for States and welfare recipients to work. The President was very concerned the resources in the conference bill that were available for the States to run work programs and to provide child care for those required to work were not sufficient.

Mr. ENGLISH. Very good. Secretary Bane, on that point, and since my distinguished colleague from Michigan raised it, I want to get into whether the Republican bill has adequate money for child care. Again, according to the CBO, the administration block grant on child care contained $12.2 billion, whereas the Republican proposal contained $13.9 billion.

If you are arguing that there is not enough money for child care, does this mean, by virtue of its lower funding for child care, the administration bill presumes fewer welfare families will be working and needing child care, or is the Republican proposal, by virtue of having a higher number than your proposal, in fact, adequate for child care?

Ms. BANE. Again, Mr. English, I think what we have to strive to do is to get that balance right, the balance between the requirements and the resources that are available for child care. We consider an increase in the funds for child care over what we have proposed in our bill a friendly amendment, and we would be delighted to work with you to provide more money for child care and to ensure that there are tough work requirements accompanied by resources available for child care.

Mr. ENGLISH. I am grateful for that, Madam Secretary, and in the case of our bill, more funding for child care obviously will not require an amendment.

I also had a question with regard to the exemptions for work requirements for parents. You have proposed that parents who are ill or incapacitated be exempted from the work requirements in the welfare reform bill. That is an attractive notion on a number of different levels, but what do you specifically mean by "ill or incapacitated"?

Ms. BANE. Obviously, that would be defined by the State, Mr. English, and it would be defined by the State consistent with their own approaches to their labor law——

Mr. ENGLISH. So there would be no single Federal standard on this?

Ms. BANE. That is correct.

Mr. ENGLISH. Would drug addiction or alcoholism qualify as an illness or incapacity potentially under what you have proposed?

Ms. BANE. Not in and of itself. As you know, the rules on disability are determined under the guidelines of the Americans With Disabilities Act.

Mr. ENGLISH. Thank you. Secretary Bane, I will leave it to some of my colleagues to follow through on this questioning, but I appreciate your being here. I think it is imperative that we pass a bipartisan welfare reform bill. I believe we have tried to do that in the past and we would welcome an opportunity to work with you to come up with a mainstream welfare reform proposal along the lines of what we have proposed in the past that will give the States the flexibility and the resources to address their poverty problem locally.

Thank you, Mr. Chairman.

Chairman SHAW. Dr. Bane, did I understand you to say the Americans With Disabilities Act defines disability as for receiving AFDC in either existing law or the President's bill? If it is, that is all new to me.

Ms. BANE. The Americans With Disabilities Act does lay out guidelines for defining disability and specifies in title II that no one can be denied a benefit by a government entity solely on the basis of a disability.

Chairman SHAW. I am aware of that, but there is no connection between the two, as I understand it, and I think it is also important to note that under the Republican bill that has been worked out, or the Governors' bill, there is a 20-percent latitude that can be taken off of the welfare requirements of work. I would assume, as I would hope you would assume, that the States would reserve that for those who cannot find jobs because of no fault of their own.

Ms. BANE. Mr. Shaw, I am pleased to hear that you increased the exemption that the States can use, and I assume that the States would, indeed, use it that way.

Mr. LEVIN. Mr. Chairman, would the gentleman yield for a moment?

Chairman SHAW. Yes, I will yield, and then I will recognize Mr. Rangel.

Mr. LEVIN. Just for a moment. As we have discussed this, and unfortunately, there has not been enough discussion, I think, across party lines, the 15, now 20 percent, which apparently is in your proposal could relate to those who are disabled. It also could relate to people with young children, because, I think——

Chairman SHAW. There is no restriction as to how the States could use that exemption.

Mr. LEVIN. And also, it could relate to people who were looking for work but unable to find it. So I think it is undefined.

Chairman SHAW. The maximum flexibility to the State is the hallmark of the Republican plan and the Governors' plan.

Mr. Rangel is recognized.

Mr. RANGEL. Dr. Bane, welcome. How many waivers has President Clinton given in terms of requests from States in this area?

Ms. BANE. As of last week, 61 waivers to 38 States.

Mr. RANGEL. It is my understanding that President Reagan had granted 13, and President Bush only 11. Is that correct?

Ms. BANE. I believe that is correct, Mr. Rangel.

Mr. RANGEL. The President seems to be proceeding quickly in reform through Executive orders. Has his last Executive order relating to teenage pregnancy gone into effect, or was that just a press release?

Ms. BANE. Oh, that is a very serious effort, Mr. Rangel. The President has consistently said that he hopes we will have bipartisan welfare reform legislation, but in the meantime, while we do not, we as an administration have been moving forward in every way we can to move the agenda of work, of parental responsibility, and of protection of children through waivers and executive actions.

What the President did with regard to minor mothers is to direct the Secretary of Health and Human Services to use her authority under the Social Security Act to really put teeth in the requirements that teen mothers be in school and get themselves ready for employment. That action builds on some very promising results that we have from evaluations in the State of Ohio, and I think the executive action will be very important in moving the agenda of parental responsibility forward.

Mr. RANGEL. The President has indicated that the Wisconsin plan is something that he could support. Is that correct?

Ms. BANE. The President has indicated that the concept behind the Wisconsin plan of putting people to work and of providing the supports for them is something that we are very enthusiastic about.

Mr. RANGEL. It is my understanding that, like the Clinton plan, there are no cuts in school lunches. In the Republican bill, however, they do cut it. Is that correct?

Ms. BANE. That is correct.

Mr. RANGEL. It is my further understanding the Wisconsin plan does not cut aid to disabled children, but the so-called Republican bill does cut aid to disabled children. Is that correct?

Ms. BANE. That is correct, Mr. Rangel.

Mr. RANGEL. It is also my understanding that the Wisconsin bill does not cut funding for child welfare programs, but the so-called Republican bill does. Is that correct?

Ms. BANE. That is correct, Mr. Rangel.

Mr. RANGEL. So when the President says that he thinks he could work with the Wisconsin plan, those three differences differ dramatically from the ones that the Republicans call their plan. Is that correct?

Ms. BANE. That is correct, Mr. Rangel.

Mr. RANGEL. Besides those differences, could you state, in your opinion, what are the major differences in keeping the President and the Congress from coming together on a major bill? What concept is in the Republican offering that the President would find repugnant and therefore be unable to sign that bill?

Ms. BANE. Mr. Rangel, as the President said when he vetoed H.R. 4, for a welfare bill to be acceptable to the administration, it must promote work and provide the supports for work, and it must not include deep budget cuts and dangerous structural changes that hurt kids. There were a number of those in H.R. 4, and we are very——

Mr. RANGEL. What are the budget cuts for the Republican bill, or savings, as they would call it?

Ms. BANE. H.R. 4 included cuts in funding for disabled children, as has been previously noted. It included cuts in nutrition programs, in food stamps——

Mr. RANGEL. Let us put it another way. I apologize for interrupting. Is there a list that the President could give to the Republicans that says, If you adopt these principles, I can sign a bill. If it is not in print, could you suggest to the Subcommittee exactly what offer the President could make to the Republicans to make certain that there is an attempt to read from the same page?

Ms. BANE. We would be happy to provide the Subcommittee with a copy of the President's veto message, and obviously, we have indicated our willingness and, indeed, eagerness to work with this Subcommittee to formulate bipartisan legislation.

Mr. RANGEL. What is the major thing that we would have to overcome, in your opinion?

Ms. BANE. I think the major things we would have to do would be to ensure a bill that we put together on a bipartisan basis did, in fact, promote work and did, in fact, protect children.

Mr. RANGEL. Thank you.

Thank you, Mr. Chairman.

Chairman SHAW. Mr. Nussle is recognized.

Mr. NUSSLE. Thank you, Mr. Chairman.

I am confused here. I was going to talk about State flexibility, but you have me interested in this area. What you are saying to me is that if you cut funding for disabled children, you are mean. Is that basically what you are saying? You are mean and you must not care about disabled children. Is that what you are saying today? I just want to make sure, because I heard—Charlie, that is what you are saying, right?

Mr. RANGEL. It makes a lot of sense to me.

Mr. NUSSLE. It makes a lot of sense to Charlie. Is that what makes sense to you, that if you cut funding for disabled children, that that must mean you are mean?

Ms. BANE. What I said was in the President's veto of H.R. 4, he indicated the cuts in the SSI Program for disabled children in that bill were extreme and not something that——

Mr. NUSSLE. Wait 1 minute. That is not what you were talking about here. You are saying if you cut funding for disabled children, cut funding for child welfare, or if you cut funding for nutrition programs, you must be mean. Is that what you are saying?

Ms. BANE. Mr. Nussle, I was making a specific comment about cuts in H.R. 4.

Mr. NUSSLE. OK, because you know what I am getting at, do you not? The President cuts SSI, does he not? And the President cuts child welfare, does he not? And the President cuts child nutrition, does he not? Does he not?

Ms. BANE. Mr. Nussle, I think we are actually all agreed on an approach to SSI for disabled children now, and I am glad that we are.

Mr. NUSSLE. Whoa. Wait 1 minute, now. We may be agreed on an approach, but when my two children back home are watching television and C–SPAN and they hear that their daddy does not care about disabled children and their daddy does not care about child nutrition, I have to be able to explain it to them, and there is no way I am going to be able to explain it to them based on cuts in baseline and CBO estimates.

It says here, according to CBO, that food stamps, family support, and SSI are cut. This is under the President's plan—$37,993,000,000 is cut. Please tell me you are not mean to children.

Ms. BANE. I do not think any of us are mean to children, Mr. Nussle.

Mr. NUSSLE. Thank you. So you are not saying the Republicans are mean to children. Please tell me that that is not what you are saying. I am getting so tired of all of this, you are mean and vicious and you do not like the disabled children. What are you trying to drive at here?

Ms. BANE. I think what I am trying to drive at, Mr. Nussle, is that we all agree there are some reforms that are important to make in these programs and we, like you, are prepared to make them.

Mr. NUSSLE. That is what I want to know——

Ms. BANE. There are reforms that we are prepared to make.

Mr. NUSSLE [continuing]. Because if we are going to get to a bipartisan basis, we have to stop this, You are mean, you are nasty, you do not care, and you must not, because the fact of the matter is, you cut these programs, do you not?

Ms. BANE. As I said——

Mr. NUSSLE. Yes or no? According to CBO, you cut these programs, right?

Ms. BANE [continuing]. We are suggesting some reforms in those programs——

Mr. NUSSLE. Which cut those programs, right?

Ms. BANE [continuing]. That result in savings, that is correct.

Mr. NUSSLE. Thank you. Wait 1 minute, savings or cuts?

Ms. BANE. I will say savings.

Mr. NUSSLE. You will say savings. How come when I do it, you call it a cut?

Ms. BANE. I think you probably would, too.

Mr. NUSSLE. No, wait. No, you are not going to get off this easy. I was going to go to State flexibility, but they are either cuts today or they are savings. Now, which one do you want me to call them? You tell me.

Ms. BANE. Let us both call them savings, and——

Mr. NUSSLE. Thank you very much. That is all I need to know.

Mr. LEVIN. Mr. Chairman.

Mr. NUSSLE. That is all I need to know.

Mr. LEVIN. Point of order, Mr. Chairman.

Chairman SHAW. State your point of order.

Mr. LEVIN. I think this Subcommittee should give witnesses a chance to respond.

Chairman SHAW. I am not sure the gentleman has a point of order.

Mr. LEVIN. No, I do——

Mr. NUSSLE. Sandy, I just want to know because it concerns me.

Chairman SHAW. Wait 1 minute.

Mr. LEVIN. But look, let her respond.

Chairman SHAW. I do not think it is necessary for any of the Subcommittee Members to admonish any of the other Subcommittee Members. The gentleman——

Mr. NUSSLE. I just want to make sure, because look, Sandy, I have heard and I understand that we are all trying to get to this magic—and it may be magic. I hope it is not. We are all struggling to do this. I know you are serious about it. I know Charlie is serious about it. I am serious about it. We are all serious about it.

But I will be darned if I am going to let my folks back home continue to hear that somehow, and it is obviously a political election year. You mentioned that earlier. I do not want these people out there to say, Just because you cut—and this is a savings—that you hate children and you do not like people who are disabled—I am tired of that.

This is either a savings or it is a cut, and I do not like when I call it——

Mr. LEVIN. Mr. Nussle, will you yield?

Mr. NUSSLE. Just 1 second. I am not yielding anywhere. I still have a yellow light. I just want to make sure that when we are talking here today that they are either going to call it savings or they are going to call it cuts. We either care about children or we do not care about children. I care about children. I know you care about children. The American people care about children. We are just trying together, with some State flexibility, to struggle to find the answer to how to help these people and we are not going to get there if every time I ask a question, it is a cut, and every time you ask a question, it is a savings. That is all I am trying to get at. I did not get to the other fun stuff I wanted to talk about.

Chairman SHAW. The time of the gentleman has expired.

Mrs. Kennelly is recognized.

Mrs. KENNELLY. Thank you, Mr. Chairman.

Dr. Bane, what we are trying to do is have a safety net for children. We are all for welfare reform, so we want to see how we do it in the most efficient manner, obviously, but also in the safest manner for children.

My question to you, Dr. Bane, is as I read the proposal, you see a 75-percent maintenance of effort. If you go further on into the bill, what you see is the State, and that is, as we know, either the Governor or the State legislature is allowed to shift 30 percent of the funding into other programs.

Dr. Bane, I would like you to comment on where you think the safety net would end up if you have a 75-percent maintenance of effort and an ability to shift 30 percent.

Ms. BANE. We are very concerned, Mrs. Kennelly, about those maintenance of effort provisions and think it is absolutely crucial that States maintain their commitment of resources to welfare programs and to children. We are worried that if those requirements are not there, the States will find themselves under all kinds of

competing pressures from other worthy causes and will not, in fact, be able to keep that commitment. So we think that a strong, serious maintenance of effort provision is an absolutely crucial piece of any welfare reform bill.

Mrs. KENNELLY. So that would be higher than 75 percent?

Ms. BANE. Absolutely.

Mrs. KENNELLY. What about the 30 percent——

Ms. BANE. Again, Mrs. Kennelly, we think that is a very dangerous option to allow the States because of the pressures they can find themselves under and because it would allow them to move funds into programs that are not directly providing for the poor and for children.

Mrs. KENNELLY. Thank you, Doctor. The other concern that I have is Medicaid. You and I have both been involved in this whole question for years. It used to be that people were worried to death that if, in fact, they went to work, they would lose their Medicaid and could not afford health care. We have been through that over and over again.

Now, as we look at the separation, or the track of going back to a block grant, in fact, you do not have the connection of Medicaid vis-a-vis Aid for Families With Dependent Children. Has your Department done any work on what would, in fact, happen if the process would mean a block grant and Medicaid block grant? What would happen to Medicaid coverage for children?

Ms. BANE. I am not the expert on the Medicaid numbers, Mrs. Kennelly, but in some of the proposals that we have seen, as you say, that link is broken, and the guarantee of health care after someone leaves welfare for work is not continued. We would worry very much that some folks who now have health coverage would not have it under that kind of a scheme.

Mrs. KENNELLY. So without being an expert, you can say the numbers certainly would be reduced?

Ms. BANE. They certainly would be.

Mrs. KENNELLY. By a dramatic amount, or——

Ms. BANE. By substantial amounts, yes, I think that is clear.

Mrs. KENNELLY. My last question, Doctor, and if it has been covered, please tell me, because I had to go see some constituents, we had the weekend situation where the President endorsed in a certain fashion the Wisconsin plan. My own State had a wavier recently. The bottom line is, What determines whether a waiver is acceptable? Where are we with the President saying he likes the work in the Wisconsin plan and the HHS saying, we still want to look at it? How do we bring this to closure?

Ms. BANE. We look at each waiver that is submitted to ensure that granting it would be consistent with the Secretary's authority under section 1115 of the Social Security Act; that is, that it is consistent with the objectives of the Social Security Act and that it is a true evaluation. We also look to make sure that, in terms of being consistent with the objectives of the Social Security Act, the demonstrations in the State do, in fact, promote, work, and protect children.

Mrs. KENNELLY. So with the history of the President with waivers, you would foresee most likely that Wisconsin would get a waiver if nothing else happened on the broader front?

Ms. BANE. We are quite enthusiastic about the basic concept as we have seen it from Wisconsin and look forward to working with the State.

Mrs. KENNELLY. Thank you, Doctor.

Chairman SHAW. Ms. Dunn.

Ms. DUNN. Thank you, Mr. Chairman, and welcome, Ms. Bane.

Ms. BANE. Thank you.

Ms. DUNN. I have been listening to the discussion on waivers and I really come up with some big question marks. You said that you had granted 61 waivers to 38 States, is that right?

Ms. BANE. That is correct.

Ms. DUNN. So should we be assuming that in all of this discussion about waivers, you are not saying to a State, You can run your welfare program in any way you deem best for the citizens of your State, is that correct?

Ms. BANE. In looking at the waivers, Ms. Dunn, we are obviously giving the States an opportunity to do something different from the requirements that are currently in law.

Ms. DUNN. But we do not have 61 States——

Ms. BANE. That is correct.

Ms. DUNN [continuing]. So where are the 61 waivers? Are they going to smaller entities? Are they going to counties, for example?

Ms. BANE. I am sorry if I was not clear about that. It is 61 waivers to 38 States. What we are seeing is that many States who have a welfare reform demonstration in place want to make changes in it, improvements, do something more dramatic, or do it in a different area. So many States have come in for 1 second and, in some cases, even a third or fourth waiver. Wisconsin's waiver request, for example, will be the fourth one that we are dealing with from that State.

Ms. DUNN. Then let me talk 1 minute about the Wisconsin waiver. I was very surprised when I saw the President had endorsed the Wisconsin program and he was encouraged by the waiver, because it seems to me as we study the Wisconsin plan, according to the Governor who has implemented that plan, there are some huge differences in principle between what the President seems as if he wants to accomplish and what the State of Wisconsin has accomplished.

For example, the State of Wisconsin has ended the AFDC entitlement, or at least they have requested to be able to do that, and they have created a new system that is based entirely on work that does not provide child care, and depends on the working family to take care of these problems.

Does that mean that the President has changed his mind on what he wants out of these different programs, and why are these principles not in the welfare plan that you apparently are going to give to us after you have made changes on it?

Ms. BANE. The President has not changed his mind at all, Ms. Dunn. In the President's legislation, in the waivers we have granted, in our endorsement of the principles of the Wisconsin waiver, we have been firm in our principles of encouraging work, of supporting children. I can really only speak to that part of the request which has been submitted by the State, and interestingly, they actually submitted an amendment late Friday afternoon, which

makes it a little more complicated about speaking to it. The parts of it that are before us do indeed guarantee child care, do indeed assure that needy citizens of Wisconsin have work in order to support their families.

What Wisconsin does that is exciting and we are so encouraged by is to take the step of saying, We are going to provide and ensure work, and we are going to ensure the supports for work rather than simply providing cash benefits.

Ms. DUNN. You mention, Ms. Bane, that the President wants a clean welfare bill that requires work, promotes responsibility, and protects children. I am having a hard time trying to figure out why he does not simply sign off on our bill, because it does all of those things.

In your work requirements, for example, we are far stiffer from the exemptions you provide in your bill. You are actually exempting up to about 25 percent of the people who could be out there on workfare. In protecting children, you have already agreed that our bill provides $2 billion more in child care money than your own bill does. And in child protection, we have a very, very strong proposal to provide States the ability to find the deadbeat parents, 30 percent of whom escape across State lines.

Why is it the President cannot adopt H.R. 4 with the changes that have been added to it by the Governors and simply say, You have come far enough for me to care enough to sign your welfare bill? Why can he not do that?

Ms. BANE. Well, Ms. Dunn, I guess partly because we have not actually seen the bill. Obviously, the President wants to work with this Subcommittee on bipartisan welfare reform. The President vetoed H.R. 4 for the reasons that I will not repeat. I have said them before. We are very encouraged that the Governors' proposal and the bill you will be introducing increase funding for child care.

Ms. DUNN. I am going to interrupt you, Ms. Bane, because we have heard all of this before. I suspect that we are hearing a great deal of rhetoric today, and I am sorry. This is the third time we will have submitted a welfare proposal. You are fully aware of what is in our proposal, combined with the Governors'. You saw the same information we did on their proposal.

I suspect what we are seeing is a situation where you are setting this bill up to be vetoed again. We cannot have that. We have to believe you have integrity in going into this debate, that you are going to be willing to take a look at our proposals and these broad examples of what he requires in our bill are simply too broad. You have to get to specifics. We would like to see your specifics.

Thank you, Secretary Bane.

Chairman SHAW. The time of the gentlelady has expired.

Mr. Stark is recognized.

Mr. STARK. Thank you, Mr. Chairman, and thank you, Secretary Bane, for being here.

When Governor Thompson was here and he discussed his bill, I raised the issue then that the Catholic Church opposed his welfare reform bill in Wisconsin and the Governor dismissed that quite simply as saying, "The Catholic Church is wrong."

I know that Secretary Shalala received a letter, of which you received a copy, from the Interfaith Conference in Milwaukee, rep-

resenting about 80 percent of Milwaukee's religious leadership—Jewish, Protestant, Catholic, and others. They were concerned about some areas which made them decide that the bill was not good, or that the plan was not good. I am just going to review them and see whether the President's enthusiasm is based on any changes in the problems. I will just run through them.

In the Wisconsin plan, many welfare recipients would be forced to go to work instead of pursuing an education. In other words, current college kids are grandfathered in, but future children would have to work for 1 year before they would be eligible for any tuition assistance.

Child care is being reduced in quality. The State has had to create a new category of child care providers who can take up to three children with really no training at all, which I do not think we have ever found acceptable before. It may not be mean to children, but it may harm them.

Participants who do not get private sector jobs, which will be many, will be paid less than the minimum wage and there may be some legal implications in that.

As families have their wages increased, they may find that their disposable income goes down, something we tried to reform under President Reagan, to not take those marginal dollars away because of rising Federal and State taxes, as well as child and health care copays.

There is just an interesting sidelight, that for this plan to work, Wisconsin will have to create 50,000 to 60,000 new jobs and virtually have zero unemployment, something akin to pigs growing wings, but the Governor's plan thus far has, I think, created 50 or 100 new jobs in the entire State, so he is going to have to beef up his job creation. That may not have any effect on the President's decision to waive.

It also requires new mothers to work after their child becomes 12 weeks old. There is a problem in that relatively few of the existing child care centers will accept children that young, and I am not sure that problem has been resolved.

Then, of course, there is a flat rate payment regardless of family size for existing families, not for people who create new ones. As a grant, these people would be ineligible for the earned income tax credit, so that this further impacts them.

Those are issues that religious leaders find unacceptable. I, as an individual, find them harsh, if not cruel and risky for the children's safety. Can you comment about any changes or any requirements the President would impose relative to those issues that might set my mind at ease?

Ms. BANE. Again, Mr. Stark, what the President is enthusiastic about is Wisconsin's commitment to provide work for welfare recipients and to ensure that they have the child care that they need and the other supports that they need in order to be able to——

Mr. STARK. He likes the broad philosophy, he does not like the details, is that what you are going to tell me?

Ms. BANE. We have before us only a section of the waiver request as it has been submitted by the State. It does not, in fact——

Mr. STARK. Are you, as a professional, concerned about some of these issues that I raised, as to the safety of child care and the fact

that the marginal income would go down and that we would be below the minimum wage? Are those concerns?

Ms. BANE. I am certainly concerned about the safety of child care. I am certainly concerned about ensuring that the work that is provided for families is appropriate. I am concerned that we, in fact, work with the States.

Again, as I said, we have part of the waiver request before us. They submitted an amendment just last Friday which changes rather substantially the structuring of the work program. We are trying to understand that amendment and to see what effect it actually has. But I do look forward to working with them on this waiver because I think the concepts of the waiver are very interesting and innovative.

Mr. STARK. Would you support the waiver if these objections the religious leaders raised were not dealt with?

Ms. BANE. We, as you know, Mr. Stark, have a 30-day public comment period. We have already received hundreds of letters on the Wisconsin waiver, and the public comment period has not even started yet. We take very seriously the comments that we receive. I intend to look at them carefully and to follow our procedures in examining the waiver.

Chairman SHAW. The time of the gentleman has expired.

Mr. STARK. Thank you.

Chairman SHAW. Mr. Neal, I believe you had a question?

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

I think that listening to some of the back-and-forth today, it is indicative of how far this debate has moved in the course of the last 3½ years. But I think that among the compelling statistics that you offered this morning, Dr. Bane, and perhaps you could elaborate on it for the Subcommittee, was the suggestion I think you made, that you said the out-of-wedlock birth rate for teenagers has dropped in 30 of the 41 States?

Ms. BANE. That is correct.

Mr. NEAL. Could you elaborate on that topic?

Ms. BANE. We have seen the data that suggest that the birth rate has dropped and we are obviously very encouraged by it. I hope that what is going on there is the result of a new emphasis at the Federal level and at the State level on parental responsibility and on helping make clear to all young people that they should not have a baby before they are ready and able to support it.

I do not think we understand in any kind of scientific sense or in any detail what is actually driving that decrease, but we are all obviously encouraged by it and want to ensure that it continues.

Mr. NEAL. Thank you.

Thank you, Mr. Chairman.

Chairman SHAW. Dr. Bane, your background goes far beyond working at HHS. I know that you ran the welfare program for the State of New York and I know that you are a distinguished researcher at Harvard University. We are, indeed, privileged to have you as part of the administration, and I am not setting you up for a bomb. I honestly believe that.

Ms. BANE. But——

Chairman SHAW. Let me ask you a question, drawing on your past experience. I am thinking of a comment that was made this

morning by Ms. Eloise Anderson, who runs the welfare program for the State of California, and I think an equally respected advocate of welfare reform and certainly an expert in the field, as you are. She made the comment that when the mothers come off of welfare, that you see a marked change in the children, and a very favorable change, I might say. This would lead me to believe the moms that are actually going to work are probably doing a better job raising their kids than the ones that do not. Do you agree with that statement?

Ms. BANE. That has been my experience, just as it has been Ms. Anderson's. Some of the most heartening conversations I had as a Commissioner, and I know that Eloise has also, are with welfare recipients who have been able to move off of welfare into the work force; to hear them talk about the pride their children are taking in the fact they are working is very inspiring.

Chairman SHAW. We have talked in this Subcommittee so much about statistics, and the statistical data says that kids coming up in welfare families do not do as well in school, they have more problems, they are more likely to be on welfare themselves, they are more likely to have out-of-wedlock births, and they are more likely to get in trouble with the law. I think those statistics are interesting, but I do not think we are really putting it in the real-world sense. The fact is that for a child of parents who are on welfare, or a single parent, as is usually the case, that is on welfare, and the parent comes off welfare, there is a marked change in that child and a change for the better.

I look at this, getting the mother, the single mom, or the parents, in some cases, out of the welfare system as a rescue mission, and it certainly is. I have always looked at the problem we have with the welfare system today, the main problem we have with it is the people running the program have a vested interest in the problem rather than the solution. I think everybody wants to move toward being solution oriented rather than just simply let the status quo go, let people be as comfortable as possible.

When you look at the present welfare system, I can tell you, if this system was thought up by a think tank of conservative males, it would be thought of as being almost a fascist type of system. It is a horrible system and it has certainly sucked the life, blood, and the soul out of generations of Americans. It is wrong, and I think that all of us look at this as something necessary to go forward with.

I think perhaps the main differences with the administration lie in some areas such as time-limiting welfare. The President uses that term, but, indeed, he is not time-limiting welfare. After 5 years, he requires another type of currency to be paid, and that is vouchers, rather than absolute cutoff. Am I correct on that?

Ms. BANE. The President, Mr. Shaw, has been a leader in the conversation about time-limiting welfare, and I think the conversation that is going on now is very much due to his leadership. Our bill has a tough work requirement. People have to work after 2 years. It has tough sanctions for anybody who does not work——

Chairman SHAW. Dr. Bane, let me stop you there, though.

Ms. BANE. Sure.

Chairman SHAW. Is this not the toughest work requirement to say that, Look, you only have a time period here that you are going to be able to stay on welfare and receive these benefits and you are going to have to take control of your own future and go out to get work. Is this not the toughest work requirement? Is this not the toughest?

When you see that the bill we are going to be introducing and having a hearing on tomorrow is scored by the Congressional Budget Office as putting 1.3 million people to work where the President only addresses about 900,000, this is the Congressional Budget Office scoring, it is not this Subcommittee or this Congress. Do you not think that that is a system that really embraces work and is tough on work and requires work? That is one of the goals that has been expressed by the President and is one of the goals you have been expressing here at the witness table today.

Ms. BANE. Again, I think we are all struggling to make sure we have tough work requirements for those who can work, that we take account of the fact that many welfare recipients cannot work, and we make sure there are the resources in any bill we put together to ensure child care and other supports for people who work are there. That is what we are all struggling for, and I hope we can work together on this one, to match the work requirements with the resources.

Chairman SHAW. We are getting there. We are getting there. What is the savings in the President's bill?

Ms. BANE. I think it is $38 billion.

Chairman SHAW. Yes, $38 billion, and the President started out with an increased expenditure of $10 billion. He is getting there, and we are going to work with him and hopefully we can get something to his desk he can sign. I hope the question of an absolute cutoff is not a sticking point.

I believe that is one of the areas that Governor Thompson has asked for a waiver on. Can Governor Thompson get that waiver, because I believe that is really the heart and soul of the welfare reform waiver that he is asking for?

Ms. BANE. We are committed to tough time limits, and we are also committed to a safety net for children. Governor Thompson is committed to tough time limits and, I believe, to a safety net for children. I hope that we can work with the State to make sure that both of those are achieved.

Chairman SHAW. I think that gets me into the next area. We talk about how you granted 61 waivers to 38 States. That is after a great deal of time and negotiations, I believe I am correct on that, and that the States do not have the latitude that those statistics would indicate. So when they come in with their plan, then you all go to work with them. You negotiate with them, and the requirements they have, you cut them down considerably before you sign off on those waivers, and that is universally true.

So I think to say the administration is doing this by waiver simply means the administration is continuing to micromanage the welfare plans for the States. The Federal Government, to date, and this administration, to date, to my knowledge, have not allowed one single State to time-limit welfare, and that is the heart and soul of welfare reform. That is what is necessary.

To say that is cruel when you provide in there that they can make an exception for 20 percent of their caseload. That is recognizing there are problems out there that need to be addressed and need to be addressed with kindness and compassion. But we should not have to provide for people who are able to work where there are jobs. Why in the world can we not require them to work and get a real job?

Ms. BANE. Actually, Mr. Shaw, we have granted waivers to time-limit benefits in 27 demonstrations. Virtually all of those came in with exemptions to the time limit. Virtually all States that have requested time-limit waivers exempt those who cannot work. We have worked with them to make sure the exemptions are appropriate.

Chairman SHAW. But they still have to give benefits after the time limit, is this not correct?

Ms. BANE. They grant extensions to the time limit in cases where the adult cannot work——

Chairman SHAW. Is there one single case in which all AFDC payments can end after 5 years?

Ms. BANE. As I say, in every case, there are extensions to the time limit for those who cannot work and who are unable to find work through no fault of their own.

Chairman SHAW. Have you allowed any cutoffs for those who are physically able and mentally able to work, absolute cutoffs of all AFDC payments?

Ms. BANE. Yes.

Chairman SHAW. All AFDC payments?

Ms. BANE. In those circumstances where they are able to work and are genuinely able to work, benefits are cut off. We have granted time-limited benefits in 27 States.

Chairman SHAW. The child share as well as the adult share?

Ms. BANE. Pardon me?

Chairman SHAW. The child share as well as the adult share?

Ms. BANE. Yes.

Chairman SHAW. Then you should have no problem with this bill.

Ms. BANE. I have a problem with a bill that does not make sure there is a safety net for children and does not make sure adults who are playing by the rules in looking for work are protected.

Chairman SHAW. I worry when you start backing off and talking about safety nets, because safety nets, we know, is another word for continuing cash benefits or vouchers, some type of currency paid to the parents. You make a statement and then you start to backpedal, just like in your statement when you talk about cutoff of cash benefits. To say cash benefits are cut off but then the other form of currency is given to the recipient, that is not time limiting and that is not cutting it off and that is where we really need to go.

A couple of Members have asked for further questioning, so I am going to allow it as time allows us to do so.

Mr. Camp.

Mr. CAMP. Thank you, Mr. Chairman.

Dr. Bane, obviously, we have the Congressional Budget Office, and you are familiar with that office, and we often refer to it as CBO, and you know that that is not under the control of the Ways

and Means Committee or under either party's control. You are also aware they evaluate legislation and the costs of certain programs contained within that legislation, do they not?

Ms. BANE. That is as I understand it.

Mr. CAMP. I know that CBO has scored both the President's proposed legislation, which has not been introduced yet, and our Republican bill, and you are aware of that, as well?

Ms. BANE. Yes.

Mr. CAMP. One area where they have scored these bills is the area of child care and how much of a financial commitment does each bill make to child care. The President's bill spends $12.2 billion on child care, is that correct?

Ms. BANE. I believe that is correct.

Mr. CAMP. Our bill spends $13.9 billion on child care over a 6-year period.

Ms. BANE. Is that the H.R. 4 bill that was vetoed, Mr. Camp?

Mr. CAMP. No, this is the new version that will be introduced, or has been introduced——

Ms. BANE. The H.R. 4 bill that was vetoed, I believe, was substantially less than that. Am I remembering that correctly?

Mr. CAMP. H.R. 4 did have a different number, but I want to talk about what is before us today because the President in his veto message said that we did not spend enough on child care, did he not?

Ms. BANE. That is correct, and he was obviously vetoing H.R. 4.

Mr. CAMP. But now you would agree that we spend more than the President does?

Ms. BANE. And I am delighted.

Mr. CAMP. One of the other items this legislation has is a transferability within accounts, particularly from the cash welfare account, is that correct?

Ms. BANE. This is the new legislation, Mr. Camp?

Mr. CAMP. Yes.

Ms. BANE. Again, I have——

Mr. CAMP. All of my questions are directed to the legislation that has been introduced in the Congress, not to the bill the President vetoed twice, H.R. 4.

Ms. BANE [continuing]. I do have the disadvantage of not having seen the language of that bill, so I——

Mr. CAMP. H.R. 4 had transferability between accounts——

Ms. BANE. That is correct.

Mr. CAMP [continuing]. Between the welfare accounts, so you are familiar with the concept, are you not?

Ms. BANE. Yes, of course.

Mr. CAMP. One of the accounts that we allow transferability to is child care, do we not?

Ms. BANE. Yes, that was——

Mr. CAMP. In H.R. 4.

Ms. BANE [continuing]. That was one of the accounts you allowed transferability, yes.

Mr. CAMP. One of the accounts? All of the areas that were allowed transferability to in the previous bill were welfare related, were they not? I noticed in your answer to Mrs. Kennelly you said to "other programs," but you really meant other welfare programs?

Ms. BANE. It was actually, if I recall, Mr. Camp, very broadly defined, so that it could include a wide range of programs for low-income children, education, and——

Mr. CAMP. But all welfare related, correct?

Ms. BANE. I believe——

Mr. CAMP. And our current bill allows transferability to child care, so that States would have the flexibility, if there were the need, to actually spend more than the CBO scoring on child care, given the transferability, is that correct?

Ms. BANE. That is correct. I mean, again, I am trusting your summary.

Mr. CAMP. The mechanism would allow them to do that, would you not agree to that?

Ms. BANE. [Nods.]

Mr. CAMP. So the disparity between what the President spends on child care and what the Republican bill spends could be even greater. Given that we often hear defined the commitment in terms of the dollars spent, I just want it to be known for the record that our commitment is greater than the President's commitment. I thank you for your responses.

Thank you, Mr. Chairman.

Chairman SHAW. Mr. Ford, do you have further questions?

Mr. FORD. Yes. Thank you, Mr. Chairman.

Dr. Bane, I am looking at a side-by-side on welfare reform, the administration's bill, the Wisconsin W–2, and the Republican conference bill. Going back to guaranteed child care, I am not familiar with Mr. Camp's and the Republicans' new bill they have introduced today. At least, I have not been privy to that bill yet. But I see on the guaranteed child care, the administration guarantees that.

Ms. BANE. Correct.

Mr. FORD. And Governor Thompson's State guarantees that.

Ms. BANE. That is correct.

Mr. FORD. And the Republican conference bill does not guarantee that.

Ms. BANE. The Republican conference bill that the President vetoed did not contain a guarantee of child care.

Mr. FORD. I understand that the new bill, according to Mr. Camp, will have $13.9 billion in that particular bill.

Ms. BANE. I hope so.

Mr. FORD. Under the administration's provision of the guaranteed health care, the administration guarantees the health care. When you say guarantees health care or child care, what does that mean? Let me make sure I understand what the administration means when you guarantee that.

Ms. BANE. It means just that, Mr. Ford, that welfare recipients are assured of Medicaid coverage and they are assured of Medicaid coverage for 1 year after they move off the welfare rolls to a job.

Mr. FORD. One of my colleagues, Mr. Nussle, was talking with you earlier. Is Medicare guaranteed in the Republican conference bill which the President vetoed? It did not include the guarantee.

Ms. BANE. That is correct.

Mr. FORD. Let us move to the cuts in school lunches. The administration proposed no cuts. Under the Republican conference bill,

there are cuts in the school lunch program. I know that there are some child care feeding programs where you pick up some savings in the administration's package, but there are not any cuts in the school lunch program itself.

Ms. BANE. That is correct.

Mr. FORD. That is correct? There are some savings in aid to disabled children in the administration package. However, the administration savings are not at the tune of impact that the Republican conference bill would have on disabled children and SSI, is that correct?

Ms. BANE. The savings in the administration's bill are less than the savings in the vetoed conference bill, yes.

Mr. FORD. What about cuts in funding for child welfare programs for the abused, neglected, and foster care? Are there any cuts in the administration's bill?

Ms. BANE. No.

Mr. FORD. What about the Republican conference bill that was vetoed by the President?

Ms. BANE. The bill that was vetoed did contain some cuts in those programs.

Mr. FORD. So when the administration talks about a welfare package that will promote work and protect children, there is a distinct difference in what is in the Republican conference bill versus what the administration has proposed and that of what Governor Thompson has proposed with the waiver that has been granted by this administration, is that correct?

Ms. BANE. The concepts of promoting work and protecting children are there in both the administration's bill and in what we have seen of Governor Thompson's request.

Mr. FORD. Tell me about the concerns with the Wisconsin plan that may contain a subminimum wage. Would those same concerns be there with a block granting of the welfare program to the States? What guarantees do we need to make sure that welfare recipients will not be subject to subminimum wages?

Ms. BANE. I think we obviously want to pay serious attention to that and make sure it does not happen. About the Wisconsin proposal, as I said, Mr. Ford, the State of Wisconsin actually submitted an amendment late Friday which seems to make some change in the relationship between the benefit and the hours. I have not quite figured that out yet, but we are trying to pay attention and, again, to listen to the public concerns about this issue, because it is a very serious issue.

Mr. FORD. How do they do it, because it is a State-enrolled type of work program?

Ms. BANE. The State of Wisconsin is proposing to provide subsidized jobs or community service jobs for welfare recipients who cannot find a job in the private sector. They are proposing to provide either a grant or a wage for those jobs, and we want to make sure that they do, in fact, follow the minimum wage principle.

Mr. FORD. I think we have seen an increase in child support enforcement payments and collections under the administration. We have seen an economic plan which revitalized the economy and increased the earning power of millions of low-income families because of the earned income tax credit.

I mentioned some numbers earlier, and I will wrap up. We have seen the welfare rolls decrease by 10 percent. Earlier we spoke about 15 million welfare recipients, but I see we have had a decrease by 10 percent, from 14.1 million in January 1993 to 12.8 million in February 1996.

During that same period, child support collections have increased some 40 percent and the poverty rate has decreased by 1.2 million people. That means it has declined every year under the Clinton economic plan, different from that of the Bush recession that we were faced with in this country.

Thank you very much, Dr. Bane.

Ms. BANE. Thank you, Mr. Ford.

Chairman SHAW. Just as a quick followup, I believe, and you can correct me if I am wrong, that under Governor Weld of Massachusetts, under Governor Engler of Michigan, under Governor Thompson of Wisconsin, under Governor Carper of Delaware, we have seen those rates drop at a far greater rate than the national average. It is almost double, if I have my figures correct.

Ms. BANE. Actually, 40 States had declines in their caseload——

Chairman SHAW. I am just talking about the——

Ms. BANE [continuing]. And actually, the top one was Indiana, interestingly enough.

Chairman SHAW. Do they have welfare reform in Indiana?

Ms. BANE. Yes. They just began to implement welfare reform. Again, we worked very closely with them on their proposal.

Chairman SHAW. So welfare reform is working?

Ms. BANE. As I say, I think we can all be proud of what has happened in so many States in terms of declines in the welfare rolls.

Chairman SHAW. We believe in the States, too, Dr. Bane.

Yes, Mr. Collins.

Mr. COLLINS. Thank you, Mr. Chairman.

It is really encouraging to hear those reports and the report that Mr. Ford was talking about, the reduction in the number of welfare recipients based on welfare reform currently taking place. I just think that if we can make those types of accomplishments through waivers that give States some flexibility, what can we do if we give them total flexibility to administer their programs? I think we can make greater strides than what has already been made.

It was mentioned 1 minute ago that the conference report—of course, I thought the conference report and H.R. 4 were a moot issue and we were now dealing with a new bill—but the word "cut" was mentioned in reference to child welfare in the conference report. There was no "savings," and you agreed that there were cuts in the conference report on child welfare, is that not true?

Ms. BANE. Yes, and I am happy to use the word "savings" across the board.

Mr. COLLINS. I want to go back to the conference report. Actually, under child welfare, we had an increase in spending of $809 million in that conference report. That would not be a savings or a cut. That would be an increase in spending. Would you at some point go back and research that and drop the Subcommittee a note or drop me a note personally, explaining how you determined an $809 million increase in spending was a cut? I would appreciate it very much.

Ms. BANE. I surely will go back and look at that, Mr. Collins.

[The following was subsequently received:]

The House of Representatives passed the Conference Agreement on H.R. 4 on December 21, 1995. On December 22, 1995 the Congressional Budget Office (CBO) published two analyses of that legislation, based on its March 1995 baseline and on its December 1995 baseline, respectively.

H.R. 4 repealed funding for the following mandatory spending programs: Foster Care Child Placement and Administration; Foster Care Training; Adoption Assistance Child Placement and Administration; Adoption Assistance Training; Independent Living; and Family Preservation and Support. In addition, the bill provided new mandatory spending for the Child Protection Block Grant and Child Welfare Studies. CBO's first analysis, using the March 1995 baseline, showed that, in terms of outlays, the total impact of the repeals over the period FY 1996-2002 is budget savings of $15,403 million. In terms of outlays, the total impact of the new spending over the period FY 1996-2002 is budget costs of $14,286 million. On balance, CBO determined that, under the March 1995 baseline, the Child Protection provisions created net budget savings of $1,117 million.

In its second analysis, CBO estimated the effects of H.R. 4 using the December 1995 baseline. Using the later baseline resulted in smaller savings: $14,682 million. The level for new spending, $14,286 million, did not change. Therefore, under the December 1995 baseline, CBO estimated that child protection provisions would result in net budget savings of $396 million between FY 1996-2002.

At that point, the Administration's own analysis of the effects of the child protection provisions in H.R. 4 showed that total spending under H.R. 4 would be less than current law. This is consistent with CBO's analysis.

Four months later, the Department of Health and Human Services received a memorandum from CBO staff to "Interested Parties," dated April 26, 1996. This memorandum provided a new analysis of the previously vetoed H.R. 4. The analysis compared the spending levels in H.R. 4 to CBO's March 1996 baseline estimates of current law spending. This revised CBO analysis showed the budget savings from these repeals as $13,566 million, significantly less than CBO's December 1995 and March 1995 estimates. On the spending side, CBO determined that the H.R. 4 would provide $14,260 million, similar to its earlier estimates. Using the March 1996 baseline, CBO projected that the Child Protection provisions would result in new budget spending of $694 million between FY 1996-2002.

In addition, CBO estimated that the "effect of the Temporary Assistance Block Grant on the foster care program" would increase spending by $115 million over 7 years. Presumably, this additional spending would be caused by increased foster care caseloads resulting from the repeal of AFDC and its replacement with the Temporary Assistance Block Grant. Therefore, CBO, in its April 26, 1996 analysis, estimated that the combined effects of H.R. 4 would be to increase spending by $809 million over 7 years. This is the figure that you mentioned during the hearing.

The Administration characterized H.R. 4 as a cut in spending after looking at its effects on the baseline at the time the legislation was pending. This was consistent with CBO's analysis at that time.

Mr. COLLINS. Something was mentioned earlier about the school lunch program or the school lunch block grant. Truthfully, there is no school lunch block grant being proposed in the bill that we are now discussing, is that not true?

Ms. BANE. Again, I have not seen the bill. I am delighted if that is the case.

Mr. COLLINS. We are staying with current law, is that right? Yes, we are. We are staying with current law under the school lunch program. Good.

Thank you.

Something was said, too, about—and I noticed in your report that you say that the President is opposed to the transfer of funds of up to 30 percent from one program to another. I think we need to define this, and is it not true that the program would have to be another program dealing with welfare, though? It could not be a State program dealing with any other area of State government, just in the area of family and children, is that right?

Ms. BANE. The broad range of programs would be open there, yes.

Mr. COLLINS. But the 30 percent could be transferred to the area of child care.

Ms. BANE. It could be, and——

Mr. COLLINS. If a State is doing exceptionally well in moving people from a welfare roll to a payroll and they needed more money for child care, that 30 percent could actually be moved into child care to help encourage people to participate.

Ms. BANE. I was very pleased to hear Mr. Camp's comment, and I am delighted in the bill which you are introducing. You are allowing the transfer only to child care and not to the broad range of programs. That was something that the Governors suggested and that we are certainly pleased about, just as we are pleased about the fact that the child care money, as I understand it, in your new bill is greater than in the bill which the President vetoed, and that is terrific.

Mr. COLLINS. So I take that as a withdrawal of the objection to the 30-percent transfer, then? You said you were pleased with that. That is good.

Ms. BANE. Mr. Collins, as I understood Mr. Camp, there has been a change in your position in the bill to narrow the programs that the money can be transferred into. If that is correct, and I have no reason not to believe Mr. Camp, that is——

Mr. COLLINS. That means there would be a change in your position on that same issue, then. If we have changed ours, you have changed yours?

Ms. BANE. If there is a difference in the bill.

Mr. COLLINS. In your experience in dealing in this area, when a person moves from welfare to work, do they normally go to work with a small business or a large business, or is there any distinction between the two that welfare recipients usually are employed by?

Ms. BANE. There is enormous variation. I would guess that a large proportion of them do, in fact, go to work for small businesses. That is where a lot of entry level jobs are available these

days. I do not have an exact answer to that question, though, Mr. Collins.

Mr. COLLINS. Did I hear you say entry level jobs?

Ms. BANE. Most welfare recipients move into entry level jobs, yes.

Mr. COLLINS. Entry level means that they are low skilled or maybe even no skill.

Ms. BANE. That is true in many cases, yes.

Mr. COLLINS. That bothers me about a measure we have on the floor today dealing with the minimum wage, which in history has shown to eliminate entry level jobs. In fact, it is predicted 400,000 jobs would be eliminated under the increase in minimum wage that is being proposed today. Yet, we say that most welfare recipients who leave welfare and go to a payroll go to a small business at an entry level job. I hate that we may be moving on something that would eliminate some of those entry level jobs, because there is a possibility there that people on welfare could move to these jobs.

I see my time is up again, and we again thank you.

Chairman SHAW. Mrs. Kennelly is recognized.

Mrs. KENNELLY. Thank you, Mr. Chairman.

My staffer just handed me something on the transfer, and we are asking questions of Dr. Bane on the transfer. It is almost unfair because we have not seen the bill you have introduced today and we are very anxious to see it. As I began in the opening statement saying, I think we all want to do welfare reform. I think we can end by saying we all want to do welfare reform, and hopefully, we will all be able to work together and get a welfare bill.

Chairman SHAW. I might say, if the gentlelady would yield, that the subject of the hearing today is the Clinton welfare bill. Tomorrow will be the bill that we are filing.

Mrs. KENNELLY. I understand that, Mr. Chairman. I am just saying it is hard to answer questions in relation to the new bill until we have a little time to get another look at it.

Mr. Chairman, I just would say to you, and I think you and I agree on this, that here we are, all of us, in the first day of hearing, and we are going to have another day tomorrow, really in agreement.

What I hope is that we work this out and pass a bill, and I just hope—and I know I am preaching to the choir with you—it would be awfully nice if we could pass the welfare bill alone since we could all vote for it and agree on it. I just hope you will use your good offices not to tie it up with Medicaid. So I hope we get a straight up or down vote, because I think a good many of us—I know myself—want to vote for welfare reform.

Thank you, Mr. Chairman.

Chairman SHAW. Mr. Nussle.

Mr. NUSSLE. Thank you, Mr. Chairman.

I was wondering, Doctor, if you could tell us what you know of the Wisconsin waiver request that is coming. I can tell from your testimony today you are very perceptive of what has come down before. Are you in the room when these waivers are discussed and decided? Are you part of that crew that makes that decision, or are you the one that makes the decision? Are you the one?

Ms. BANE. I am often the one.

Mr. NUSSLE. All right.

Ms. BANE. I am the one that makes the recommendation to the Secretary. On Wisconsin, I am the one who makes the decision.

Mr. NUSSLE. Then we are talking to the right person. This is good. What do you know of the Wisconsin waiver request? What is this all about? What are we going to get, or what are you going to get? What is this program that they are asking for? Let me try it quickly, and then you tell me whether I am wrong. My understanding is it is basically, get a job.

Ms. BANE. That is correct. The request we have before us is a public document, obviously, and many people will be commenting on it. The request has a number of different sections. It expands JOBS participation to mothers with young children. It makes some changes in the program under which work is provided to people. It asks for a time-limited benefit. It guarantees child care to a larger range of folks. Then there are a couple of other provisions, as well. As I said, it is a subset of the Wisconsin legislation, and we are trying to look at it carefully and see exactly what it does.

Mr. NUSSLE. The way I understand it, and you are the person who is going to be making the ultimate decision, my understanding is, from my reading of it, I see nine—maybe more, but at least nine waivers coming immediately to the surface. I do not know if you have a running list of how many waivers they would need. How many would they need in order for this to be implemented? I know you do not have every little detail all written down, but my understanding is it is nine that come immediately to mind.

Ms. BANE. Actually, the State has said they need about 40 waivers.

Mr. NUSSLE. Oh, OK.

Ms. BANE. That is, they need waivers of 40 provisions of the Social Security Act. I have not counted them all, but that is their report.

Mr. NUSSLE. OK. Let me just run through a couple that I see. I will not go through all 40, but there are 9 that come immediately to me. There is basically a cold turkey time limit on this thing. Is this a waiver that is in the ballpark?

Ms. BANE. As I said before, our process involves a public comment period and working with the State. I hope that we can work with the State to make sure that the time limit is appropriate. Their time limit does have certain exemptions and extensions, as I have mentioned. It is not completely clear what those are, and I want to clarify that issue with them.

Their proposal and the waiver that is in place does have extensions and exemptions from the time limit for folks who cannot work.

Mr. NUSSLE. Again, my understanding is, according to both your bill and, obviously, the current situation, from what I understand of what the President endorsed and what Wisconsin has presented, it is pretty much a cold turkey. It does not go as far as your bill with regard to exemptions for work. This——

Ms. BANE. It treats the exemptions somewhat differently.

Mr. NUSSLE. But they are in the ballpark?

Ms. BANE. Again, what we are committed to is a safety net for children and making sure adults who can work do work and other people are protected.

Mr. NUSSLE. Let me try another one, then. They end the entitlement in Wisconsin. Is that in the ballpark for a waiver? These are the two big ones. It is the time limit and the end——

Ms. BANE. What they have requested, actually, is not to change the assurance that someone who is needy will get aid. What they have proposed to do is to say, We are not entitling you to cash benefits, we are assuring you an opportunity to work and receive benefits. That is what they are proposing to do, and that is what we are encouraging.

Mr. NUSSLE. There is a $20 copayment for Medicaid and for child care. These are in the ballpark for a waiver?

Ms. BANE. The Medicaid copayment is not before us. It was not part of what they submitted. As you know, we have had a position on that, but it is not before us. The child care guarantee and expansion is, in fact, before us, and again, we hope to work with the State on that.

Mr. NUSSLE. The President said he liked it. I think he said he endorsed it or endorsed the concepts of it, and going through the concepts, when it comes right down to the 40 waivers, and I hit some of the big ones and maybe there are some small ones in there, my understanding is you are not—I mean, there is no commitment from you yet or from the Department that they are going to get these waivers. The President said he likes it, but liking it and waiving it are two different things, right?

Ms. BANE. We are constrained by the law, and I also feel it is only fair to the State of Wisconsin to make sure that we understand exactly what is going on and fair to the people of Wisconsin to go through the public comment period before I commit.

Mr. NUSSLE. I am sure you will be very fair. Thank you.

Chairman SHAW. Mr. Levin.

Mr. LEVIN. Thank you.

You know, there has been a lot of discussion about the Wisconsin waiver, which is not in front of us. I was reading from U.S.A Today today and it says, "The Thompson plan moves in the right direction by providing wage subsidies and public service jobs." There is no reference to that, I think, in the new plan.

There has been a lot of discussion today about, Mr. Chairman, the new Republican plan which the administration's chief spokesperson here has never seen, nor have we. As you and I have discussed, I hope from now on we can work on a bipartisan basis, because if we do not, I think it is going to be a dead end.

Let me say also to Mr. Nussle on SSI, I would like to respond to you. I said your bill in that respect was mean to kids, and I deeply believed it. There was a 25-percent cut for seriously handicapped children, for their families. You have now dropped that. It was harsh. It was mean. I think that is why you dropped it, to your credit.

Let me just say about the contingency fund, we have not seen the language. I hope you have changed it, because H.R. 4 allowed a 30-percent shift to programs that did not necessarily relate to welfare. It could be transferred by the States to the social services block

grant, as I remember it, and some of those programs are unrelated to welfare.

I hope we can work on the issue of work and jobs, because it is so critical. For me, the key has always been to link welfare with work. I just have here the CBO analysis that indicates for the first 5 years, the plans, the old H.R. 4 and the President's budget, would essentially track. In a few years, H.R. 4 was lower and in other years, it was higher, except the fifth year, where there is a large jump. We need to find out, Mr. Chairman, why that is. You cannot tell from just looking at it.

Let me, if I might, ask a question of Secretary Bane. The Wisconsin plan, for example, has a link between the welfare-to-work program and health care. So does the Michigan plan. There is a provision so that people who leave welfare, if they are able, as they should and must, to go into work, if there is no health care in the job they go into, there is a provision in the Michigan plan for a transitional health care coverage. You do not have that in your bill, as I understand it. It was not in H.R. 4. There was a block grant to the States which could or could not provide health care.

Let me just ask you, as distinctly as you are able to answer today, is it essential that there be the linkage between the welfare-to-work program and health care? If there is not that linkage, is it likely or surely unacceptable to the administration?

Ms. BANE. We think that it is essential that health care coverage be guaranteed to those who now receive it and to those who make the transition off of welfare into work. That is something that the administration has been very strong on, Mr. Levin.

Mr. LEVIN. So in other words, a block grant of Medicaid to the States will continue to be unacceptable?

Ms. BANE. [Nods.]

Mr. LEVIN. OK.

Ms. BANE. The administration has said that in the past and will continue to say so.

Mr. LEVIN. Thank you.

Chairman SHAW. Dr. Bane, we thank you for your testimony this morning. I look in your testimony in which you said, speaking of the American people, "They want a bill that promotes work and responsibility." I think the American people want a bill that requires work and responsibility, and that is exactly what this bill we are going to send to the President does.

I think the marked difference we have with the administration, and you said it in your testimony, is that you want to be sure that a waiver is one that would be fair to the people of Wisconsin. The State legislature of Wisconsin, the State Governor of Wisconsin, believe what they have asked for is fair to the people of Wisconsin.

The main problem we have with our Democrat friends is that they want to have it fair to the people of Wisconsin as interpreted and seen through the eyes of the bureaucrats in Washington. That is what we want to break. That is a linkage that we want to break.

We feel very strongly that the people of Wisconsin can speak for themselves through their own legislature, Governor, and through their elected officials; that all compassion is not here in Washington. We believe in the States, and this is going to be a problem.

The linkage we are talking about, that Sandy was talking about between Medicaid and AFDC, by block granting it, there is a problem of that linkage, and you talk about that. We feel that that is a linkage—and Medicaid, remember, is a partnership program with the States. It is not just simply a Federal program. We feel that they will make the necessary adjustments.

So there is a big problem as to who believes in the States and trusts the States to do the right thing. Statistically, we have shown that the success stories are coming from the States and through the imagination of the States and that what they are accomplishing, which we have not accomplished through 60 years of welfare—60 years of welfare—is getting people off of welfare and into work. The real laboratories and real success stories are out there in the States.

Whereas certainly this administration, as well as, to a degree, the former administration, can take some of the credit in giving those waivers. Those waivers are simply letting the knowledge, the hands-on treatment of the States go to work to solve some of the problems that have become a tradition, a very sad tradition, in American government, and that is the growth of the welfare state, the growth of the welfare population. This is a linkage we have got to break and these are the changes we have got to make.

I am hopeful that as we reach out to the other side of the aisle, as we reach out to the administration, that we can come in and really deliver on the campaign promise of this President and that is to reform welfare as we know it today.

The hearing is ended.

[Whereupon, at 12:45 p.m., the Subcommittee was adjourned, to reconvene on Thursday, May 23, 1996, at 10 a.m.]

WELFARE REFORM

THURSDAY, MAY 23, 1996

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

The Subcommittee met, pursuant to notice, at 10:10 a.m., in room B–318, Rayburn House Office Building, Hon. E. Clay Shaw, Jr., (Chairman of the Subcommittee) presiding.

Chairman SHAW. It looks as though we are out of seats and the room is crowded. I apologize for not having a larger room today. If everybody could take what seats they have or find a place to stand, we will get started.

Yesterday, we heard about the Clinton administration's proposal on welfare reform. We found the President has now written a bill that closely parallels the new Republican bill, H.R. 3507, in almost every respect. Whereas 2 years ago, the President defined welfare reform as primarily involving just AFDC and child support enforcement, he now agrees that food stamps, Supplemental Security Income, child nutrition, the Social Services Block Grant Program, and welfare for noncitizens must also be reformed.

In fact, under cross-examination, Secretary Bane was forced to admit that the President has come over to the Republican side and was, relative to projected spending, reducing Federal outlays in every area in which the Republicans think spending is excessive. Now the President wants to reduce spending on AFDC, food stamps, SSI, child nutrition, and the Social Services Block Grant Program. In short, the welfare debate appears to be closing and all but over.

However, yesterday's hearing also showed the President's bill was flawed in four respects. More specifically, the bill has a porous 5-year time limit, a work requirement with too many loopholes, very weak provisions on noncitizens, and retains far too much control of welfare programs right here in Washington, DC.

We are very worried the left wing of the Democratic party will put so much pressure on the President that he will veto another good bill, as he has done twice in just the last year and a half. Thus, we call today's hearing to dramatize the serious social problems that our welfare system is causing and that will continue to fester if the President again vetoes welfare reform.

We need to be perfectly clear about this matter. The current welfare system is hopelessly flawed. Among its many problems, today we will examine only four of the worst. The system fosters dependency. The system is riddled with fraud. The child support system

is deeply troubled, and welfare for noncitizens continues to spin out of control.

We want the Nation to understand that Republicans, with some support from our Democratic colleagues, passed legislation that fixed these problems last year, but the President vetoed our bill. Now we are back again. The major purpose of today's hearing is to show that another Presidential veto will do serious harm to the very fabric of American society.

Make no mistake. The current welfare system constitutes a grave threat to our national security because it harms millions of families and children. Ironically, one person stands between the Nation and sweeping reform of our failed welfare system. That person is none other than the President of the United States, the person who promised to end welfare as we know it today.

Mr. President, we hope your advisors perhaps will bring you videotapes and a transcript of today's hearing. We hope before you allow yourself to once again be captured by the left wing of your party that you carefully consider the dark problems your own actions have allowed to devastate the vulnerable children and families you claim to be protecting. Responsibility for these problems is squarely on your shoulders.

Mr. President, in just a few weeks, you will once again have the best opportunity any American President has ever had to reform our hopeless welfare system and to rescue millions of Americans from its grasp. Your choice is clear. Will you answer the needs of liberals in your own party or the needs of every American family, but especially the Nation's poor families and their children?

We welcome all of our guests to this important hearing. Some of you have come a long way, and we greatly appreciate your willingness to pitch in and help Congress solve the welfare problem.

I now recognize the gentleman from Tennessee, Mr. Ford, for his opening statement.

Mr. FORD. Thank you very much, Mr. Chairman. You were calling the President's name so much, I thought he was in the room.

Chairman SHAW. I looked for him. He was not.

Mr. FORD. Mr. Chairman, I am sorry we are not going to have the Republican welfare bill discussed today with the witnesses who will be testifying. I know the Republicans introduced that bill yesterday, and we anticipated some discussion of the major components of the bill.

Instead, we will hear about the research on welfare dependency, progress with child support enforcement, more about the financial and emotional costs of childhood disability, and the impact of welfare reform on legal immigrants. Those are important topics, to be sure, but I wish we were devoting today's session to a careful review of the new Republican welfare reform plan introduced by the Republicans yesterday.

I expect we will be asked to vote on this plan in the next few weeks. A thorough public discussion of it would be useful to all of us who serve on this Subcommittee. Yesterday, it seemed even my Republican colleagues were searching for information about the new bill, and perhaps the Chairman will schedule a date sometime in the near future so we can, in fact, discuss the Republican welfare plan.

Reforming welfare in a way that protects children remains a primary concern to my Democratic Members on this side and the Democratic Members in the House, but sensationalizing problems that we all agree should be corrected is counterproductive, at best, cynical manipulation, at worst.

I was pleased to learn the latest Republican bill backs off the extreme cuts in SSI disabled children's benefits which the President vetoed in H.R. 4. The earlier bill would have cut benefits by 25 percent for even severely disabled children on SSI. However, Republicans continue to characterize their changes as ending crazy checks. In fact, there are fewer than 200 cases where this kind of fraud may be involved. That represents only two-one-hundredths of 1 percent of the nearly 1 million SSI disabled children in America. It is unfair to brand a large number of disabled children as recipients of crazy checks.

Among our witnesses today are Kim Bell and her daughter, who are truly representative of hundreds of thousands of courageous families who are dependent upon the SSI disabled children's program. They will tell us the real facts about the financial and emotional costs of childhood disability.

Mr. Chairman, I look forward to an informative session today on welfare reform in America.

Thank you very much.

Chairman SHAW. Thank you, Mr. Ford.

This morning, as you see, we have a lot of people here, a lot of interest, a lot of witnesses. I am going to enforce the 5-minute rule on both the Members as well as the witnesses. Each of you, as you come up, summarize as you may. Your entire statement which has been prepared and submitted to the Subcommittee will become a part of the full record.

I now recognize Mr. Becerra, who is from California, a Member of Congress.

Please proceed as you wish.

STATEMENT OF HON. XAVIER BECERRA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. BECERRA. Thank you, Mr. Chairman.

Let me again say to you and to the Members of the Subcommittee, thank you for this opportunity to come before you. I understand there are no other Members testifying, so I do really appreciate the opportunity to come here and talk a little bit about welfare and the reform of welfare.

Let me begin by saying that I, too, am very interested to see what this new proposal the Republican leadership announced yesterday contains. I do not believe anyone disputes at this stage that the current welfare system is broken and must be replaced, but as many have said, reform requires meaningful policymaking and we must do everything to avoid politically driven policies.

In respect to that, let me try to focus my remarks on just one aspect of what we are discussing with regard to welfare reform. I am concerned about a number of provisions and would like to see certain things done, but let me focus on something that does not often get much attention but in regards to welfare reform seems to be a major component because it is providing most of the dollars,

and that is legal immigrants, those people who are lawful permanent residents in this country, having been granted permission to be here and have every right now to be here and ultimately will become U.S. citizens.

These are people who pay taxes, just as any citizen does. They are required to abide by every single law. In fact, they are under more obligation to abide by our laws because if they do not, they not only face the penalty of prison or a fine, but they also face deportation, as well. They also are people who are unable to use benefits for the most part when they first come here because they swear they will not become public charges.

Finally, these are people who, like you and I as citizens, must take that solemn oath to be prepared to protect this country in time of war. They do that. Many have been awarded medals. We have a Congressional Medal of Honor winner who was a legal resident, and I suspect we have more than just one, but I am aware of at least one. So these are individuals who are in this country, and unless you happen to find out that they do not have citizenship, they are indistinguishable from U.S. citizens.

What I would like to discuss a little bit in the 5 minutes I have is where we seem to be heading. As I understand it, the current proposals from the Republican side seem to be getting most of their money, most of their savings from eliminating access to services at the Federal level and at the State level to legal immigrants. I have heard no one say these legal immigrants should stop paying the same State, Federal, local taxes, same property taxes, same business taxes, same sales taxes that we as citizens pay to have access to government services, but I do understand there is an effort now to ban their access to some of these programs.

Currently, under law, these immigrants are unable to access these services until they have been here for several years, and even when they do get access, they are required by law to apply the income of their sponsor, the person who first said, "I will make sure that this individual comes in here to be a law abiding, good working individual in this country."

Those sponsors must have their income deemed to that immigrant, which means if a sponsor happens to have a $30,000 income and the immigrant has a $20,000 income, the immigrant is deemed to have an income of $50,000, which in most cases would make that immigrant ineligible for any public services.

But there are occasions when an immigrant happens to be in an accident not of his or her own making, gets hit by a car, or gets hurt on the job, or gets laid off unexpectedly, and there are times when the immigrant, like any U.S. citizen who pays taxes, would like to have the benefit of being able to turn to the government for help in a temporary circumstance.

But under the proposals I have seen so far, those people who are on their way to becoming U.S. citizens would be deprived of that. I have not heard much in terms of policy reasons to deny those individuals who are paying taxes and defending this country in time of war access to those services, but I do know it generates a great deal of money.

Unfortunately, for States like California, Texas, Florida, localities like Southern California, Los Angeles, Orange County, other

cities and counties throughout this Nation, this will act as an unfunded mandate, because what you have is a person residing in that community, paying taxes that are going to the Federal Treasury to the tune of billions of dollars, but those dollars will never come back to the local community because these immigrants, these legal residents will no longer have access to services. It will act as a drain to those local coffers, even though most of these people are hard-working Americans. It would be a great disservice to those communities where we are trying to reform welfare.

I would just mention that most people who have studied this issue will tell us that immigrants on the whole contribute about $25 billion more than they take out in any type of public service. They generate a great number of jobs. Total immigrant income was estimated in 1989 to be about $285 billion. That income ripples throughout the economy and what we find is that most of these folks are coming to this country legally and have established themselves and are on their way to becoming citizens. They are just a step away from becoming U.S. citizens and are trying their hardest.

It seems to me if we really want to meaningfully reform welfare, what we would want to do is try to show those who have decided to make this their country and are working hard to prove to us they deserve to be U.S. citizens in this country, that we will not deny them a service simply because we find them to be a little bit different than U.S. citizens because of citizenship status.

I see my time has expired, the bell has rung, and I will conclude there, Mr. Chairman. I thank you very much for the opportunity to come before you and to try to play a role in trying to help shape our welfare reform policies.

Thank you.

[The prepared statement follows:]

STATEMENT OF HON. XAVIER BECERRA
A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

The Original Intent of Welfare Reform

As President Clinton has often said, the current welfare system is broken and must be replaced. This is true for the sake of the people who are trapped by it as well as the taxpayers who pay for it. When we began to consider reforming welfare, discussions centered on providing sufficient child care to enable recipients to leave welfare for work, rewarding States for placing people in jobs, restoring the guarantee of health coverage for poor families, requiring States to maintain their stake in moving people from welfare to work, and protecting States and families in the event of economic downturn and population growth.

But current proposals do little to move people from welfare to work. They are burdened with deep budget cuts and structural changes that fall short of real reform. For example, H.R. 4 was designed to meet an arbitrary budget target rather than to achieve serious reform. The legislation makes damaging structural changes and deep budget cuts that would fall hardest on children and undermine States' ability to move people from welfare to work. Making $60 billion in budget cuts and massive structural changes which puncture the safety net in a variety of programs, including foster care and adoption assistance, help for disabled children and legal immigrants, food stamps, and school lunch is not welfare reform.

With regard to legal immigrants and welfare use, my testimony will point out several important facts: 1) severe and unnecessary cuts to immigrant benefits were made in the conference report and in more recent proposals; 2) the Democratic compromise bill recognized that some access to benefits by legal immigrants could be altered in the name of welfare reform while preserving fairness and protecting the most vulnerable; 3) cuts are not warranted based on the evidence of use of benefits by immigrants, which is low; and 4) immigrants make valuable and lasting contributions to our society.

The Conference Agreement and the Democratic Position Compared

The conference agreement on welfare reform and the Democratic position are vastly different in their treatment of legal immigrants.

The Conference Agreement

The conference agreement passed in the House on December 21 of 1995 is especially hard on poor legal immigrants. Illegal immigrants are already ineligible for virtually all federal benefit programs.

Low-income legal immigrants would be denied aid provided under major programs such as SSI, Medicaid, and Food Stamps, as well as assistance provided under smaller programs such as Meals-on-Wheels to the homebound elderly and prenatal care for pregnant women. In certain areas, the immigrant provisions of the conference agreement are more severe than those of either the House or Senate welfare bills.

Among the most severe provisions are those that would affect the ability of poor elderly and disabled immigrants to receive SSI. Nearly half a million current elderly and disabled beneficiaries who are legal immigrants would be terminated from the program. They could qualify only after they became citizens or worked for ten years. For many poor immigrants who are old or disabled and can neither work nor, given their age or physical or mental condition, learn all that is necessary to obtain citizenship, this is tantamount to a lifetime denial of benefits.

The food stamp restrictions are equally severe. Both the House and Senate bills would have permitted food stamp benefits to continue for those legal immigrants who have been in the United States at least five years and are either 75 years of age or older or too disabled to naturalize. The conference agreement, however, makes most legal immigrants who are 75 or over or too disabled to naturalize ineligible for food stamps. They would be made ineligible for SSI as well.

These severe SSI and food stamp restrictions affect many legal immigrants with no other sources of support; for example, poor elderly and disabled immigrants whose sponsor has died or become impoverished. Child nutrition programs, including school lunch, and prenatal care are included in the list of banned programs.

The Castle/Tanner Compromise

More recently, Representative Michael N. Castle and Representative John S. Tanner have worked diligently to come to a welfare compromise that can address the outstanding concerns of many Democrats as well as Republicans. While their effort has resulted in progress on many fronts, on the issue of benefits to legal immigrants, this compromise is unnecessarily harsh.

The compromise is similar to H.R. 4, the House-passed bill, with several changes. As in H.R. 4, there is a ban on AFDC, food stamps, and SSI. While deeming is eliminated for all federal means-tested programs, the bill requires that Medicaid be deemed until citizenship. There are several groups who are exempt: battered women are exempt from any deeming requirements, families with children are exempt from the food stamp ban, disabled children are entirely exempt from bars and deeming, those who have paid FICA taxes for 60 months are entirely exempt, non-citizen's children are exempt from school lunch and child nutrition provisions, and non-profits are exempt from verification requirements.

The Democratic Compromise

The following provisions were made part of the Democratic substitute to the House welfare reform bill. The Democratic substitute was supported by every Democrat in the House. The Democratic substitute's immigrant provisions would make two significant changes in current law treatment of legal immigrants' access to federal welfare benefits.

First, the Democratic substitute would require that all family-based, employment-based, or diversity-based legal immigrants have a sponsor execute on their behalf a legally binding affidavit of support before they could be admitted to the United States or before they could have their status adjusted to that of a Lawful Permanent Resident. The affidavits of support would be enforceable against all federal, state, and local means-tested cash benefits.

Second, the Democratic substitute would extend sponsor-to-immigrant deeming in the AFDC, Food Stamp, and SSI programs until an immigrant attains citizenship. (Deeming requires that an immigrant's sponsor's income be considered as part of the immigrant's income in determining the immigrant's eligibility for benefits.)

Several classes of legal immigrants would be exempt from the sponsor-to immigrant deeming provisions. The exempted classes of immigrants would be:

- Legal permanent residents who are 75 years of age or older who have resided in the U.S. for five or more years;
- Veterans, active duty service members, and their spouses and minor children;
- Victims of domestic violence; and
- Legal permanent residents (and their spouses and minor children) who have paid self-employment or social security taxes in each of 20 different calendar quarters.

Immigrants and Actual Benefit Use

The readiness of many observers to believe that immigrant net public sector costs are high is due at least in part to the myth that immigrants are heavy users of welfare. Many believe that both legal and illegal immigrants are drawn to this country by the lure of the "welfare magnet." In fact, many immigrants, including most recent arrivals, are prevented from receiving most forms of welfare or public assistance:

. Undocumented immigrants are eligible for very little public assistance except for emergency medical care under Medicaid and Women, Infants and Children (WIC) program benefits.

. Immigrants who legalized their status under the Immigration Reform and Control Act of 1986 are barred from most federally-funded public assistance programs for five years after legalization.

. Immigrants granted temporary protected status under the Immigration Act of 1990 are barred from most federal benefit programs.

. Lawful permanent residents are effectively barred from receiving most cash assistance during their first three years -- and in some cases five years -- in the country. Because their

sponsor's income is "deemed" to be theirs during this period when determining eligibility for benefits.

The statistics on welfare use among immigrants reflect the effectiveness of these restrictions. According to research completed by the Urban Institute, among non-refugee immigrants of working age who entered during the 1980s, 2.0% report welfare income versus 3.7% of working-age natives. This difference is quite substantial, particularly in light of the relatively low incomes of these recent immigrants. Among longer-term immigrants of working age, 3.2% are on welfare, still below the proportion of working-age natives on welfare.

While welfare use among refugees is higher, there is a strong practical and ethical case for providing them support upon arrival. They are fleeing persecution, their departure is unplanned, and they arrive often traumatized by war. By sheer definition, these immigrants seek refuge.

Legal Immigrant Use of SSI

While it is true that noncitizen use of SSI has increased substantially over the last twelve years, it is important to note that immigrant use of SSI is not spiraling out of control. In fact, the rate of increase peaked in 1991 and is now at its lowest level since reliable statistics started being collected in 1982. Statistics also show that the noncitizen proportion of the SSI applicants has also been declining since 1990, from 8.2% in that year to 6.8% in 1994. Finally, the absolute number of applications by noncitizens declined last year for the first time by 3.5%.

The Contributions of Legal Immigrants

While little work has been done on the contributions of immigrants, a recent study by the Urban Institute compiled an impressive array of factual data which shows that contributions of immigrants to the U.S. economy are substantial. It becomes clear that immigrants are not a burden to this country and in fact create significant wealth and opportunities.

Research has shown that immigrants create more jobs than they themselves fill. One of the most positive employment effects of immigration is the retention of industries that would otherwise have moved overseas. If no Mexican immigration to Los Angeles had occurred between 1970 and 1980, for example, 53,000 production jobs, 12,000 high paying non-production jobs, and 25,000 jobs in related industries would have been lost.

Another source of job creation is the entrepreneurial activities of immigrants themselves. In 1990, almost 1.3 million immigrants were self-employed, a rate higher than natives.

Regarding spending habits, immigrant spending ripples through the economy, creating jobs and generating revenues for businesses and governments. Total immigrant income in 1989 -- $285 billion according to the 1990 census -- represented about 8% of all reported income, equal to immigrants' share of the population (7.9%). Even recent immigrants with their relatively low earnings had an aggregate income in 1989 of $80 billion.

Other nonquantified benefits of immigrants include the job-creation effect of the newspapers, magazines, and radio and TV stations serving immigrant communities. Also, in cities throughout the country, immigrants are credited with reviving once-abandoned commercial areas and with revitalizing entire neighborhoods.

Finally, and importantly when considering receipt of benefits by immigrants, immigrants are net contributors to the tax base. In aggregate, immigrants pay $25 billion more annually than they receive in benefits according to an Urban Institute study.

Conclusion

Provisions in the welfare reform bills which were passed by the House and the Senate would restrict eligibility to Medicaid, food stamps, SSI, AFDC, and other federal programs to legal immigrants. Such a move turns back the clock to a darker time when people in America, but only certain people in America, lived and worked under the shadow of second class status.

There is no justification for targeting immigrants who do not abuse the welfare system. Immigrants work hard, play by the rules, pay taxes, and serve in the military at America's calling. Most immigrants are long-term residents who have lived in this country and paid taxes for ten years or more. Immigrants do not come to this country to take advantage of our welfare system. On the contrary, studies indicate that non-citizens are less likely to use welfare than their citizen counterparts.

As the Governors may have realized when they decided not to ban immigrants from welfare receipt in their welfare proposal, some immigrants will still experience personal hardships. When the federal government reduces its contributions for caring for the needy, including those legally in our country under laws enacted by Congress, those individuals' needs do not disappear. Instead, the burden is simply shifted to States and local communities. As a result, not only will immigrant families suffer, but State and local governments will suffer the sight of their immigrant residents paying federal taxes to Washington (none of the so-called reform proposals relieve immigrants from paying taxes for services they are being denied) and Washington failing to return a fair share of those immigrant-generated tax dollars to the location of their creation.

I hope that the testimony received today will help to inform the debate and will make clear that cutting benefits to immigrants is not welfare reform, rather it is a budget-cutting measure that is certain to adversely impact immigrant children, immigrant families, and States and localities where they reside.

I thank the Committee for allowing me this opportunity to provide testimony and stand ready to assist as consideration of this matter continues.

Chairman SHAW. Do any of the Members have any questions?

Mr. LEVIN. I do.

Chairman SHAW. Sandy.

Mr. LEVIN. I will not ask a question, but Mr. Chairman, I want to use part of my 5 minutes to reflect on your comments because I think we have an opportunity in this Congress to achieve welfare reform if we do not allow it to become totally politicized.

You and I have talked a lot about this. I hope the statement you read was not written by you because I think, if I might say so, it does not get us off on the foot or the feet necessary for us to work together.

Chairman SHAW. Would the gentleman yield, because I think you have got to know the frustration we feel on this side when we work with the President. When I went down to the Blair House conference, the President said to all of those present—he and Vice President Gore spent the whole day with us—he instructed everyone in that room to come back and work with him to try to fashion a welfare bill.

We got a bill. We sent it down. It is very much modeled after what the President ran on and what was in the platform of your party, the Democratic party. We sent it down after all of the work that we had done, and I can tell you, frustration was building through several Congresses where we were absolutely gagged from even passing a welfare bill. We sent it down and he vetoes it, not once, but twice.

Mr. LEVIN. Let me just spell out again why that happened. We started this welfare reform effort in this Subcommittee long before 1992. We took steps in 1988 to begin to link welfare to work. The President vetoed H.R. 4 because it was inadequate on child care. You have backed off your H.R. 4 proposal and moved toward what the Governor provided, which is close to where President Clinton was.

In terms of the contingency allocation, which the President said was inadequate to cover times of recession, the Governors said your program was inadequate. You have now adopted something along those lines, apparently. We had to scramble to see the bill. We did not even have the courtesy of being shown the bill before it was introduced or even after it was introduced. We waited until midnight last night and then, I think, into the early hours.

Chairman SHAW. It was just introduced yesterday, Sandy. I do not know where——

Mr. LEVIN. But if there is a true bipartisan effort, you would think we would see it. SSI children, the President made clear that your provision for cuts of 25 percent for families with severely handicapped kids was too harsh. The Governors said the same thing and you have backed off it.

When it comes to foster care, you ended the present assurance that States will have adequate moneys. The Governors said the same. You have backed off your position and now moved toward where the President was.

In terms of child nutrition, the Governors did not accept H.R. 4. You again ended the assurance of funding and went over to a block grant. As I understand your bill, you have abandoned that position.

So, look, there were legitimate, strong reasons for the President's veto. He said it was not strong enough on work and it punished kids. You have moved, and there is, I think, a basis for negotiation if we do not stand here or sit here and try to make political points. There are some legitimate issues that are outstanding and they include——

Chairman SHAW. If the gentleman——

Mr. LEVIN [continuing]. Let me just finish. Food stamps, I do not know what you are going to be doing with that. The issue of State accountability and whether there can be a State transfer as in your original bill, 30 percent on a broad basis, contrary to what was said here, unrelated to welfare, under the Social Services Block Grant Program. A lot of moneys could have been shifted there by States unrelated to welfare.

The Medicaid linkage, the President made it clear. There has to be health care for those who move from welfare to work, for their children. You delink that in H.R. 4 and apparently continue to do so. That is a legitimate difference of opinion and we need to discuss it.

Another issue is legal immigrants, and I just want to ask Xavier if you can sum up, because I do not think you had time, why you think that the present proposal—we have not seen it, but I think it is the same as H.R. 4—is too harsh. Just sum it up, if you can, in a few seconds.

Mr. BECERRA. As you said, we have not seen it yet, but if I understand it, if it is similar to H.R. 4, the problem is you have people who are paying taxes yet will require a service if they become injured or an accident occurs. That does not end. The local government, the local hospital will still have to provide a service, but the local hospital, the local government will never see the Federal tax dollars that immigrant contributed to the stream of the economy come back to the local government so that the local government will be reimbursed legitimately for the cost of that particular service.

That is the concern. You have billions of dollars being produced by legal residents that are going to the Federal Treasury but with H.R. 4 would never make it back to the localities where they live and work. That would be totally unfair, not just to the person who worked and paid the taxes but to each and every neighbor that that person has because now those neighbors are being told, you have got to pay more taxes locally because the Federal Government has decided to keep some of those dollars your neighbor, as a legal immigrant, paid into the Federal Treasury.

There can be distinctions, and some of us have agreed. We can see things like extending the deeming requirement so people who come to this country must abide by their word in saying, "We will not become public charges." But to eliminate them completely from programs simply because the characteristic that distinguishes them is they have not yet become citizens, because they ultimately will, would be unfair.

Chairman SHAW. Mr. Becerra, you make a very strong statement and I can understand the logic of your argument. I would just say to you that going on welfare is a deportable offense under existing law.

Mr. BECERRA. Absolutely.

Chairman SHAW. Under existing law.

Mr. BECERRA. Correct.

Chairman SHAW. There is a strong disproportionate number of noncitizens on welfare today, and that is a problem.

Mr. BECERRA. Mr. Chairman, I would disagree with you very strenuously on that point. Most of the studies, I think, that have been done, and we can all show studies that show whatever we wish, but most studies show that legal immigrants, legal residents, use welfare at a much smaller rate than the citizen population.

Where you will find a dramatic number of legal residents using welfare is in the refugee population, but understand why. Refugees come to this country literally with only the clothes on their back. They are asking for refuge because they are escaping political persecution or death.

We have, as a country, always said—this is not anything new. We have always said, if you are a refugee, you are going to be entitled to some Federal assistance, as we provided to the Vietnamese who came over, because we understand your circumstances. Those individuals in that category of legal immigrants have skewed the readings for legal immigrants. But if you take away the refugee population from the legal immigrant category, you will find, on the whole, legal immigrants use welfare much less than the U.S. citizen population does.

The one area that I know that the gentleman has pointed out in the past, SSI, which has seen a dramatic increase in the number of elderly immigrants, is attributed not to fraud, not to misuse of the program, but to the fact that over the years, we have had an increasing population of immigrants and, obviously, some of those immigrants have become older and eligible for SSI or some came at an older age. So we have seen that increase.

But quite honestly, what we have seen over the last few years is a decrease in the rate of those people coming in under that category. So Social Security will tell you, it is not because of abuse. HHS will tell you, it is not because of abuse or misuse of the program.

Chairman SHAW. Mr. McCrery. I would say that Mr. Becerra is on a tight schedule, so you will be the last person to question him.

Mr. MCCRERY. Thank you, Mr. Chairman, and thank you, Mr. Becerra, for appearing before us today.

I have before me the most recent study I am aware of on the participation of immigrant families in welfare benefits in the United States.

Mr. BECERRA. And which study is that?

Mr. MCCRERY. It is a study by George Borjas, who is a professor at the John F. Kennedy School——

Mr. BECERRA. And understand that Mr. Borjas' study does not—it is aggregate. He talks about immigrant families. So you could have one immigrant——

Mr. MCCRERY. No, he does. He does.

Mr. BECERRA. The Borjas study that you are speaking of——

Mr. MCCRERY. If you will let me finish, then feel free to bring the study——

Chairman SHAW. The time belongs to the gentleman from Louisiana.

Mr. MCCRERY. Borjas does, in fact, distinguish between refugees and the general immigrant population. While he acknowledges that the refugee participation is much higher, he concludes that even without that, the immigrant participation is considerably higher than the native-born population. Mr Borjas concludes,

> In fact, if you take into account all forms of welfare, not just cash benefits, the participation rate among immigrant households is 47 percent higher than native-born households in this country.

The general conclusion that Mr. Borjas reaches is that the evidence has become overwhelming that immigrant participation in welfare programs is on the rise in this country.

I do not discount what you have shared with us this morning. In fact, I would hope that you would work with us to try to find a way to stem this rise. But first, we must admit there is a problem. We cannot continue to say that the immigrant population is not a problem in terms of participation in the welfare programs because the evidence, as Professor Borjas has said, is overwhelming that it is. But I am encouraged by your willingness to look at the deeming element. That is certainly a step forward. I would welcome any comments you would make.

Mr. BECERRA. I thank you for the opportunity to respond. Let me say that perhaps the most important thing I just heard you say is we should work together. I think you are absolutely correct. There are things that need to be done within the system of welfare or social services for anyone, whether you are a citizen or a legal resident in this country.

What I would ask you to do, though, is take a look at the Borjas study. What you will find is that Mr. Borjas did a study of families, of households, and if he found one individual in the household who was an immigrant, he categorized it as a single unit. So a household that had six people in it, if one individual was on welfare, then that unit was on welfare. If the person who was on welfare was not an immigrant but was a U.S. citizen, it made no difference. That household unit was still counted as being on welfare.

That is why you see such a marked increase of welfare use among the immigrant population; not because it is the individual immigrant using the welfare, it is because of the household where the immigrant was was included. What you will find is if you disaggregate, as the RAND studies have done and those studies that have tried to collect all of the information from all the different researchers, including Mr. Borjas, is that the level of usage of welfare by legal immigrants is low.

The principal reason is when you are a legal immigrant, you have signed a document saying, "I will not become a public charge. If I do become a public charge, I understand that I can be deported." And second, you have to sign another document that says,

> For me to come in, I have to be sponsored by someone, a U.S. citizen who says that that person, that citizen will be responsible for me should I ever become a public charge.

So if there are increases, which the RAND study did not show, then certainly we should address that. But perhaps the most important thing we should do is, as I said before, you can take a

study and do anything you want with it, is to first decide, Do we, as a country, wish to exclude and completely ban people from access to a service when the only distinction between that person and someone else who is a U.S. citizen is the fact they have not yet reached the point of being sworn in?

I have so many people coming to me these days asking me,

> You mean, I am working right now, but if I should happen to get injured on the job, I am going to lose the ability to go after my employer to help me pay, or if I need some temporary assistance, maybe to seek some public assistance, given that I pay taxes?

I must tell them, if these proposals pass, that would be the case.

Mr. MCCRERY. Thank you. You may know about the CRS study. CRS is a completely nonpartisan, objective institution, and they conclude that although immigrants constitute only 6 percent of the overall population, they constitute 10 percent of all SSI recipients, 16 percent of SSI recipients aged 65 or older, 7 percent of people living in AFDC families, 12 percent of people living in families receiving State assistance, 8 percent of Medicaid recipients, and 8 percent of people living in households receiving food stamps. So there again——

Mr. BECERRA. You see, that is all consistent with what has been said before. The reason you have a high SSI rate is because you find a lot of immigrants are not high income, and if they do get injured, they are not going to be insured, so they will turn to the Supplemental Security Income Program.

Chairman SHAW. I am afraid that is going to have to be the last word in respect to your schedule, but I would like to say, I am sure you know as well as I do the courts have ruled the document that people sign to sponsor someone in the country and say that they will not allow them to become a public charge has been ruled by the courts as unenforceable. That is something we hope to change.

Mr. BECERRA. Mr. Chairman, that is something we should make enforceable in every respect that we can, absolutely.

Chairman SHAW. We look forward to your supporting that.

Thank you for being with us.

Mr. BECERRA. Thank you for your time.

Mr. RANGEL. Mr. Chairman, may I ask him a question?

Chairman SHAW. He is trying to make a plane. I will be glad to recognize you and then Mr. Collins.

Mr. RANGEL. Do you think we make the existing law enforceable, that is, as relates to sponsors and deportation for those who are public charges, and we have greater flexibility in the laws for those who find themselves in harm's way? If they have a history of legally working and paying taxes, shouldn't they be given some equitable rights?

Mr. BECERRA. Mr. Rangel, I believe there is every opportunity to come to some consensus here. If someone has come into this country saying, "I promise you that I will not become a public charge——

Mr. RANGEL. Exactly.

Mr. BECERRA [continuing]. "And I have a U.S. citizen in the country who is going to be my sponsor who has promised this government, as well, that that person will not let me become a public charge," I believe that we should do everything to enforce those two

promises so that no one in this country, no one in this government, and ultimately the government is the people, has to worry about taking care of someone who has made a promise to us.

Mr. RANGEL. Thank you. Mr. Chairman, I think some Americans believe we cannot afford to take care of our own, much less people that come into the country illegally or those who are not citizens. But we have a great reputation as a country having a heart and we should enforce the law against those who violate their promise. I think many Members will support you to help those with equity, which I know is in the heart of everybody, for someone that just falls in harm's way while they are waiting to become an American citizen. If you put together a little team of those that have an interest in it, we will work very closely with you.

Chairman SHAW. That is a part of the immigration bill which the President has threatened to veto. I do not know where that stands now as far as the Senate or the conference. I think it is in conference. I think the Senate has passed one and it is in conference.

Mr. RANGEL. What I am saying is, rather than just generalizing and proposing a law that says if you are not a U.S. citizen, you do not have access to anything, I think we can find something to recognize equity and still tighten up and find savings someplace else.

Mr. LEVIN. Would the gentleman yield for just one comment?

Mr. RANGEL. I yield.

Mr. LEVIN. Mr. Chairman, I think that the bill we passed on immigration—and I will just take 20 seconds—provides a basis for further discussions, but this bill goes considerably further than the provisions in the immigration bill. So I hope we can sit down and see if we can work this out to make sure contracts are, indeed, enforced as well as enforceable and people do not try to beat the system, while at the same time, people who are in the process of becoming citizens are not left totally out in the cold if they happen to come on difficult circumstances.

I would think there is some common ground available here if we will work at it, and we are willing to do that.

Thank you for your time.

Mr. RANGEL. Let me thank you for your eloquent testimony.

Mr. BECERRA. Mr. Rangel, if I could make one last comment, I was asked by my mother the other day how this would have affected her. She has been a citizen for over 25 years. I had to tell my mother, had she come into this country after—she came in about 1950 or 1952—had she come in under the circumstances that now confront some of the folks that are coming legally into this country, she probably would not have access to certain services, even though she has worked her entire life, never been on welfare, and, in fact, at one point was a social worker in a welfare department in Sacramento, California, never using welfare.

But I had to tell my mother—she is fortunate, she is a U.S. citizen, but the only thing that distinguished her when she was a legal resident from someone who now might be deprived of access to a service, even though she was paying taxes, was that she is a little different, or was a little different. Unfortunately, being only different in the sense of not having yet been sworn in would have deprived my mother, who has always been a taxpayer, of the oppor-

tunity to use the services this country has made available to those who fall under some circumstance not of their own making.

Mr. RANGEL. We all believe we should do right, but we have to make a political statement. If we can agree on it, I think that would be important.

Mr. BECERRA. I thank everyone for their time.

Chairman SHAW. Mr. Collins.

Mr. COLLINS. Thank you, Mr. Chairman. I will be brief.

I think the political statement has been made, and that is, we should enforce the laws that are on the books today and those affidavits that are signed when people come to this country. I think that is the political statement.

In relation to the public assistance, though, as long as you supplant with public funds the responsibility that is entered into when those affidavits are signed, you will have a very tough time enforcing the laws.

Tax dollars that are paid into the government are not paid in strictly and solely for social benefits. There are a lot of other benefits, as you well know, that come from being a resident of this country, whether you are here legally as an immigrant or whether you are here as a citizen. Until such time as you become a citizen, become a vested interest, those dollars you pay in are providing for a lot of other services, and once you become vested as a citizen, the social benefits are available then.

I can appreciate what you are saying and I do not mind having the dialog, and I think it is very good for you to come to the Subcommittee and to present your views on this. I think also that when it comes to actually working together, that you formulate some provisions you would like to see and not just say, let us work together to get it done. Put it down in black and white, send it to us and let us review, and also have a dialog about the information that you send to us.

Thank you for appearing here, and thank you, Mr. Chairman.

Mr. BECERRA. If I could respond, Mr. Chairman, and Mr. Collins, if you would give me a moment to respond, I thank you for the offer. In fact, I have submitted proposals on how to deal with the issue of legal residents when it comes to welfare. Those did generate up to about $6 or $7 billion of savings by extending the period under which someone would not qualify for a particular service because you have a sponsor who says he or she will be the caretaker.

So, in essence, making the affidavit enforceable so that the sponsor, if not the immigrant, would have to provide the moneys for any service, that has been done.

Chairman SHAW. We may be closer than you think, because the bill provides that someone who has been here 10 years can collect welfare. So it is not just an absolute cutoff. The people who have been here paying their taxes, working hard, and do not have a sponsor now to fall back on, they are covered after 10 years.

Mr. BECERRA. Mr. Chairman, you are right. That is a good provision within any of the proposals, because we are recognizing if you work hard, you should have that access.

Chairman SHAW. I think it is a good sign when you say anything good about that proposal.

Mr. BECERRA. No, let me tell you, I know we are all trying to reform. I just hope that what we do is do it so we are doing it across the board. When Mr. Collins says you vest in your rights to access to certain services, I would only say that the 14th amendment does not talk about U.S. citizens. It talks about every individual in this country.

I suspect that if we look back to the 1700s when we had folks dump tea into a harbor in Boston, what they fought against was taxation without representation. But what you have is a whole group of people, about 10 million people in this country, who are lawfully in this country, who are paying taxes and now face the specter of not being able to get a service from a government they pay taxes to. That, to me, seems another reason to throw some more tea into the harbor. We want to make sure we do——

Mr. COLLINS. Reclaiming my time, though, that was prior to our social programs today. In fact, I believe I read somewhere where they tried to actually have a social living at that time. They tried it for 1 year and they all almost starved to death, so they finally got out hoofing it on their own so that they all could exist.

Thank you, Mr. Chairman. I yield back my time.

Mr. BECERRA. Thank you, Mr. Chairman. I appreciate your time.

Chairman SHAW. Thank you.

We have a vote on the floor, so if the next panel can be seated while we are out, we will recess for just a few moments in order to vote.

I would like to also, just in very short response to what you said, Sandy, regarding the bill, the bill was filed after 8 p.m. last night. The administration came by our offices and picked up a copy. Your offices, I think, did not get it last night, but it was delivered outside your door at 8 a.m. this morning. I think that is pretty good, because the bill was being worked on all day. So it was made available to you all just as soon as we had it. It would have been given to you last night had you had the staff to take it. It was hand delivered outside your office at 8 o'clock .

We are trying to work with you, and I know what it is like to be in the minority, believe me, after 14 years of it. I am trying to work as closely as I can to be sure you all are informed so you do have an opportunity to debate the issues with us in an open and proper manner.

We will stand in recess for approximately 10 minutes.

[Recess.]

Chairman SHAW. If everybody could take their seats, come in or out, whatever direction you are going. I apologize for the delay. I think we have about an hour and a half now before we will be interrupted again.

Our next panel includes Dr. Pavetti, who is a research associate at the Urban Institute of Washington, DC; Ed Schilling, who is the director of the Fond du Lac County Department of Social Services, Fond du Lac, Wisconsin, which has been in the news quite a bit lately; and Robert Rector, senior policy analyst at the Heritage Foundation, Washington, DC.

Thank you, and to repeat again, we are going to be enforcing the 5-minute rule on Members and the speakers.

Dr. Pavetti.

STATEMENT OF LADONNA A. PAVETTI, PH.D., RESEARCH ASSOCIATE, URBAN INSTITUTE

Ms. PAVETTI. Good morning, Chairman. I would like to thank you for this opportunity, as well as other Members of the Subcommittee, to talk with you about time on welfare and welfare dependency. What I would like to do is to begin with four summary points and then, with the time I have left, I would like to talk about two of those points in a little more detail.

The first point I would like to make is that a complete picture of understanding time on welfare requires holding in view two seemingly contradictory facts, and those are: The majority of families who ever use welfare actually use welfare for relatively short periods of time. But if you look at the current caseload or the caseload at any point in time, the majority of families will eventually receive welfare for long periods of time.

The second point I would like to make is that a substantial fraction of the AFDC caseload could potentially be affected by policies to time limit AFDC benefits. On average, at a given point in time, about 70 percent of current AFDC recipients have already received AFDC for more than 24 months and 48 percent have received assistance for more than 60 months.

I think there are two ways to think about those numbers. One is that if no one changed their behavior, those are the number of families under a time-limited system who would be eligible under the current system who would not be eligible with a time limit in place. The other way to think about those numbers is the number of families who would have to change their behavior or we would need to be thinking about, What do you do to get them to change their behavior so they will not be affected by a time limit.

The third point I would like to make is that recipients who spend long periods of time on the welfare rolls are primarily women with very limited job prospects. Recipients who first receive welfare when they are young and never-married mothers are also overrepresented among long-term recipients, as are minority recipients.

But education and previous work experience are the two factors that are most highly associated with whether or not someone actually leaves welfare for work. I do not want to say that being a single parent who has never been married is not important, but the most important factors that really do contribute to long stays are very low education levels and limited work experience.

Finally, the final point is that to make a successful transition work, there are some families who do spend long periods of time on the welfare rolls who are likely to need more assistance than is generally provided by our traditional welfare-to-work programs. Providing this additional assistance will require flexibility. It will require a broad range of allowable welfare-to-work activities, and often, it will require additional or redirected staff resources.

Now what I would like to do is to talk in a little bit more detail about what we know about the time people spend on the welfare rolls. First of all, I think most people know at this point that the

welfare system is a very dynamic system. There is a lot of movement on and off. In an average year, about one-half of the AFDC caseload actually turns over.

Of those people who leave during the year, the estimates are anywhere from one-half to two-thirds actually leave for work. A small percentage actually leave for marriage. It is probably about 15 percent. The others leave for a variety of different reasons. Those who leave are then replaced by new applicants who have never received welfare before and by some recipients who have left and are coming back again.

When welfare recipients initially come on, most leave in a relatively short period of time. About one-half leave within the first year. But a lot of those who leave come back almost as quickly as they left, so that 45 percent actually come back within 1 year of leaving.

When you take into account all of that cycling on and off, if you look at women who ever receive welfare, only a moderate fraction actually received welfare for long periods of time. About one-third actually spend more than 5 years receiving assistance.

It is important to note that the figures I just talked about are for women who ever use welfare, so if you think about over the last 5 years, we are counting everybody who has ever used welfare.

You end up with a very different picture if you just take the recipients who are currently receiving welfare, because it is a smaller and different base. Of that group of recipients, there are about 76 percent who eventually receive welfare for 5 years or longer. That is a very different picture.

I think there is an obvious question, and that question is, Why are these two pictures so different? It is because of what I just described. There are two different groups of people. One is a compilation of a lot of people who have moved on and off and the other is just those people who are currently in the system. By definition, those who are currently in the system overrepresent long-term recipients—the only short-term recipients you are currently in the system are those who applied recently, while the longer term include recipients who have been on for up to 25 years. That is why those numbers are so different.

The point that I think is important to make is that behind those numbers, there are very different patterns of welfare abuse. Some people use welfare for short periods of time and never return. Others use welfare intermittently, returning when jobs end or they have family crisis. Then there is a group of people who use welfare continuously.

I think because of that, it is very difficult to talk about the average welfare recipient and I think it is misleading to use numbers on the average length of time, which I have reported in my work. I think it is very similar to the reason why we do not use average income to describe income, because there are some people who have very high incomes. Similarly, there are some people who have very long stays on welfare. If you use an average for length of stay, you get a skewed perspective, so I think it is much better to use full distribution than actually using an average.

Finally, I would like to talk a little bit about Utah's experience of reforming welfare, and the reason why I want to do that is

Utah's reform is unique in that they are the only State I am aware of, as a part of their reform, who have not exempted any families from participation in work-related activities. So they really are working with the full caseload.

What has happened, and I have spent most of the time that I spent in Utah in a particular office outside of Salt Lake City, within 1½ years of implementing their reform, their caseload declined 42 percent. What happened after that decline occurred is they were left with a very different group of recipients, and administrators and staff alike basically, in hindsight, say that they were totally unprepared for how difficult the challenge was of actually helping those families, many of them long-term recipients, to move into the labor market.

What they found was many of those families had multiple problems. There were problems with very sick kids. There were mental health problems. There was substance abuse, very low levels of literacy. What Utah has done is not to say we are not going to move those families into the labor market, but they really have taken a step back and said, we need to do something different.

So what they have done is to hire more skilled staff, many of them with master's degrees in social work, and what they do is to try and come up with a short-term plan on how they can deal with some of those problems that are keeping people out of the labor market.

Chairman SHAW. If you could sum up, you are out of time.

Ms. PAVETTI. I did not hear the beep.

Chairman SHAW. I do not know what happened to the bell. The red light is on.

Ms. PAVETTI. Again, just very quickly, the reason why I think Utah's experience is important is I think I really believe we will see two stages of welfare reform. We will see an initial stage where caseloads will go down quite quickly—down quite dramatically. What we will be doing is getting some people who would have been on for relatively short periods of time off in shorter periods of time. Then in the end, we will be left to struggle with the people who really will have a much harder time making it into the labor market.

I think as we think about time limits, as we think about work requirements, we need to think about what are the things that will really help that group of families enter the labor market. I think there is experience out there that we can do things, but we need to be thinking differently than we have in the past.

[The prepared statement follows:]

STATEMENT OF LADONNA A. PAVETTI, PH.D
RESEARCH ASSOCIATE
URBAN INSTITUTE

Time on Welfare and Welfare Dependency[1]

Good Morning Chairman Shaw and members of the Subcommittee on Human Resources. I am pleased to have this opportunity to talk with you today about time on welfare and welfare dependency. I plan to address four aspects of this issue. First, the total time families spend on the welfare rolls. Second, the percentage of the AFDC caseload who may be affected by time limits. Third, the factors associated with long-term welfare receipt. Finally, I will discuss some implications of this information for reforming the welfare system.

My testimony will amplify and support the following points:

- A complete picture of time on welfare requires an understanding of two seemingly contradictory facts: the majority of families who ever use welfare do so for relatively short periods of time, but the majority of the current caseload will eventually receive welfare for relatively long periods of time.

- A substantial fraction of the AFDC caseload potentially could be affected by policies to time-limit AFDC benefits. On average, at a given point in time, about 70 percent of current AFDC recipients have received AFDC for more than 24 months and 48 percent have received assistance for more than 60 months.

- The strongest predictors of whether a welfare recipient will leave welfare for work are recent work experience and educational attainment, including mastery of basic skills.

- Some families who spend long periods of time on the welfare rolls are likely to need more assistance than is provided by traditional welfare-to-work programs to make a successful transition from welfare to work. Providing this additional assistance will require flexibility, a broad range of "allowable" welfare-to-work activities and additional or redirected staff resources.

Estimates of Total Time on Welfare

The estimates of time on welfare that I will present today are based on the results of a simulation model that uses monthly data on welfare receipt from the National Longitudinal Survey of Youth to estimate movement on and off the welfare rolls. These estimates assume that the AFDC caseload is in "steady state," neither increasing or decreasing. During times of transition these estimates would need to be adjusted to reflect the changing nature of the AFDC caseload. In general, when the caseload is increasing there is an increasing percentage of shorter-term recipients. When the caseload is declining, longer-term recipients generally account for an increasing fraction of families receiving assistance.

The welfare system is an extremely dynamic system. In an "average" year, about one-half of the AFDC caseload leaves the welfare rolls. The best available estimates indicate that between one-half and two-thirds of those who leave do so because they have found paid employment. A small percentage (less than 15 percent) leave for marriage and the remainder leave for a variety of other reasons. Those who leave are replaced by new applicants who have never received assistance before and by families who have received assistance previously and are returning to receive assistance again.

The majority of families who leave the welfare system do so after a relatively short period of time -- about half leave within a year; 70 percent within two years and almost 90 percent within five years. But many return almost as quickly as they left -- about 45 percent return within a year and 70 percent return by the end of five years.

When one takes into account all of this movement on and off the welfare rolls, only a moderate fraction of recipients who *ever* turn to the welfare system for support end up spending relatively long periods of time on the welfare rolls. Over the course of their lifetimes, about one-third

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[1]Any views presented here are those of the author and are do not necessarily reflect those of the Urban Institute, its trustees or sponsors.

of women who ever use welfare will spend longer than five years on the welfare rolls and 60 percent will spend 24 months or longer receiving assistance.

It is important to note that the figures I just presented are for women who *ever* turn to the welfare system for support, regardless of whether they are currently receiving assistance or not. A very different picture of time on welfare emerges if one examines the total time families *currently receiving welfare* will spend on the welfare rolls over the course of their lifetimes. About 90 percent of those currently on the rolls will eventually spend more than 24 months on the welfare rolls and 76 percent will receive welfare for longer than five years.

An obvious question is, "Why are these two pictures of time on welfare so different?" The answer to this question is complex, but it primarily lies in the fact that we are estimating total time on welfare for two very different groups of recipients. In the first case, we are estimating total time on welfare for all families who *ever* turn to the welfare system for support, regardless of whether they stayed for a month or for 25 years. In the second case, we are asking the question of a much smaller and very specific group of recipients -- those who are *currently receiving assistance*. Over time, long-term recipients accumulate in the system so they are over-represented among the current caseload. By definition, the only short-term recipients represented among current recipients are those who have applied for assistance recently while the long-term recipients include recipients who first received welfare up to 25 years ago.

In sum, the majority of families who *ever* turn to the welfare system for support will use it for relatively short periods of time, but the majority of families receiving assistance at *any given point in time* (i.e., the current caseload) will eventually receive welfare for relatively long periods of time. While these statements often seem contradictory, both are accurate and both are necessary to present a complete picture of time on welfare.

Behind these total time estimates, are very different patterns of welfare use. Some recipients use welfare for a short period of time, leave and never return; others use welfare intermittently, returning for short-term assistance when a job ends or when a family crisis occurs. Still others spend long periods of time continuously receiving welfare. Because of these different patterns of welfare use, it is difficult to talk about an "average" welfare recipient. My research shows that, on average, women who *ever* use welfare will receive assistance for about six years and *current recipients* will receive assistance for about thirteen years. While accurate, taken by themselves, these figures are misleading because they give undo weight to the experiences of the extremely small number of recipients who spend very long periods of time (as much as 25 years) receiving welfare. These very long-term recipients do, in fact, exist, but they are the exception, not the rule. Thus, it is not accurate to describe the "typical" length of stay on welfare as 13 years.

Families Affected by Time Limits

Thus far, I have talked about the total time recipients will spend over the course of their lifetimes. For purposes of estimating the percentage of families who may be affected by policies to time-limit AFDC benefits at any given point in time, only the time welfare recipients have spent on the welfare rolls *to date* is of interest. On average, about 70 percent of families receiving assistance at a given point in time have already received assistance for at least 24 months and 48 percent have received assistance for more than 60 months. Assuming no change in behavior, these are the percentages of families currently receiving assistance who would be eligible for and actually receiving benefits under the current system, but would not be eligible to receive assistance with a two-year or five-year time limit in place. An alternative interpretation of these numbers is the percentage of families who would have to leave welfare sooner than they would under the current system in order to not be adversely affected by a time limit on benefits.

Characteristics Associated with Long-Term Receipt

Long-term welfare receipt is not an entirely random event. Recipients who first receive welfare when they are young, have never married, have low levels of education and have no recent work experience are all over-represented among recipients with longer stays on welfare. Minority recipients are also over-represented. When these factors are all considered simultaneously, the

strongest predictors of whether a recipient will leave welfare for work in a given month are recent work experience and educational attainment, including mastery of basic skills. Thus, recipients who spend long periods of time on the welfare rolls are primarily women with limited job prospects. In fact, the employability of those who are most likely to reach a five-year time limit does not look especially promising. Half of those who spend longer than five years on the welfare rolls enter AFDC with no labor market experience and 63 percent of these women have less than a high school education. Also, 42 percent first received welfare when they were under age 25, the time when the vast majority of workers make investments in education and gain experience in the labor market that prepares them for stable future employment.

Implications for Reform: Lessons from Utah's Single Parent Employment Program

To provide some insight into the implications of this information for reforming the welfare system, I would like to briefly describe Utah's experience of reforming welfare through its Single Parent Employment Program. Utah's reform is the only reform implemented to date that does not exempt any AFDC recipients from participation in work-related activities, making it an important laboratory for examining the issues states are likely to face as an increasing percentage of the AFDC caseload, including those who have received assistance for long periods of time, are required to look for work. Utah's reform emphasizes quick entry into the labor market and provides recipients who leave welfare for work with a variety of transitional services to ease the transition into the labor market. Families who do not participate in agreed upon activities face the loss of all cash assistance after an extensive conciliation process.

According to workers, the requirement that they work with all recipients, regardless of their needs or current ability to find and sustain employment, has changed their work quite dramatically. This change has been more pronounced over time as more and more of the job ready recipients find employment and leave the welfare rolls. In hindsight, administrators and staff all acknowledge that they were unprepared for how difficult it would be to work with some families, especially those who have received welfare for extended periods of time. Over time, they have found that the vast majority of these families experience multiple barriers to employment, ranging from serious mental health problems to learning disabilities to substance abuse to children's mental health and medical problems to domestic violence.

To address the needs of these families and help move them into the labor market, Utah has started to hire more skilled workers, generally professionals with a Master's Degree in Social Work or Counseling. These workers carry smaller than average caseloads and serve as a resource for other staff who are having difficulty moving particular recipients into the labor market. In some offices, substance abuse and mental health professionals are co-located in the welfare office. The goal for families who experience a broad range of barriers to employment continues to be employment. However, Utah's experience has taught them that while it is feasible to require every family to participate in activities that will eventually allow them to find unsubsidized employment, not every family can immediately sustain full-time or even part-time employment.

Utah's experience highlights several important points. Most importantly, it suggests that reforming the welfare system in many areas is likely to involve more than simply requiring families to work. When mandated to find work, some families are likely to find employment on their own and to do so more quickly than they would had they not been faced with such a mandate. Other families will find work with limited assistance. But some families are likely to need more assistance than welfare-to-work programs traditionally provide. Providing this assistance requires flexibility, a broad range of "allowable" activities and additional or redirected staff resources. Utah's experience suggests that welfare reform can be used as an opportunity to help families with a variety of needs and circumstances take the necessary steps to become self-sufficient and it is possible to incorporate the services these families need to leave the welfare rolls in a program that emphasizes employment.

For additional information:

Pavetti, LaDonna A. "Who is Affected by Time Limits?" in *Welfare Reform: An Analysis of the Issues*. Edited by Isabel V. Sawhill. The Urban Institute, 1995.

Pavetti, LaDonna A. "How Long Do Families Stay on AFDC?, Who Spends Longer Periods of Time Receiving Welfare? Why Do People Who Leave Welfare for Jobs Return to the Welfare Rolls?" in *Looking Before We Leap: Social Science and Welfare Reform*. Edited by R. Kent Weaver and William T. Dickens. The Brookings Institution, 1995.

Pavetti, LaDonna A. "Questions and Answers on Welfare Dynamics" Urban Institute Mimeo, September 11, 1995.

Pavetti, LaDonna A. *The Dynamics of Welfare and Work: Exploring the Process by Which Women Work Their Way Off Welfare*. Dissertation Series #D-93-1, Malcolm Wiener Center for Social Policy, The Kennedy School of Government, Harvard University.

Chairman SHAW. Thank you.
Mr. Schilling.

STATEMENT OF ED SCHILLING, DIRECTOR, FOND DU LAC COUNTY DEPARTMENT OF SOCIAL SERVICES, FOND DU LAC, WISCONSIN

Mr. SCHILLING. Thank you, Mr. Chairman.

I can only speak for what has happened in Fond du Lac County, and we have been, I think by anybody's measure, spectacularly successful in the last 16 months in moving families off welfare. What I would like to address is the issue of dependency on welfare. I think there is no question that in Wisconsin, Governor Thompson says it very strongly. The answer to dependency is work. It seems to have been working very well for us.

It starts right up when people come in the front door. Some of the essential elements of a welfare reform program that I think are necessary to reduce dependency are to require work right up front. When somebody steps in the front door, you make an attempt to divert them into the world of work immediately. By doing this, we have reduced the number of people who apply for aid, who actually complete the application and become eligible for aid.

We have reduced that by 27 percent coming right in the door, and that is basically by pointing out other options to people or discussing options. Sometimes those options are work. Sometimes what we find out is they always did have a choice and did not need to come onto welfare in the first place.

In my view, welfare does need to be time limited. In my judgment, somewhere in the design of the program, there has to be a line in the sand that this is as long as you can be on and there is a clear expectation you will leave welfare at the end of that period of time.

I believe that you have to have a component where you work for your welfare. I do not believe it is much of a tradition or a thing to encourage, to give somebody, frankly, something for nothing. I believe that required activities are extremely important. They may be activities that should be geared toward people becoming employed and preferably involving activities directly leading to paid employment as soon as possible.

I believe we need to stop treating welfare recipients as if they are less capable than the rest of the public as far as taking responsibility for their own actions. They can make decisions as everyone else needs to do in our society. We have had a system that basically says to people when they walk in the front door, you are less capable, you need to be told various kinds of things to do in order to remain eligible for welfare.

I think what we need to do is encourage independence by showing people they can stand on their own two feet; they can get jobs. We have encouraged that very strongly in Wisconsin. We do require that everybody who is on aid must put in a proportional amount of generally work time in order to continue to receive their public assistance.

We do have a time limit of 24 months within a 48-month period of time. After 16 months on this—by the way, there is not any single recipient in either of the pilot counties of the State of Wisconsin

that is still on welfare after the first 16 months that started at the beginning. What I am trying to illustrate is that the people have moved off cash public assistance benefits.

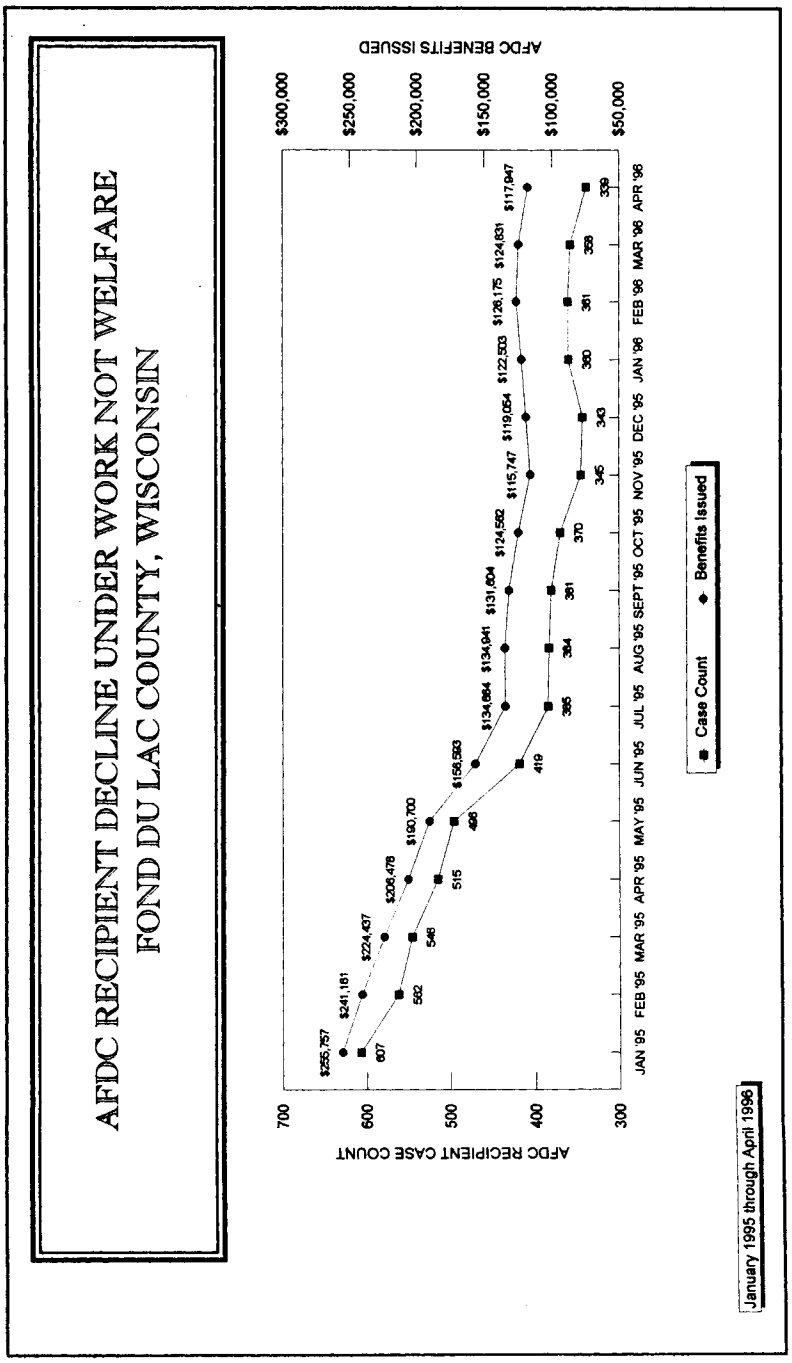
We have pay for performance, where people—I am sorry, self-sufficient first in the State of Wisconsin, which definitely gears people into the job market as an alternative to going on welfare This has been an extremely successful program in the State of Wisconsin and it is one component that is included in the Work, Not Welfare Program in my county in the State.

One other element I strongly believe in is a welfare cap. By and large, it is our view that childbearing is an elective process and people in the work force do not receive raises when they have more children, nor do we feel that welfare recipients should. We believe they are responsible for their childbearing. I will concede there may be some rare exceptions to this rule and they can certainly make rules that account for that at this point in time.

I believe you have the chart—I think that has been passed out—and that would tell you what we have done with our welfare caseload in Fond du Lac County in Wisconsin. As the welfare has declined, I would point out, I think it is quite naturally, the cost of child care to the county has risen considerably, but I can absolutely guarantee you the welfare savings many times over make up for the extra costs of child care in our county.

That concludes my remarks.

[The information follows:]


AFDC RECIPIENT DECLINE UNDER WORK NOT WELFARE
FOND DU LAC COUNTY, WISCONSIN
AFDC BENEFITS ISSUED
$300,000
$250,000
$200,000
$150,000
$100,000
$50,000
AFDC RECIPIENT CASE COUNT
700
600
500
400
300
$255,757
$241,161
$224,437
$206,478
$190,700
$158,593
$134,884
$134,941
$131,604
$124,582
$115,747
$119,054
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JAN '95 FEB '95 MAR '95 APR '95 MAY '95 JUN '95 JUL '95 AUG '95 SEPT '95 OCT '95 NOV '95 DEC '95 JAN '96 FEB '96 MAR '96 APR '96
Case Count
Benefits Issued
January 1995 through April 1996

Chairman SHAW. Thank you, Mr. Schilling.
Mr. Rector.

STATEMENT OF ROBERT RECTOR, SENIOR POLICY ANALYST, HERITAGE FOUNDATION

Mr. RECTOR. Thank you, Mr. Chairman.

I am here today to talk primarily about the relationship between out-of-wedlock births and welfare dependence and the effect of welfare dependence on children. I have with me today a chart, which I have presented in the past. If I could just briefly run through that, this chart comes from the National Longitudinal Survey of Youth and it looks at the effects of marital status on children's welfare dependence.

We divided the children in this survey into four different categories. On the left-hand column are children born out of wedlock where the mother has never married after the birth. The second column are the children born out of wedlock but the mother does marry after the child is born. The third column are the children born in wedlock, but there is a subsequent divorce. The fourth column are children that are born in wedlock and the marriage remains intact.

The black columns show the percentage of months that the average child is on AFDC in each of these categories. The red columns show the percentage of months the child spent on a broader array of welfare benefits, including AFDC, food stamps, Medicaid, WIC, and SSI.

If you look at the column where children are born out of wedlock and there has never been a marriage, they have spent 50 percent of their time on AFDC since birth. If you compare that with children born in wedlock where there has never been a divorce, they have spent 3 percent of the time since birth on AFDC. That means that the out-of-wedlock birth increased AFDC receipt by 1,700 percent.

Similarly, these children on the left-hand column, if you look at a broader definition of welfare dependence, they have spent almost three-quarters of the time since birth receiving some form of welfare, compared to about 12 percent for those where the child is born inside marriage.

What I think is interesting, though, in particular, is to compare the left-hand column, where it is a never-married mother, with mothers that marry after the out-of-wedlock birth. What you see in both cases, for example, it cuts the rate of welfare dependence roughly in half for the mother to marry after the birth of the child. It is, of course, much, much better for the mother to be married at the time of birth, but even that subsequent marriage cuts the rate of AFDC dependence in half. Marriage still remains, even after an out-of-wedlock birth, the most effective mechanism for reducing welfare dependence.

The second point I would like to make today is that dependence harms kids. There is a notion somehow that if you can just get enough welfare benefits into a family, if we can just have a sort of syringe and inject welfare income into a family, that that is going to support the family and it is going to have beneficial effects for the kids. That is categorically untrue.

The fact of the matter is, the more we spend on this welfare system, the more dependence and the more out-of-wedlock births we have, and both of those things are profoundly harmful to children. It is far better for a child to be poor but to have working parents than it is for a child to be on a generous welfare system but to be dependent on welfare. Welfare dependence per se harms and destroys children.

In my written testimony, I refer to excellent research done by Dr. June O'Neill, current Director of CBO, that shows the longer a child stays on welfare, the lower that child's scores will be in terms of its verbal and math ability when compared to children that were poor but were on welfare for a less amount of time. The longer a child stays on welfare, the less likely it is to succeed in life.

The final and third point I would like to make is to look at the overview. If we recognize that reducing dependence and increasing marriage are our goals, look at the overview of the different mechanisms by which dependence can be reduced. There are really six of those.

The first is by reducing the out-of-wedlock birth rate in the first place. Stop the problem before it gets started.

The second is by reducing the divorce rate within a State. Divorce reforms could have a profound effect in bringing down dependence.

Third is marriage after the out-of-wedlock birth.

The fourth is work programs that dissuade mothers from ever enrolling in welfare in the first place. They have excellent programs like that in Wisconsin that bring down applications. They break the dependency habit before it even starts.

Fifth is marital exits from AFDC, which are still quite common.

And the sixth is having a mother on AFDC get a job.

I would strongly suggest the current legislation that you are looking at does reward the whole array of different mechanisms for reducing dependency, whereas, in contrast, the Clinton bills in the past have focused exclusively on employment exits by AFDC mothers and that is a very biased system which is unlikely to be beneficial to children.

I would ask you to ensure that any subsequent legislation treats at least equally all of those six methods of reducing dependence. I understand there is a performance incentive grant that is to be in this bill and I would just hope and urge you in the formulating of that particular performance incentive grant, that it recognize not merely employment exits off of AFDC but also marital exits off of AFDC, reductions in divorce, and so forth, all the other mechanisms for reducing dependence which are, in fact, better for the children's well-being simply than having a single mother get a job.

Thank you very much.

[The prepared statement follows:]

STATEMENT OF ROBERT RECTOR
SENIOR POLICY ANALYST
HERITAGE FOUNDATION

SUMMARY

Illegitimacy is the principal route to welfare dependence. Children born out-of-wedlock to never married women will receive some type of means-tested welfare for 70% of the time during the first decade of life. Children born to never married women receive AFDC 1700 percent more often than do children born to stable married couples.

On average, children born to out-of-wedlock to women who remain unmarried will spend roughly half of the first decade of their lives in poverty. An illegitimate child of a never married mother is 700 percent more likely to be poor than a child born to an intact married couple. Although it is, by far, in the best interest of the child to be born within a marriage, marriage following an out-of-wedlock birth does have a positive effect on the life of the child, cutting the rate of welfare dependence and poverty in half.

The welfare system plays a powerful role in promoting illegitimacy. Research by CBO Director, Dr. June O'Neill shows, for example, that an increase in monthly AFDC and Food Stamp benefit levels of 50 percent will cause an increase of 43 percent in the number of illegitimate births within a state.

Illegitimacy and Dependence Harm Kids The current liberal system is based on the assumption that higher welfare benefits and expanded welfare eligibility are good for children. According to this theory, "poverty" is harmful for children, and welfare, by allegedly reducing poverty, will increase children's lifetime well-being and attainment. This is untrue. Higher welfare payments do not assist children; they increase dependence and illegitimacy, which have a devastatingly negative effect on children's development. It is welfare dependence, rather than poverty, which has the most negative effect on children.

* Recent research by Congressional Budget Office Director June O'Neill shows that increasing the length of time a child spends on welfare may reduce the child's IQ by as much as 20 percent.

* Welfare receipt as a child has a negative effect on the earnings and employment capacity of young men. The more welfare income received by a boy's family during his childhood, the lower will be the boy's earnings as an adult, even when compared to boys in families with identical non-welfare income.

* Receipt of welfare and living in a single-parent family during childhood are strongly associated with criminal activity among young men and having illegitimate children among young women.

Illegitimacy has an enormous negative effect on children's development and on their behavior as adults. Being born outside of marriage and raised in single parent homes:

* triples the level behavioral and emotional problems among children;
* nearly triples the level of teen sexual activity;
* doubles the probability a young woman will have children out of wedlock; and,
* doubles the probability a boy will become a threat to society, engage in criminal activity, and wind up in jail.

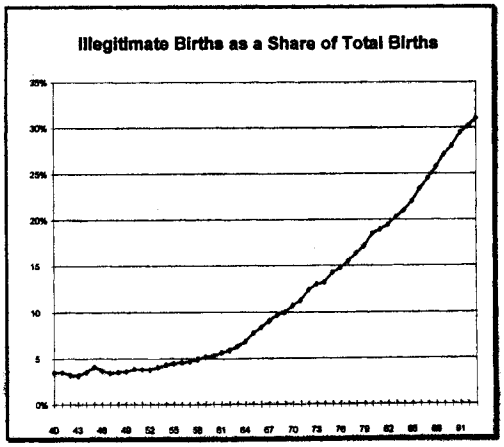
Dependency and illegitimacy go hand in hand and are both harmful to kids. Welfare dependence can be reduced by six means: 1) reducing illegitimacy; 2) Reducing divorce; 3) Increasing marriage among women who have had children out of wedlock but have not yet enrolled in welfare; 4) encouraging single mothers to take jobs before they enter AFDC; 5) increasing marriage among welfare mothers; and, 6) having welfare mothers obtain jobs.

For purposes of shrinking dependence, reducing child poverty and enhancing children's well-being employment of welfare mothers is the least effective and least desirable of these mechanisms. Unfortunately, the current proposed Republican welfare legislation contains a large performance incentive grant which encourages states to focus exclusively on the least effective means of combating dependence: employment on mothers already on AFDC. This performance incentive grant should be altered to reward states for a broader range of pro-marriage and dependency reduction actions.

THE GROWTH IN ILLEGITIMACY AND THE DECLINE IN MARRIAGE

According to the most recent statistics released by the Center for Health Statistics at the U.S. Department of Health and Human Services, illegitimacy continues to rise rapidly and marriage continues to decline across the U.S. According to the recently released HHS data, out-of-wedlock births represented 31.0 percent of all births in the U.S. in 1993 -- up from 30.1 percent just a year earlier in 1992. This rapid increase in illegitimacy, nearly 1 percentage point in a single year, follows the pattern of increasing illegitimacy which has occurred since the beginning of the War on Poverty in 1965. In that year, 7.7 percent of children were born out-of-wedlock. By 1993 the number had risen four-fold.

Chart 1



The percentage of births that are out-of-wedlock is expanding rapidly for both whites and blacks. Among whites in 1993, 23.6% of births were out of wedlock, up from 11 percent in 1980. Among blacks 68.7 percent of births were out-of-wedlock in 1993 up from 58 percent in 1980.

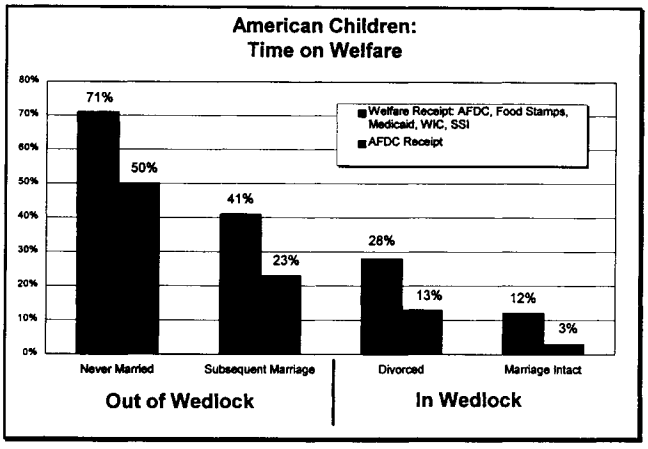
RISING ILLEGITIMACY IS A MAJOR CAUSE OF WELFARE DEPENDENCE AND POVERTY

The most obvious consequences of the rising tide of illegitimacy and declining marriage are welfare dependence and child poverty. Charts 2 and 3 show data from the National Longitudinal Survey of Youth (NLSY) which contains a national representative sample of young mothers and their children.[1]

The charts divide children into four groups:

1. *Out-of-wedlock-Never Married* ---Children born out of wedlock whose mother has never married after the birth of the child;
2. *Out-of-wedlock-Subsequent Marriage* --- Children born out of wedlock whose mother marries subsequent to the child's birth
3. *Within Wedlock- Divorced* ----Children born to married parents who later divorce;
4. *Within Wedlock- Marriage Intact* ----Children born to parents who were married at the time of birth and remained married.

Chart 2



As chart 2 shows, children born out-of-wedlock whose mothers have not married have received AFDC benefits for fifty percent of the time since birth. By contrast, children who were born in wedlock and whose parents have remained married have received AFDC only 3 percent of the time since birth. Thus AFDC receipt is 1700 percent more frequent among illegitimate children of never married mothers than among legitimate children raised by intact married couples.

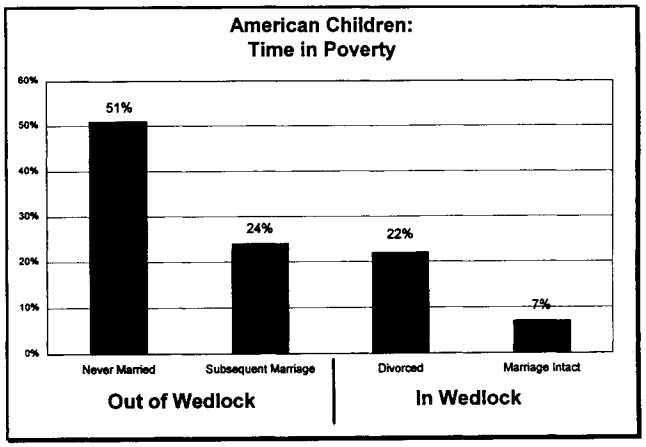
If a woman gives birth out-of-wedlock but subsequently marries the average length of time spent of AFDC will be cut in half, falling from 50 percent (for children of never married mothers) to 23 percent. Marriage even after an out-of-wedlock birth is thus quite effective in

[1] The National Longitudinal Survey of Youth (NLSY) contains a nationally representative sample of men and women who were aged 14 to 21 in 1979 when the survey began. In each year, the survey has tracked these individuals, compiling a detailed social and economic history of each ,including information on each child born to NLSY women. The youngest NLSY women have now reached age thirty; children of NLSY mothers had an average age of roughly nine years at the period of this analysis (1992).

reducing deper dence. Conversely if the parents of a legitimate child divorce, the length of time on AFDC will rise from 3 percent (for intact married couples) to 11 percent for divorced families.

Chart 2 also shows the portion of time which children in the four different categories received any of the following means-tested welfare benefits: AFDC, Food Stamps, Medicaid, SSI, and WIC. On average, children in the "out-of wedlock-never married" group received some form of welfare benefit for 71 percent of the months since birth. By contrast, legitimate children whose parents remained married have received some welfare for 11 percent of the time. Welfare receipt is seven times greater among the never-married group.

Chart 3



Poverty Chart three shows the amount of time since birth that a child has lived in poverty for the four different categories of children. Children born out-of-wedlock to never married women are poor fifty percent of the time. By contrast children born within a marriage which remains intact are poor 7 percent of the time. Thus the absence of marriage increases the frequency of child poverty 700 percent. However, marriage after an illegitimate birth is again relatively effective, cutting the child poverty rate in half.

HOW WELFARE DEPENDENCE HARMS KIDS

From its onset, the liberal welfare state has been founded on faulty logic concerning the impact of welfare on children's well-being. This flawed logic, embedded in nearly all liberal thinking about welfare, runs something like this:

PREMISE #1: Children in families with higher income seem to do better in life.

PREMISE #2: Welfare can easily raise family income.

CONCLUSION: Therefore, welfare is good for kids.

From this logic has sprung a relentless thirty-year effort to raise welfare benefits, expand welfare eligibility, create new welfare programs, and increase welfare spending. The welfare reform legislation passed by congress, last year, sought to slow down the automatic growth of welfare

spending; it therefore violates these cardinal tenets of the liberal welfare system and thus has led to cries of alarm from the welfare establishment.

In fact, each of the central tenets of modern welfare is misleading and deeply flawed. Together they become a recipe for a disastrous system of aid which harms rather than helps, aggressively crushing the hopes and future of an increasing number of young Americans.

It is useful to examine each of these cardinal liberal tenets individually. The first is that raising incomes is crucial to the well-being and success of children. The common liberal corollary to this premise is that poverty "causes" such problems as crime, school failure, low cognitive ability, illegitimacy, low work ethic and skills, and drug use. Hence, reducing poverty through greater welfare spending will reduce most social problems. History refutes this belief. In 1950, nearly a third of the U.S. population was poor (twice the current rate). In the 1920s, roughly half of the population was poor by today's standard. If the theory that "poverty" causes social problems were true, we should have had far more social problems in those earlier periods then we do today. But crime and most other social problems have increased rather than fallen since these earlier periods.

History and common sense both show that values and abilities within families, not family income, lead to children's success. Families with higher incomes tend to have sound values concerning self-control, deferred gratification, work, education, and marriage which they pass on to their children. It is those values, rather than the family income, that are key to the children's attainment. Attempting to raise the family income artificially through welfare is very unlikely to do much to benefit the child, but it is likely to destroy the very values which are key to the child's success.

Does Welfare Raise Income? The second flawed liberal premise is that it is very easy to raise family income through welfare. This also is untrue. Because welfare reduces work effort and promotes illegitimacy and poverty-prone single-parent families, it actually may cause an overall decrease in family incomes. Welfare is extremely efficient at replacing self-sufficiency with dependence, but relatively ineffective in raising incomes and eliminating poverty.

This is borne out by experimental evidence. During the late 1960s and early 1970s, social scientists at the Office of Economic Opportunity (OEO) conducted a series of controlled experiments to examine the effect of welfare benefits on work effort. The longest running and most comprehensive of these experiments was conducted between 1971 and 1978 in Seattle and Denver, and became known as the Seattle/Denver Income Maintenance Experiment, or "SIME/DIME."[2]

Advocates of expanding welfare had hoped that SIME/DIME and similar experiments conducted in other cities would prove that generous welfare benefits did not affect "work effort" adversely. Instead, the SIME/DIME experiment found that each $1.00 of extra welfare given to low-income persons reduced labor and earnings by an average of $0.80.[3] The significant anti-work effects of welfare benefits were shown in all social groups, including married women, single mothers, and husbands. The results of the SIME/DIME study are directly applicable to existing welfare programs: Nearly all have strong anti-work effects like those studied in the SIME/DIME experiment.

Does Welfare Help Kids? The third liberal tenet is that higher welfare benefits and broadened eligibility will help children and improve their success in later life. In certain limited cases, such as when welfare is needed to eliminate serious malnutrition, welfare can help. But there is no evidence that enlarging benefits and expanding enrollments in most U.S. welfare programs will improve children's lives. While higher welfare payments and spending do not benefit children directly, they do increase dependence and illegitimacy, both of which have devastating negative effects on child well-being. Thus, overall, welfare operates as a system of organized, well-funded child abuse.

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[2]SRI International, *Final Report of the Seattle-Denver Income Maintenance Experiment, Vol. 1, Design and Result* (Washington, D.C.: SRI, May 1983).

[3]Gregory B. Christiansen and Walter E. Williams, "Welfare Family Cohesiveness and Out of Wedlock Births," in Joseph Peden and Fred Glahe, *The American Family and the State* (San Francisco: Pacific Institute for Public Policy Research, 1986), p. 398.

The available scientific evidence clearly refutes the liberal hypothesis that attempting to raise family income through more generous welfare payments will benefit children. For example, the average monthly value of welfare benefits (AFDC and food stamps combined) varies between states. The conventional liberal assumption is that children on welfare in states with lower benefit levels will be markedly worse off than children in states with higher benefits. Children on AFDC in high benefit states, according to the theory, should have improved cognitive ability when compared to children without access to more generous welfare. However, recently published research by Congressional Budget Office Director June O'Neill and Anne Hill of Queens College, City University of New York, demonstrates that this theory is incorrect. O'Neill and Hill examined the IQs of young children who were long-term welfare dependents, having spent at least half of their lives on AFDC. Contrary to the expected theory, they found that the higher welfare benefit did not improve children's cognitive performance. The IQs of long-term welfare-dependent children in low-benefit states were not appreciably different from those in high benefit states.[4]

Moreover, this picture is overly optimistic. In restricting the sample to long-term dependent children, the analysis ignores the effects of higher welfare benefits in encouraging welfare enrollment and lengthening the time spent on welfare. O'Neill and Hill have shown that a 50 percent increase in monthly AFDC and food stamp benefit levels will lead to a 75 percent increase in the number of mothers with children enrolling in AFDC and a 75 percent increase in the number of years spent on welfare.[5] Once the effects of increased dependence are included, it becomes clear that higher welfare benefits have a decisively negative effect on children.

Dependence Lowers Children's I.Q Comparing children who were identical in social and economic factors such as race, family structure, mothers' IQ and education, family income, and neighborhood residence, Hill and O'Neill found that the more years a child spent on welfare, the lower the child's IQ. The authors make it clear that it is not poverty but welfare itself which has a damaging effect on the child. Examining the young children (with an average age of five-and-a-half), the authors found that those who had spent at least two months of each year since birth on AFDC had cognitive abilities 20 percent below those who had received no welfare, even after holding family income, race, parental IQ, and other variables constant.[6]

O'Neill and Hill conclude:

> Our findings of a negative impact of a welfare environment are particularly troubling. After controlling for the effects of a rich array of characteristics, a mother's long-term welfare participation is associated with a significant reduction in her child's [IQ] score and this effect is reinforced by the mother's having grown up in an underclass neighborhood, defined as one with a high proportion of welfare recipients. Although long-term welfare recipients are generally poor, persistent poverty does not seem to be the main reason for the poor performance of these children. Moreover, our analysis suggests that policies that would raise the income of children on welfare simply by increasing AFDC benefits are not likely to improve cognitive development. Children on welfare in high benefit states do not perform measurably better than their counterparts in low benefit states.[7]

More Evidence A similar study by Mary Corcoran and Roger Gordon of the University of Michigan shows that receipt of welfare income has negative effects on the long-term employment and earnings capacity of young boys. The study shows that, holding constant race, parental

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[4]M. Anne Hill and June O'Neill, "Family Endowments and the Achievement of Young Children With Special Reference to the Underclass," *Journal of Human Resources*, Fall 1994, pp. 1090-1091.

[5]M. Anne Hill and June O'Neill, *Underclass Behaviors in the United States: Measurement and Analysis of Determinants* (New York: City University of New York, Baruch College, August 1993).

[6]Hill and O'Neill, 1994, *op. cit.*

[7]Hill and O'Neill, 1994, p. 1094.

education, family structure, and a range of other social variables, higher *non-welfare income* obtained by the family during a boy's childhood was associated with higher earnings when the boy became an adult (over age 25).[8] However, *welfare income* had the opposite effect: The more welfare income received by a family while a boy was growing, up the lower the boy's earnings as an adult.[9]

Typically, liberals would dismiss this finding, arguing that families which receive a lot of welfare payments have lower total incomes than other families in society, and that it is the low overall family income, not welfare, which had a negative effect on the young boys. But the Corcoran and Gordon study compares families whose average non-welfare incomes were identical. In such cases, each extra dollar in welfare represents a net increase in overall financial resources available to the family. This extra income, according to conventional liberal welfare theory, should have positive effects on the well-being of the children. But the study shows that the extra welfare income, even though it produced a net increase in resources available to the family, had a negative impact on the development of young boys within the family. The higher the welfare income received by the family, the lower the earnings obtained by the boys upon reaching adulthood. The study suggests an increase of $1,000 per year in welfare received by a family decreased a boy's future earnings by as much as 10 percent.

In attacking the welfare reform legislation passed by the House and Senate, the Clinton Administration has embraced the central erroneous tenets of liberal welfarism. The Administration's report on welfare makes clear its belief that rapid automatic increases in welfare spending are essential to the well-being of children and that any attempts to slow the growth of future welfare spending will significantly harm children.[10]

The Administration report is founded unequivocally on the failed hypothesis that combating "poverty" through more generous welfare spending is crucial to children's future. This thinking is simply wrong. An expanded and more expensive welfare system will not benefit children. Instead, expansion of welfare leads to greater dependence and illegitimacy which, in turn, have devastatingly negative consequences on children. Those truly concerned with the welfare of children must seek a radical transformation of the welfare system aimed, not (as the Clinton Administration does) at increasing welfare spending and enrollment, but at reducing dependence and illegitimacy. That is the core of Congress's plan.

MODES OF REDUCING WELFARE DEPENDENCE

Welfare dependence can be reduced by six means:

* Reducing illegitimacy;
* Reducing divorce;
* Increasing marriage among women who have had children out of wedlock but have not yet enrolled in welfare;
* Encouraging single mothers to take jobs before they enter AFDC;
* Increasing marriage among welfare mothers; and
* Having welfare mothers obtain jobs.

Employment of welfare mothers is, in fact, the least effective of these six mechanisms for purposes of shrinking dependence, reducing child poverty, and enhancing the well-being of children.

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[8]Higher levels of earned family income will tend to be correlated positively with better parenting practices and higher parental cognitive abilities. It is likely that these traits, rather than higher income, lead to improved earnings for sons.

[9]Mary Corcoran, Roger Gordon, Deborah Loren, and Gary Solon, "The Association Between Men's Economic Status and Their Family and Community Origins," *Journal of Human Resources*, Fall 1992, pp. 575-601.

[10]Office of Management and Budget. "Potential Poverty and Distributional effects of Welfare Reform Bills and Balanced Budget Plans," November 9, 1995.

Unfortunately, the NGA welfare plan contains a huge performance incentive fund which myopically focuses on only one mechanism of reducing dependence. This fund -- a central feature of the Clinton reform strategy -- would provide cash bonuses to states which have higher rates of AFDC mothers obtaining jobs. This is a very limited and illogical measure of success. For example, increasing marriage and reducing out-of-wedlock births would have far more beneficial effects on children and society than merely increasing employment of single mothers. Even from the more limited perspective of reducing welfare dependence, the NGA plan is illogical. But by encouraging states to focus on the least effective and least desirable means of reducing dependence, the governor's plan actually will slow the reduction of welfare dependence.

Rewards for Bogus "Success" The NGA's focus on "exits from welfare," borrowed from the Clinton Administration, is illogical. The evidence indicates that serious work requirements have their strongest impact not by encouraging people to leave welfare, but by reducing the number of persons who bother to apply for welfare in the first place. Similarly, a state which restricts welfare entry to the truly needy (those who are the least able to support themselves) almost certainly will have proportionally fewer "exits" from the welfare caseload than would states with more liberal entrance standards.

The entire notion of measuring success in welfare by caseload exits makes no sense. It is like measuring success in the war on drugs not by a decline in drug use, but by an increase in the number of persons passing through rehabilitation, or judging the nation's health by counting the number of successful exits from hospitals -- a criterion which might be popular among hospital administrators but would make no sense for society at large.

Moreover, there is little relationship between "employment exits" and the level of welfare dependence or caseload size. In the NGA plan, there is no requirement that "successful" states actually lower caseloads. States would be rewarded for "success" even when their caseloads were consistently growing. If, for example, the NGA "performance incentive fund" had been created seven years ago, states automatically would have been rewarded with billions for "success," year after year, while their AFDC caseloads were growing between 25 and 30 percent.

Anti-Marriage Bias Even from the limited perspective of promoting welfare exits, the NGA plan is inconsistent. The NGA bureaucrats would reward states when a single mother gets a job and leaves welfare, but give no reward if a mother marries and gets off welfare -- even though the marriage is far more effective in reducing long-term dependence and poverty. In keeping with the prevailing ideology of the nation's welfare establishment, the plan is heavily biased against marriage and focused on obtaining employment for single mothers.

CONCLUSION

Illegitimacy is the principle cause of welfare dependence. With the interest of the children in mind, welfare reform should focus on a broad array of strategies to increase marriage and reduce dependence -- not solely on the employment of single mothers already on AFDC.

Chairman SHAW. Thank you, Mr. Rector.

Mr. Camp may inquire.

Mr. CAMP. Thank you, Mr. Chairman.

Dr. Pavetti, could you reconcile the experience in Utah with the experience in Fond du Lac County, Wisconsin, where everyone in Wisconsin apparently left the roll, whereas your testimony was that in Utah, more than one-half of the recipients stayed on the roll.

Ms. PAVETTI. Actually, we were talking before, and the experience looks very similar. In Fond du Lac, they have had a caseload reduction of about one-half, and Utah has had a very similar caseload reduction. So both have a group of people who are left behind. The difference is, in Fond du Lac, they also exempt some people, so they do have a group of people who are not subject to the policy at all.

Mr. CAMP. I thought the testimony of Mr. Schilling was that there is no one left on the roll who was on the roll when the program began. Is that correct? Did I misunderstand that?

Mr. SCHILLING. To clarify that, the program was phased in over a period of the first 6 months of 1995, so everybody who was receiving cash public assistance was on Work, Not Welfare, by July 1. What I was trying to point out is when the program started, as we phased people in, because there is a 24-month clock, nobody who initially went on the program when the program was initiated on January 1, 1995, is currently receiving cash public assistance benefits. Then we look at the next month, February, March, to see how it is, and we are not alarmed by what we see because people are exiting welfare.

Mr. CAMP. Dr. Pavetti, then, is it fair to assume the groups that were left divided the welfare caseload into short period versus long period? Are those all long-period individuals or not?

Ms. PAVETTI. They are not all long-period individuals, but what Utah did find is they did similar to what Fond du Lac did. They had new people coming in as well as their current caseload and what they found is the people on the current caseload, who were, by and large, people who had been on longer periods of time, were the ones who it was taking longer to actually move into the labor market. I think that is generally true. You have a different set of characteristics with those two groups of people.

Mr. CAMP. Does anything in your research suggest what effect the 5-year time limit might have? I am not referring so much to the people who stay on for 5 years or longer but for those initially coming in that might be diverted into other avenues, who might seek jobs in the job market, what effect that 5-year limit would have.

Ms. PAVETTI. I think it is hard to say—we do not really know. I think one thing about a 5-year time limit or any time limit is it is a new experiment, so that we do not know how many people will actually change their behavior.

My guess, from my own research and talking to people in the field, is that for people coming in who have not been on welfare before, that changing the behavior of that group of people will be easier than people who have been on welfare for long periods of time. If you think about people who we get concerned about, who

have been on welfare 10, 15, 20 years, trying to help that family to figure out how you get into the labor market, find somebody to hire them, is going to be a more difficult task.

Mr. CAMP. Of the long-period group, are they staying on longer than in previous years? Does anything tell you that?

Ms. PAVETTI. No. I do not know. We really do not have any good research to look at that right now.

Mr. CAMP. What percentage of families stay on welfare as long as 25 years? You mentioned that some stay on a very, very long time.

Ms. PAVETTI. As long as 25 years? That is the cutoff in my research, so we do not have anybody who is on for longer than 25 years. So it is very small. It is probably two out of every 100, at most.

Mr. CAMP. I am just trying to get at a better understanding of this long-period group. What percentage stay on longer than 10 years?

Ms. PAVETTI. I have it with me. If you look at the current caseload, it is about 60 percent, I believe is the number. But if you look at people who are beginning a spell, those who will be on longer than 10 years is about 20 percent, so about one-fifth.

Mr. CAMP. I am sorry, I did not hear. Those who are beginning a——

Ms. PAVETTI. The new people coming on, it is about 20 percent.

Mr. CAMP. It is shorter? It is a smaller percentage, then?

Ms. PAVETTI. A smaller percentage. And of those currently on, those who eventually spend 10 years is about 60 percent.

Mr. CAMP. How does a child's being raised in a welfare family affect the likelihood that that child will go on welfare as an adult, and is there any intergenerational transfer of welfare dependence, in your opinion?

Ms. PAVETTI. There definitely is research in this area and I am not familiar with exactly what that is.

Mr. CAMP. All right.

Thank you, Mr. Chairman.

Chairman SHAW. Mr. Ford.

Mr. FORD. Thank you.

Could you give your overview of this chart that has been offered by Mr. Rector? I am assuming that it was Mr. Rector who presented the chart.

Mr. RECTOR. Yes, it was.

Mr. FORD. Could you give us an overview, Doctor?

Ms. PAVETTI. Sure. My guess is that is accurate. I do not question whether that is true or not, but I think there are two different ways to look at it.

One way to look at it is that there is—for new people coming in, you can think about reducing out-of-wedlock births and hoping that that would, in fact, make a difference in the long term, but the reality is that the current caseload, and when people talk about long-term welfare dependency, of that group of people who people are very concerned about, in some ways, this is a moot issue. It has already happened.

I do not think we know how to actually get people to consider marriage as an option if it is not already there as an option for

them. So even though there are longer periods of welfare stays by marital status, I think as far as translating that into actual policies, we really do not know what will increase marriage. We do not know what will reduce out-of-wedlock births, so it is harder to translate it into how you actually make changes in welfare systems.

Mr. FORD. So the out-of-wedlock births would be true in the non-welfare population, as well?

Mr. PAVETTI. Actually, what we——

Mr. FORD. Right. We cannot gauge that. There is no way to know how we are going to match people up.

Ms. PAVETTI. Right. I think the other important point I would make that I think is not here, and what I tried to indicate at the beginning, is that even though never-marrieds stay on longer, the factors that really predict strongest whether somebody is going to be on or is going to leave or not are their work characteristics. So their education levels, their mastery of basic skills, and their work experience, those, I think, are things we do know more about how to affect than some of the other things.

Mr. FORD. Tell us more about welfare recipients coming into the welfare rolls. Have you studied to see what percentage of the welfare recipients come on and go off within the first 12——

Ms. PAVETTI. I am sorry?

Mr. FORD. The welfare recipients that enter into the welfare population, how long do they stay on on the first round? Do you find 25, 50, or 60 percent of welfare recipients are coming off after the first 12 or 15 months?

Ms. PAVETTI. Yes. There are actually one-half that leave within the first year. Seventy percent are off within the first 2 years.

Mr. FORD. Why do they leave? Do they leave on their own?

Ms. PAVETTI. Yes, and most of them are leaving for work. What the pattern tends to be is there are a large number of people who leave for work, and for a variety of reasons, which I do not think we know as much about as we would like to. They go into the labor market but for relatively short periods of time. Then they come back on, and then there is a group that cycle off again.

Mr. FORD. Is that reflected in the chart?

Ms. PAVETTI. That is not reflected in that chart, and one thing I might——

Mr. FORD. How would that be reflected in that chart? Mr. Rector left it out of the chart. Where would that be reflected? Where would you put it in the chart?

Ms. PAVETTI. I do not see how you can put it in this chart. The only thing that I think that I was not quite sure that I would agree with Mr. Rector on is he said a lot of people do leave for marriage. My research shows that there is a very small percentage of people who leave for marriage, and there is research done by other people who use different data sets who find the same thing, so I am not sure where that——

Mr. FORD. Do you find a large percentage of the 50 percent that leave within the first 12 or 15 months come back into the population?

Ms. PAVETTI. About 45 percent actually come back within the first year and between two-thirds and maybe 70 percent actually——

Mr. FORD. What does it suggest? What happened in the work force or in the private sector that forced these recipients to come back?

Ms. PAVETTI. I think there are a variety of reasons. Some are family crises that occur. There are a lot of women that do have children who have medical problems and they end up in jobs with very few benefits, so there are times when those things break down and they need to leave because they do not have benefits to take care of their kids, or they have medical——

Mr. FORD. Benefits like what?

Ms. PAVETTI. Sick leave or vacation that they can actually draw down when a family crisis occurs. There are medical problems. There is a very high percentage of recipients on welfare who do have medical problems themselves.

Mr. FORD. What about the transition of Medicaid?

Ms. PAVETTI. We do not know about that. I think the other thing that is important, though, is that some of it is job related. The low-wage labor market is very volatile and there are a lot of jobs that are short-term jobs. So some of it has nothing to do with individual circumstances.

Mr. FORD. What about the time on welfare with this chart? Would child care and health care be a factor in some of these large percentages that have been presented by Mr. Rector here on this chart?

Ms. PAVETTI. We do not have good research on the length of stay as it relates to health and child care. Particularly health care, though, if you ask recipients factors that are keeping them from work, and again, it goes back to the medical——

Mr. FORD. But would it not be equally as important to know about that than just the never-married people, subsequent marriages, and divorce rates? Would you not think that that should be a factor here——

Ms. PAVETTI. Yes.

Mr. FORD [continuing]. When these charts are presented to us and we are looking at numbers and seeing what the trends are with the welfare population?

Ms. PAVETTI. Yes, I do.

Mr. FORD. All right.

Thank you.

Ms. PAVETTI. I think it is a complicated picture and we need to try and keep all the pieces together.

Mr. FORD. Thank you, Mr. Chairman.

Chairman SHAW. Mr. McCrery.

Mr. MCCRERY. Mr. Rector, would you like to respond to any of the comments that Mr. Ford and Dr. Pavetti have made?

Mr. RECTOR. Sure. First of all, this is very simple data. It is a percentage of months since birth that the child was on AFDC or on welfare in general. Therefore, it incorporates cycling on and off and all of those things. The fact of the matter is, if the mother never gets married, she gets welfare for almost 75 percent of the

time since the child was born. It is dramatically less for all these other categories.

I have spent many years looking at this data and this is, in fact, the strongest determining variable in affecting how long a mother stays on welfare. It is marriage.

Now, the fact of the matter is that irrespective of when the mother marries after the out-of-wedlock birth, you still get a huge reduction in dependency. Some of these women may be marrying before they get on welfare. That helps pull the rate down. Some of them, they may be exiting off of AFDC but then they do not come on because they got married. That is a good thing and is something that ought to be factored into any welfare reform. The fact of the matter is, if you look at the data, marriage is much more likely to keep a mom off welfare than any type of training program. It is the biggest bulwark you have got.

Finally, we said, Well, we do not know how to increase marriages. I would just say, If you do not look, you are not likely to find the answer. The fact of the matter is that up until now, there has been very little emphasis in the States in how we can promote marriage or how we can reduce illegitimacy. One of the good things in your legislation, as I understand it, is promoting a broad array of reward systems that will encourage States to look at different mechanisms to bring down the rate of single parenthood. We all recognize that that is in the best interests of the child and, in fact, it is even better for the child than simply having the mother get a job, although it is good for her to get a job, too.

So let us look for the answers rather than saying, Well, we do not know what the answer is, so we ought to ignore it and focus only on employment exits from AFDC.

Mr. MCCRERY. Thank you.

Dr. Pavetti, your research has shown, and I want you to confirm this, that there is a significant portion of the welfare population that is long-term dependent and that is the real problem in our welfare system. It is not those who come on as a genuine fallback from hard times. It is not those who come on in transitional periods between jobs or something like that. It is that group of long-term dependents that create the real problems, both from a social standpoint and from a fiscal standpoint.

The bill we have introduced and some of the ideas that the President originally came out with, although he has backtracked a little on his time limit, try to get to that problem. The work requirement, the training programs, together with money for child care—all of those things—we put in the bill to try to alleviate this problem of long-term dependency. The Wisconsin experience, I think, demonstrates that it can have a positive effect on getting some of those long-term dependents into a work program and off the rolls.

I would like for you to comment on that problem and some ways we can get to that problem.

Ms. PAVETTI. First of all, I would like to say that I do think we can do much better in terms of getting people into the labor force than we have. I think we would be remiss to take Wisconsin's experience or any experience that has happened so far and to say we are getting long-term recipients off. I think we really do not know that.

What we know is that the caseload has gone down, and it could go down because we have taken people who were going to be on 2 years and they do not come on at all, or they are on for 6 months.

I believe that we will have two stages of welfare reform. I believe that the first stage, that is what we will do. We will get people who would have been on 2, 3, 4, maybe even 5 years, off, and we are going to get them off quicker. Then we are going to have a group of people who are harder to work with and we are going to have to rethink what we do.

I think it is possible to put some of that rethinking up front, but there is so much work that can be done. I think we do not know until we have started to do it. I think Utah has done it. There is no doubt about it.

Mr. MCCRERY. I think the Governors' proposal anticipates some of that problem, and in anticipation of that, they worked into their proposal a 20-percent exemption from the time limit so that States, after examining the long-term dependent population, can exempt from that time limit 20 percent of their caseload if they see that there is a certain amount of them that need more time. Do you think that is a good idea?

Ms. PAVETTI. I actually think using a percentage of the caseload is a problem, because what happens——

Mr. MCCRERY. It is up to a percentage.

Ms. PAVETTI [continuing]. What happens is if you go through what I have just described, that you do very well at getting some people off in a shorter period of time, you are going to have a very different group of people left. It is going to be a smaller base. It is going to be more long term, and it may be the 20 percent is not the right number anymore because it is on a different base.

So I think a better way to think about it is, are there specific situations you would want to give people more time, because then you do not have States trying to play games to get people who may be harder to serve out of the system so they do not have to worry about the 20 percent, and then it becomes much more based on specific circumstances, rather than a percentage which is going to change.

Mr. MCCRERY. But as you said, Utah is not like Wisconsin——

Ms. PAVETTI. Right. Exactly.

Mr. MCCRERY [continuing]. So it should not be necessarily the same for every State. There should be some discretion on the part of the States to determine——

Ms. PAVETTI. Right, and that may be a way to do it, is that States have the option. There may be some things you want to guarantee, that there are certain families that should not be penalized if they really cannot make it, and then there may be some State options beyond that.

Mr. MCCRERY. Thank you.

Chairman SHAW. The time of the gentleman has expired.

Mrs. Kennelly.

Mrs. KENNELLY. Thank you, Doctor. Listening to your testimony, it comes through very clearly what many of us already know. There are two things going on. One is to get somebody off welfare, and then we have to keep them off welfare. Some of these numbers are skewed because what we have is people go off and return, go off

and return. If you just take a snapshot, as some do, you don't get a sense of the recurring caseload.

Getting people off welfare is something we are all interested in and we all agree on. Where we differ sometimes is keeping people off welfare. We have, over the years, and I am sure with your reading, you are probably familiar with it, the earned income tax credit, which we have worked on for many, many years to increase it to the point where it is real money now. In your work or in your studies, have you seen any evidence that allowing people to keep more money in their pocket, and even, in fact, getting a rebate if you work under a certain income, that helps keep people off welfare?

Ms. PAVETTI. I have not looked specifically at the earned income tax credit, but certainly, women who move into higher wage jobs do stay off longer. What we do not know is it may be the characteristics of those jobs rather than the actual income, but if you assume that at least some of what is going on with the higher wages is that when you have some of the crises I have described, you can buy the services you need. We would hope that that would make a difference.

Mrs. KENNELLY. Your testimony was excellent, and you obviously have been putting a great deal of your life's work into this, yet I found it very interesting that you said you do not know or you have not looked at out-of-wedlock births or what to do about it. I was involved in the 1988 Family Support Act and we got so far and then it was not funded so we did not get too many results. But I think we all know, if you are a two-parent family, obviously, you are going to have a much better chance to get off welfare and the child has a better chance in the future.

But Doctor, with all of this work you are doing on this subject that vexes us too much, have you got any ideas how you avoid teenage pregnancy or out-of-wedlock births?

Ms. PAVETTI. I think one of the things that does not get talked about very much is one thing that is striking is that some of the women who have out-of-wedlock births are also women who have very low skills. So I think some of it has to do with opportunities and there is much less to lose when you look ahead and do not really see a future because you have not done well in school, you are not sure what is ahead for you. So I think there is definitely a connection there, and we need to look more at ways to have teens understand there are options for them and trying to help them figure out what those options are.

Mrs. KENNELLY. Would that not suggest early education, sexual education at an early age?

Ms. PAVETTI. I think that we probably will not—my guess is that there is not one thing that will make a difference, that it will probably be a number of different things are happening together.

Mrs. KENNELLY. But do you not think we had better start spending some time in that area?

Ms. PAVETTI. I think we definitely——

Mrs. KENNELLY. Or you are going to just have so much work to deal with and so many studies to write up that Mr. Rector's chart will be even higher.

You are the expert. All I am suggesting is maybe we are looking at getting people off and maybe we should be looking more at why

they get on and how to keep them off. We have become mesmerized with getting them off and we do not think of the reason they are on and the reason they are falling back.

Ms. PAVETTI. Right. I think that is absolutely true, and I think we need to be doing both.

Mrs. KENNELLY. Having looked at the Governors' bill and looked at the President's proposal, do you think this is going to happen?

Ms. PAVETTI. I do not have a comment. I have not looked at the recent ones that closely, and so to comment——

Mrs. KENNELLY. Even the early ones.

Ms. PAVETTI. One thing I will say is I have spent a lot of time out in the States and I think there is an incredible amount of activity happening. I think it will continue to happen. It may happen at a slower pace, but I think there are lots of things like Fond du Lac happening in other places, as well. There are different kinds of reforms, but I think there is a lot of activity.

Mrs. KENNELLY. So it would almost seem, with the President giving 38 States waivers, that we are doing welfare reform as far as we could without getting into all of these root causes and effects.

Ms. PAVETTI. There is definitely activity happening because of the waivers. There are welfare systems I have seen that have changed dramatically.

Mrs. KENNELLY. I agree with you, because as I said, I have been through this. The States have gotten to the point where they say, Look, the system is broken. It is not working. If someone is not going to fix it for us, we will fix it for ourselves, and that is about what is happening right now.

Thank you, Doctor.

Chairman SHAW. Thank you.

Mr. Collins.

Mr. COLLINS. Thank you, Mr. Chairman.

To follow up on Mrs. Kennelly, I think it was evident yesterday by our witness, Mary Jo Bane, that there are some positive results going on in the fact that there have been quite a few waivers that have been granted to several States.

My followup to that, though, is I think there would be more activity and more positive strides would have been made, had the President accepted our bill that would have given more flexibility to the States, rather than the mandates that are included in his bill.

I appreciate the information, Dr. Pavetti, that you provided on Utah. To follow up a little bit on Mr. McCrery, we have put in a figure of 20 percent exemption over the 5-year limitation, and that is a figure. It is a figure that, over a period of time, if it proves to be wrong, could be adjusted.

But also, we have a figure to exempt 50 percent as a goal, at least have 50 percent reach the work requirement. So that means there would be possibly 50 percent who would not reach the work requirement. So I think that still is going right along the lines you are talking about as to what has happened in Utah. Mr. Schilling, as you said, it is very similar to what is happening in Wisconsin.

But you mentioned, too, the fact that a number of people who leave welfare, leave for a short period of time, go to work, and then are back on welfare. You mentioned the volatile labor market.

Have you done any studying in the labor market itself to see why they left those jobs, or did the jobs leave them?

Ms. PAVETTI. I have not. The best information I know of, actually, comes from a study done by MDRC where they actually looked at reasons for leaving work among GAIN recipients. Some of it is personal reasons of people quitting, and I do not remember the exact numbers, but I can get that if you would like that. But there are a certain number who actually leave because they were laid off or because the job ended, so that there is some of the time that the leaving actually occurs not due to their own choice.

The other thing I think is important is that, particularly for young people, whether they are women, men, on welfare or not, there is a lot of movement in and out of jobs. I think one thing we may need to be thinking about is our welfare system is not set up generally to get people into jobs quickly. So it may be we need to be again worrying about two things at one time. One is how can we help people keep jobs, but the other is, if the job does not work out, how can we help them get another one quickly? It may be that there is a short-term crisis we need to take care of and then go right back into the work mode.

Mr. COLLINS. That leads me into the fact that you have to have a job market, so maybe we should look at provisions that parallel welfare reform that also encourage a job market out there, because if you are going to move people from a welfare roll, you need a payroll to move them too. If you have a volatile labor market, then maybe you can address some other areas. I think that is one of the reasons tax reform should parallel welfare reform, so that you do create the incentive to have jobs out there.

I know in Georgia, I have heard the story many times of someone leaving welfare and going into the job market. They may be in public housing, section 8 housing, or whatever, and once they report their earnings, there is an adjustment made and their bottom line becomes less than it was prior to the job. So what do they do? They leave and go back to the welfare system. I think that is a problem, and I believe we were trying to correct that just recently with our housing reform bill.

Most of those who leave welfare, and this may I add was the testimony of Ms. Bane yesterday, they go into the job market and are usually absorbed by small business rather than the larger corporations. Do you have any thoughts on the fact that some of the things we are doing today in Congress, on the floor of the House today, may lead to a reduction in jobs available for these people, and that is the increase in the minimum wage? Do you have any knowledge of any reports or studies as to how the minimum wage will actually affect these type of low-skilled, nonskilled, low-wage jobs?

Ms. PAVETTI. I think there are studies on both sides of the issue and it is not an area I know really well and would come down on one side or the other.

Mr. COLLINS. Do any of you have any thoughts on that, Mr. Rector?

Mr. RECTOR. I think that raising the wage rate, if that was the question, an artificial raising of the wage rate will make it harder for women to exit off of welfare, that you are hurting the job market, and it is much better to try to supplement low-income wages

with the earned income tax credit, if that was the gist of your question.

Mr. COLLINS. Thank you. Thank you, Mr. Chairman.

Chairman SHAW. Mr. Levin.

Mr. LEVIN. Mr. Chairman, I think I will resist the temptation to debate the minimum wage. It is going on on the floor right now and I hope to join the debate in a few minutes.

Mr. Schilling, I enjoyed your testimony. There has been a lot of discussion about Wisconsin, so let me ask you a few questions. You mentioned there is a provision for child care for everybody who leaves the welfare system and goes into work if they need it?

Mr. SCHILLING. That is correct. With the Work, Not Welfare pilot project that we are operating, anybody who exits the program when they become employed is guaranteed child care assistance for 12 months after they go off the program.

Mr. LEVIN. Let me ask you about health care. If there is no health care in the position they take, is there any——

Mr. SCHILLING. The same provision. There is 1 year of transitional medical assistance.

Mr. LEVIN. So there is a guarantee of transitional Medicaid or health care for 1 year, right?

Mr. SCHILLING. That is correct.

Mr. LEVIN. If someone on the welfare system has a drug abuse problem, what do you do? Is there any provision? As I understand, Fond du Lac is one of the several counties in Wisconsin that are demonstration projects, right?

Mr. SCHILLING. Fond du Lac County is one of two counties in the State of Wisconsin, which has 72 counties, that is demonstrating the Work, Not Welfare demonstration project.

Mr. LEVIN. If there is a drug abuse problem within the household or for the person on welfare, on AFDC, what happens there?

Mr. SCHILLING. People where we have identified there is either drug or alcohol abuse, and alcohol is the drug most commonly abused in our population, are referred to the appropriate kinds of therapeutic services to be treated for this, but they must cooperate in the treatment. They must put—in effect, we will assign the hours that someone has to put in in the therapeutic process in order to——

Mr. LEVIN. There is a provision for that kind of service within your system?

Mr. SCHILLING. The service is not provided directly by the welfare system.

Mr. LEVIN. No, I know, but it is an assured part of the program, though you do not deliver it?

Mr. SCHILLING. Yes.

Mr. LEVIN. Is there any provision within your demonstration area for a public service position or community service?

Mr. SCHILLING. Absolutely. That component of our program is community work experience and those persons who are not yet ready, at least in our judgment, to go into a private employment kind of position, we do have them in community work experience job sites, which are primarily nonprofit, private sector jobs or government positions. We also have what we call other work experience, which, frankly, takes the same kind of people and we put

them in private for-profit sector jobs. We generally use this after we have had very short-term jobs skills training with people. What it is, they are working for their welfare literally on the job site where they are training.

Mr. LEVIN. So they continue to receive AFDC, but they are working in a public service or perhaps a private sector position?

Mr. SCHILLING. That is correct, and their hours they must put in are directly proportional to the amount of cash public assistance they are receiving.

Mr. LEVIN. There seem to be similar efforts within the State of Michigan. I think that provision of health care, child care, some help if there is an alcohol or other drug abuse problem within a system that move people from welfare to work and simply says that has to be done with these support services is essentially the mainstream position that binds a lot of people here on both sides of the aisle, if we will exert ourselves, combining welfare to work with some time limits, providing the backstopping so that kids are not hurt in the process, health care, child care, and so forth. I am in favor of giving more flexibility to the States, provided that the national interest in the health care and child care services that impact on kids is reflected.

Mr. Rector, I do not have very much time left. Let me just ask you quickly, do you favor a mandated family cap?

Mr. RECTOR. Yes. I think the family cap sends a very strong moral message.

Mr. LEVIN. So you think Washington should mandate that to the States?

Mr. RECTOR. I would make the distinction that you need to have general moral principles——

Mr. LEVIN. No, but just——

Mr. RECTOR. Yes.

Mr. LEVIN. The answer is yes. Do you favor a national mandate that would cut off benefits where a mother is under a certain age?

Mr. RECTOR. I believe that you should not give cash benefits to an underage mother, yes.

Mr. LEVIN. You would mandate that?

Mr. RECTOR. I think that would be the best policy.

Mr. LEVIN. That policy is opposed by the national Governors?

Mr. RECTOR. Yes, it is.

Mr. LEVIN. Thank you.

Chairman SHAW. Mr. Ensign.

Mr. ENSIGN. Thank you, Mr. Chairman.

I found this dialog most interesting. Dr. Pavetti, I would like to just address you very briefly, because I found some of your comments intriguing. When you were talking about the welfare system and the dependency cycle that is created, having worked quite a bit in the prison systems and with some of the halfway houses after people get out of prisons, I have seen that dependency cycle that is so difficult and so frustrating to deal with, developing the work ethic in people again.

I think what it does, and your point made it clear to me, is that the welfare system itself has destroyed these people. It literally has institutionalized these families to the point where they have an incredible amount of difficulty even wanting to go to work.

Being a veterinarian, I always get back to animal examples. It reminds me almost of what we do to animals when we put them in zoos. They lose the ability to hunt, as people on welfare almost lose the desire, the willingness to go out and work. That is similar to what we are doing with people on welfare.

It seems to me that we all need to, first of all, fundamentally agree that our current welfare system is not compassionate. Would you agree with that?

Ms. PAVETTI. Yes.

Mr. ENSIGN. And having said that, for some people to then say that when you are trying to reform welfare, you are trying to destroy and you are trying to hurt children and you are trying to be mean to children when, in fact, our current welfare system is destroying children—it is totally destroying families, white, black, Hispanic, whoever ends up in this dependency cycle. It is destroying those people.

I want to get to one point. You mentioned illegitimacy, and I believe that illegitimacy is one of the biggest problems, but it is part of a larger problem we have in this country, this multifactorial moral problem I think we have in this country. You mentioned some of this has to do with hopelessness, or you felt that that was a large factor. Did I hear that correctly?

Ms. PAVETTI. I did not say that, although I do——

Mr. ENSIGN. You said hopelessness. I remember that word. You said that the women that are lower skilled, that are lower paid, there is a sense of hopelessness and that can lead to, Well, I will get pregnant, go on welfare, whatever it is. Did I state that correctly, or a similar concept?

Ms. PAVETTI. Similar.

Mr. ENSIGN. The reason I bring that point up is during the depression, do you know what happened to illegitimacy rates during the depression, when there was incredible hopelessness in this country?

Ms. PAVETTI. I do not.

Mr. ENSIGN. Mr. Rector, could you comment on that, because from what my understanding is, when there was incredible despair in this country, there was not a moral problem that we have today in higher illegitimacy rates.

Mr. RECTOR. Right. The out-of-wedlock birth rate was quite low. There is no evidence that it went up during the Great Depression. It probably went down, but we cannot tell. It was very low for both blacks and whites. Quite clearly, something—I think hopelessness is part of the problem, but there are a lot of other things going on—removing the cultural sanctions against it, having a welfare system that basically says, if you make this mistake, we are going to support you.

I think the interesting thing is that during the Great Depression, when AFDC was created, Frances Perkins, who was FDR's Secretary of Labor at that time, the first woman cabinet officer, the most liberal member of the FDR cabinet, she was not aware when the legislation was written at the bureaucratic level that AFDC permitted never-married women to get cash, and when she found out, she said, right from the beginning, this program will destroy the black family. All the way back then, she understood exactly

what was going to happen with this program. The out-of-wedlock births were very low in the depression. We have generated the collapse of marriage through our welfare system.

Mr. ENSIGN. Just briefly, I want to touch on two quick points, Mr. Chairman, and that is the whole idea of cash benefits in the first place. I can tell you that, coming from a State that relies a lot, obviously, on gaming revenues, I can tell you that when food stamps come out, when AFDC checks come out, there are some of the local casinos that filled up, but also, the drug dealers get filled up. When you have cash benefits like that, the money does not get to the children who it was intended to help. It goes to fostering a lot of the underground economy and the drug culture that we have in this country, and that is one of the big problems with cash benefits.

The last thing I would like to point out gets back to the whole work ethic and everything we are trying to do with this. One of the things people have talked about is job training, and I have heard it mentioned there is no better job training than a job.

There is a great program in Las Vegas that is totally privately funded. It is called Nevada Partners. The gentleman who runs that, they take only welfare recipients and what they do is teach them just life skills, just basically how to get up, how to take a shower, how to go in for a job interview, get themselves cleaned up, and then how to go in and try to just land that first job.

Seventy percent of the people they have gotten off of welfare—they have been in business now for 2 years—70 percent after 2 years still have their jobs. The reason is because they got them that first job, whether it was minimum wage, whatever it was as an entry level job, they got them that first job and taught them just how to go to work to get out of that dependency cycle.

Thank you, Mr. Chairman.

Chairman SHAW. Mr. Rangel.

Mr. RANGEL. Thank you, Mr. Chairman.

I hope Mr. Ensign has written something on how these welfare recipients are responsible for the gambling and the drinking and the immorality that is happening in Las Vegas because I knew there was some cause, but I would like to work with you on that. [Laughter.]

Mr. ENSIGN. Would you yield just briefly? I was not—what I was simply saying——

Mr. RANGEL. No, I know. They get on welfare, they start gambling and drinking——

Mr. ENSIGN. No, no, no. I was just pointing out the cash benefits——

Mr. RANGEL. No, no, please. I will work with you on it. Please.

Mr. ENSIGN. I was pointing out that casinos should not be supplied by our welfare checks.

Mr. RANGEL. I understand. I have to deal with Mr. Rector. I agree with you.

Chairman SHAW. The gentleman from New York has the time.

Mr. RANGEL. I agree with you. Once we get the welfare recipients out of there, we will clean up the whole business you have down there. [Laughter.]

Mr. Rector, you have been working on this subject matter for a long time at the Heritage Foundation. I assume you have been working with Members of Congress in formulating legislation that could resolve some of these issues. I assume you are willing to work with Democrats and Republicans and we can work together.

Mr. RECTOR. Yes, sir.

Mr. RANGEL. You are my type of person, because none of this stuff you have up there deals with social workers, sociologist, psychologists, and psychiatrists. What you are saying is that getting married reduces poverty, welfare, drug abuse, crime, and produces children with higher IQs. I am inclined to agree with you. I did not know the chart would turn out the way it did, but if you had asked me, I would have agreed.

The reason I want to work with you is I accept this end and I will just ask some basic questions to make certain we can work together. First, what percentage of all of this stuff would deal with the families that find themselves in the very poorest communities, cities, or rural areas of just hardcore type of people that Dr. Pavetti is saying that somehow cannot get out of this rut?

Mr. RECTOR. I do not have the answer to that question.

Mr. RANGEL. Just roughly.

Mr. RECTOR. I would be hesitant to guess, but let me make a comment on what I think your point is.

Mr. RANGEL. I have not made my point.

Mr. RECTOR. OK. I see a similar pattern——

Mr. RANGEL. I just want to make certain that when I make my point, I am not talking about rich white teenage girls who get pregnant.

Mr. RECTOR. These are predominately—the girls who are having children out of wedlock and who never get married or who subsequently get married, whether they are white or black, are predominately poor educated women who come from low-income backgrounds.

Mr. RANGEL. There we go.

Mr. RECTOR. I would not say they are necessarily concentrated in urban areas. Maybe some are——

Mr. RANGEL. I do not care where they are. I just want to make certain we have a profile on who we are talking about and how we can help them.

Would you agree that in these poorer communities, most of the kids are enrolled in generally ineffective public schools?

Mr. RECTOR. I think the public schools in the inner city are a national disgrace. They are a form of organized child abuse and they are horrendous.

Mr. RANGEL. You and I are really going to get along, because I agree with you 100 percent. [Laughter.]

The system is geared toward that because teachers with the most experience go to school districts that have better salaries and classroom conditions.

Having said that, have you noticed those inner-city teenagers who are exposed to scholarship or some other alternatives, that once they achieve academically, they are the ones that are least likely to get pregnant as a teenager?

Mr. RECTOR. I think that is a factor. Let me give you one other factor I think you will agree with. The other factor that I find very, very crucial in allowing a young woman to escape from this pattern is church attendance.

Mr. RANGEL. Is what?

Mr. RECTOR. Is church attendance, and let me——

Mr. RANGEL. Please stick with me a little longer. I am with you.

Mr. RECTOR. It is directly related.

Mr. RANGEL. Listen, I got that, except the inconsistency is, I have figured that if you get married and that reduces poverty, the more you get married, the more it reduces poverty, and as a Catholic, that would work against me because I only get one marriage out of it. [Laughter.]

So stick with me. Those that manage to get on some type of an academic ladder, especially since they are coming from a school and a community that has the most crime and violence, and to use Mr. Ensign's word, hopelessness, those who have an academic goal are least likely to be getting involved to become a teenage mother, and, therefore, having illegitimate children, if you want to call them that, and therefore, get on welfare.

Mr. RECTOR. I think that is a valid point. Let me——

Mr. RANGEL. Let us say this. We are going to meet and I am going to ask staff to arrange an appointment today or as soon as possible, because we would be able to take that chart, if you and I were working together and I said this is what I want you to prove for me, and that would be that those kids who get a good education, that have training to get a good job, that do have jobs, do not do drugs, are not as sexually active, do not get babies out of wedlock, do not get involved in criminal activities, and they are the ones, when you look at the profile of those who are in jail, it is not them. It would be the ones that are unemployable and do not want to say no to anything because they figure they have nothing to lose.

I am not as good on this as you are, but if we work together to find the similarities of the problems and make the same investment we make in terms of billions of dollars to take care of the problem in jail, and all other crises, if we can somehow shift the attention to preventing these problems, I am convinced you and I could come up with a chart that would really substantiate what you are saying and what I am saying.

Mr. RECTOR. I believe so. I would simply say I think there are two ladders. There is a ladder of academic achievement and there is a ladder of moral achievement. The one factor I find strongest and perhaps we can most easily influence in terms of whether a young girl becomes sexually active as a teenager or whether she has a child out of wedlock is church attendance. It cuts the probability of teenage sexual activity by 66 percent.

I think what we need to do in order to bring about this moral salvation which we both want is to allow every single parent in these inner cities who are in these horrendous public schools to have an option to get out through a publicly funded scholarship and put their child in a school of their choice, including a school which is a religious organization. That is the strongest thing I can think of.

Mr. RANGEL. We will work together on the solution, but we need more of these kids that are successful and get married and go to church than those kids who get involved in crime.

Mr. RECTOR. The two factors wrap together.

Mr. RANGEL. We will be working both in getting more people involved in church work, higher morals, family values, education, job training, employability, and having jobs available.

Mr. RECTOR. I would be happy to work with you on that.

Mr. RANGEL. Thank you, Mr. Chairman.

Chairman SHAW. The time of the gentleman has expired.

Mr. Schilling, I am very impressed with the remarkable achievement you have had in the Wisconsin project. I have a question. Do you do any followup with the families to see what happens with the children? Let me explain to you the direction I am going with this questioning.

I have talked to someone who was once involved in the Wisconsin project, Eloise Anderson, who now is in California, and she told me yesterday she sees a marked difference, a very good difference in the children whose parents go off of AFDC. They seem to all of a sudden do a lot better, which certainly means to me there is a role model now and they can hold their head up high and no longer are dependent upon a corrupt welfare system. Have you noticed this or seen this in your work?

Mr. SCHILLING. I have no statistical evidence in that area, but anecdotally, the strongest evidence I have and we have experienced this in Fond du Lac is the talking of the parents who have gotten a job. They have spoken of the pride they have felt and transmitted to their kids and they will report things their kids have said, such as "My mom is going to work today," and things of that nature in their classes and at school.

So although it is only anecdotal, there is no doubt in my mind that those people that have viewed themselves as losing their dependency are transmitting that sense of pride and sense of being able to direct their own lives to their children.

Chairman SHAW. Dr. Pavetti, I see you nodding your head. Would you like to respond to that same question?

Ms. PAVETTI. I have heard the same thing. As I have said, I have spent a lot of time in the field in the last year and a half talking to people, staff, and you do hear the same thing, there is a sense of accomplishment, of incredible accomplishment, of people doing things they never felt they could do before, and they really do feel it does make a difference for their kids.

Chairman SHAW. I think in telling our story on trying to reform welfare, we make a mistake of focusing on the statistics on the "bad kids," the kids that are getting in trouble with the law and doing poorly in school, and then we see those numbers are higher in the cases of people on welfare. But I think what we need to do is to focus our attention on those that got out and are success stories. I think people will rise to our expectations. If you expect nothing, that is what you are going to get. That also reflects in the children. I think that is the tragedy of the present welfare system.

Mr. Rector, did you want to comment on that?

Mr. RECTOR. Yes. I think the data does show if the mother gets employed, there is a positive change in her parenting activities and

that is likely to have a large effect, particularly on the young child's cognitive achievements. On the other hand, it does not have as much effect in terms of behavioral/emotional sorts of things, which are more likely to be positively affected by marriage.

I did want to make one comment on Congressman Ensign's comment. I think it is very important in welfare reform to remove as much of the cash from the welfare system as we can, to move in the direction of providing vouchers and inkind services, particularly for young, never-married mothers.

I think it is particularly regrettable that in each case where a State has asked for a waiver, including Delaware—as I understand it, Delaware with a Democratic Governor has asked for a waiver to replace cash assistance to welfare mothers with inkind benefits or vouchers—that waiver request has been rejected and I think that is a very sad trend coming from the White House.

Chairman SHAW. I am very sorry to hear that. I talked to Governor Carper yesterday about our welfare reform. Certainly, among the Democratic Governors, he has been a national leader and I am very proud of the work he has done and proud we continue to associate with him in trying to reform the system.

I want to thank this panel. I think you can see by the interest of the Members of the Subcommittee that we very much enjoyed your testimony and the knowledge we were able to gain from it.

Thank you very much.

Chairman SHAW. We now will go to the next panel. We have Kim Bell from North Salt Lake, Utah; Bruce Wagstaff, who is deputy director of the Department of Social Services in Sacramento, California; Willie Bell, who is the principal of the Southside Elementary School in Lake Providence, Louisiana; and the fourth witness will be introduced by our colleague, Congressman Herger. Willie Bell will be reintroduced by my colleague, Mr. McCrery. I am sorry.

Wally.

Mr. HERGER. Thank you very much, Mr. Chairman. I do appreciate the opportunity to sit in with your Subcommittee this morning. I applaud your efforts and the efforts of Chairman Archer to make substantial changes in our Nation's welfare program.

With specific regard to your adoption of legislation to halt inappropriate payments to prison inmates, I am especially pleased to have with us our Butte County Sheriff, a constituent of mine, Sheriff Grey. You may recall seeing him on appearances on television when he has spoken out against the widespread entitlement fraud committed by prison inmates. As a law enforcement professional who first brought this issue to my attention and who helped us draft the Criminal Welfare Prevention Act of 1995, Sheriff Grey is uniquely qualified to testify on this widespread problem.

I thank you, Sheriff Grey, for appearing with us today.

Thank you, Mr. Chairman.

Chairman SHAW. Mr. McCrery.

Mr. MCCRERY. Thank you, Mr. Chairman.

It is my pleasure to introduce to the Subcommittee Willie Lee Bell from Lake Providence, Louisiana. Mr. Bell is the principal of an elementary school in Lake Providence. He has come to Washington before to testify before the special study commission that was set up through legislation that the last Congress passed which

studied the SSI for children's programs. I think Mr. Bell's testimony was compelling before the commission and I am glad he is here today to share with us his testimony.

Chairman SHAW. Thank you.

Ms. Bell.

STATEMENT OF KIM AND SHELAH BELL, NORTH SALT LAKE, UTAH

Ms. BELL. Thank you. My name is Kim Bell, and my husband, Kevin and I are the parents of five children, ages 21 months to 13 years. Our oldest three children are adopted. Two of them have disabilities and receive the maximum amount in SSI. Even though my husband works full time for the State of Utah, he only earns $25,000 a year.

Both of our daughters have developmental delays and mental retardation. Marissa, who is not with us, has Down's syndrome and has had three heart surgeries, one of which was open heart surgery. She is now 7 years old. Marissa qualifies for SSI because Down's syndrome is one of the disabilities in the Social Security medical listings.

My other daughter is here today. Can you tell everyone your name?

Ms. SHELAH BELL. Shelah Bell.

Ms. BELL. Can you tell them how old you are?

Ms. SHELAH BELL. I am 12 and in the sixth grade.

Ms. BELL. What kinds of things do you like to do, Shelah?

Ms. SHELAH BELL. I like to play with my friends and ride my three-wheel bike, write, and draw.

Ms. BELL. When you were in the hospital, you told Mommy there were some things you did not like. You told Mommy and the doctors. Do you remember you told us you wanted to die?

Ms. SHELAH BELL. Yes.

Ms. BELL. Do you remember why you told us that?

Ms. SHELAH BELL. Because I wanted to go to heaven and I did not want to be handicapped anymore.

Ms. BELL. What else? Would it help you to be like more kids, other kids?

Ms. SHELAH BELL. Yes.

Ms. BELL. What kinds of things can other kids do that you want to do?

Ms. SHELAH BELL. They can ride two-wheeler bikes and they can do hard math and hard reading.

Ms. BELL. Did you also want to stop hurting?

Ms. SHELAH BELL. Yes.

Ms. BELL. Shelah has Myotonic Muscular Dystrophy, which will get worse as she gets older. She has had six surgeries. The last two have been within the last 6 weeks. While in the hospital, her weight dropped to 53 pounds and we found out she has some other problems internally. The tube you see in her nose is giving her nourishment so she can gain weight, her bones will heal, and she will be strong enough for the next surgery, which is in 6 months, unless they have to do internal surgery.

Most parents of 12-year-old girls watch them get their first crush on a boy, try outlandish hair styles, experiment with makeup, and take turns having sleepovers at one another's homes. Kevin and I worry that Shelah will not gain enough strength to endure the next surgery, that her current health problems are the beginning of the end, and her wish to die will come true.

Shelah qualifies for SSI through the individualized functional assessment, which measures how far behind a child is in comparison to other kids their age. I was horrified last year when I heard claims that parents coached their kids to pretend they were disabled in order to get an SSI check. It is beyond my comprehension why anyone on Earth would do such a thing. Yet, because of those claims, I now face the possibility Shelah will never receive another SSI check.

I want you to understand we have that SSI check in order to keep our family together. Kevin brings home about $730 every 2 weeks. Our $514 house payment and utility bills take one of those checks every month. With the other check, we spend about $450 a month on food, which leaves about $280 to cover all other expenses.

If we were not getting the SSI checks, we could not manage. Some people have wondered why I do not go to work so I will have more income. First, there is the desire to raise my children instead of having a babysitter to do it.

Second, I could not afford the day care I would need for our two youngest children, and now with Shelah's medical needs, we would have to hire somebody who is in the nursing area of care.

Third is the amount of time we have to spend at the hospital and the doctors' offices with our daughters. I have spent 2 weeks out of the last 6 weeks at our local children's hospital. For 9 of the last 12 years, even with me not working, Kevin has used up all of his sick leave and vacation because of our daughters' medical needs. In addition, if our income gets high enough, the girls would lose not just their SSI but their medical coverage.

Our five children are wonderful, delightful human beings, but the everyday challenges of raising them, added to the uncertainties and medical problems caused by the girls' disabilities, can be hard. We sometimes feel our lives are like a roller coaster ride at the amusement park. The big difference at the park, the ride stops and you get off. We never get off. As long as our girls are on this Earth, we must try to make the ride as comfortable as possible, though the challenge is constant. Support like SSI provides the essential padding needed for a lifelong roller coaster ride.

I am here to tell you today if SSI funding is eliminated for my daughters, I would be forced to consider some kind of institutional placement, not because this is what we want for our girls, but because the financial strain added to the already existing physical, emotional, and mental stress, would be unbearable. And the result? You would save approximately $4,580 a year each girl receives from SSI funds and instead you would spend almost $80,000 a year for each in institutional costs, not to mention the fact it keeps families together.

I plead with you today to leave the children's SSI Program intact and keep the individualized functional assessment for the sake of Shelah and more than 300,000 children like her.

Thank you for your time and consideration today.

[The prepared statement follows:]

STATEMENT OF KIM AND SHELAH BELL

My name is Kim Bell. My husband, Kevin and I are the parents of five children ages 21 months to 13 years. Our oldest three children are adopted. Two of them have disabilities and receive the maximum amount in SSI because even though Kevin works for the State of Utah, he only earns $25,000 to support all seven of us.

Both of our daughters have developmental delays and mental retardation. Marissa has Down Syndrome and had open heart surgery when she was 2. Although she is now 7 years old, we are still trying to potty train her. Marissa qualifies for SSI because Down Syndrome is one of the disabilities in the Social Security medical listings.

My other daughter is here today.

KIM: Can you tell everyone your name?
SHELAH: Shelah Bell
KIM: Can you tell them how old you are and what grade you are in?
SHELAH: I am 12 and in the sixth grade.
KIM: What kind of things do you like to do?
SHELAH: Play with friends, ride my three wheeler, write, draw.
KIM: When you were in the hospital, there were some things you told Mommy and the doctors you didn't like. Do you remember you told us you wanted to die?
SHELAH: Yes, I did.
KIM: Do you remember why you told us that?
SHELAH: Because then I can go to Heaven.
KIM: Why did you tell us you wanted to go to Heaven?
SHELAH: Because I won't be handicapped anymore and I can do things like other kids.
KIM: What things can other kids do that you can't?
SHELAH: Ride a two-wheeler bike and do hard math and hard reading.
KIM: Did you also want to stop hurting?
SHELAH: Yes.

Shelah has Myotonic Muscular Dystrophy which will get worse as she gets older. She has had six surgeries on her feet and legs. The last one was two weeks ago. While in the hospital her weight dropped to 53 pounds and we found out she has some other problems internally. The tube you see is giving her nourishment so she will gain weight, her bones will heal and she will be strong enough for the next surgery.

Most parents of 12-year-old girls watch them get their first crush on a boy, try out outlandish hairstyles, experiment with make up and take turns having sleep overs at one another's homes. Kevin and I worry that Shelah won't gain enough strength to endure the next surgery, that her current health problems are the beginning of the end, and that her wish to die will come true.

Shelah qualifies for SSI through the Individual Functional Assessment which measures how far behind a child is in comparison to other kids their age. I was horrified last year when I heard claims that parents coached their kids to pretend they were disabled in order to get an SSI check. Who on earth would do such a thing? Yet because of those claims, I now face the possibility that Shelah will never receive another SSI check.

I want you to understand that we have to have that SSI check in order to keep our family together. Kevin brings home about $730 every two weeks. Our $514 house payment and utility bills take one of those checks every month. With the other check, we spend about $450 a month on food, which leaves about $280 to cover a car payment, gasoline, clothing, insurance, and any medical or dental costs. If we were not getting the SSI checks, we could not manage.

Some people wonder why I don't go to work so we will have more income. First, there is my desire to raise my children instead of having a baby-sitter do it. Second, we can't afford child care for our two youngest who are not in school. Third is the amount of time we have to spend at the hospital and the doctors' offices with our daughters. For nine of the last 12 years, even with me not working, Kevin has used up all of his sick leave and vacation time because of our daughters' medical needs. In addition, if our income gets high enough, the girls would lose not just their SSI but also their medical coverage.

Our five children are all wonderful, delightful human beings. But the everyday challenges of raising them, added to the uncertainties and medical problems caused by the girls' disabilities, can be hard. We sometimes feel our lives are like a roller coaster ride at the amusement park. The big difference is that at the park, the ride stops and you get off. We never get off. As long as our girls are on this earth, we must try to make the ride as comfortable as possible, though the challenge is constant. Support like SSI provides the essential "padding" needed for a lifelong roller coaster ride. If the government is able to provide the extra "durable padding" required, we are better equipped to stay on the ride, regardless of its highs and lows.

I am here to tell you today that if SSI funding is eliminated for my daughters I would be forced to consider some kind of institutional placement— not because this is what we want for our girls, but because the financial strain added to the existing physical, emotional and mental stress, would be unbearable. And the result? You would save the $4,580 a year each girls gets in SSI funds. And instead you would spend almost $80,000 a year for each in institutional costs. Obviously SSI is not only cost effective, it keeps families together. I plead with you today to leave the children's SSI program intact and keep the Individual Functional Assessment for the sake of Shelah and more than 300,00 children like her.

Chairman SHAW. Ms. Bell, that is very strong testimony and I very much appreciate your being here to give it to the Subcommittee. I can assure you, neither under our bill nor under the President's bill, are the SSI payments in any way in danger of being lost.

Thank you.

Mr. Wagstaff.

STATEMENT OF BRUCE WAGSTAFF, DEPUTY DIRECTOR, WELFARE PROGRAMS DIVISION, CALIFORNIA DEPARTMENT OF SOCIAL SERVICES, SACRAMENTO, CALIFORNIA

Mr. WAGSTAFF. Thank you, Mr. Chairman, honorable Members. My name is Bruce Wagstaff. I am deputy director of the Welfare Programs Division of the California Department of Social Services.

You have asked me here today to discuss the issue of welfare fraud, which is a problem that faces not only California but our entire Nation. As a welfare program administrator, I have found the extent and the impact of welfare fraud to be alarming and it causes me great concern, because this is an integrity issue which strikes at the basic heart of our public assistance programs.

Unabated, welfare fraud draws away millions of dollars from Federal, State, and local welfare budgets could and should be utilized to meet the legitimate needs of families and children, like our first witness. This is particularly true during this time of budgetary constraints and program limits.

Welfare fraud exists when a person knowingly makes a false or misleading statement to obtain benefits or fail to disclose a fact that could affect the amount of the benefit. In the past, a lack of valid data on the extent of welfare fraud has clouded the debate on the priority of aggressive fraud detection and prevention programs.

To remedy this, in California, we commissioned some fraud incident studies in three counties to determine the extent of fraud for specific welfare populations. The studies commissioned were conducted in Orange, Fresno, and Los Angeles Counties and looked specifically at the Aid to Families With Dependent Children child-only cases. These are cases where you have a child eligible for aid but the adult is not, either because of their immigration status or for some other reason. We took a look at this portion of the caseload because it was our fastest growing portion of the caseload that now represents about 20 percent of all of our recipients and because local program staff urged us to do just that, take a look at the integrity in this area.

The results of these studies were very disturbing. Fraud was found in a range of 30 to 60 percent of the child-only cases that were investigated. As a result of these studies, we commissioned an additional study in Orange County which would determine the incidence of fraud in all welfare cases. While we expect the results of this study to be available by the end of this summer, preliminary information suggests the overall incidence rate is in the neighborhood of about 30 percent.

So this data provides some very strong indication we have a significant problem, and in California, we are attacking the problem head-on. We have implemented a 5-year strategic plan to enhance

program integrity. The plan is the result of Governor Wilson's commitment to improve the integrity of welfare through fraud deterrence, prevention, detection, and overpayment recovery.

Some of the specific steps we have taken and I think could be looked at on the national level are to strengthen what we call our early fraud prevention and detection program by which we fund over 350 fraud investigators who are available during the welfare application process to resolve questionable situations or clarify conflicting information. We project this program saves taxpayers about $400 million annually.

We have also implemented a demonstration project in Los Angeles County to conduct fingerprint imaging of applicants for aid. In this demonstration project, fingerprint imaging is a condition of eligibility and is used to provide positive identification of recipients. This project is expected to achieve a total net savings of about $67 million over the 26-month demonstration period. We are also developing, based on these results, a statewide fingerprint imaging project for AFDC and food stamps, which we expect will have similar results.

We have further provided overpayment collection incentives to counties, which we expect to result in collections of more than $76 million, an all-time record, in the 1995–96 State fiscal year.

In addition, we have jointly worked with the Federal Government to crack down on illegal food stamp trafficking. The U.S.DA has estimated nearly $1 billion per year in food stamps are subject to trafficking. As a result of our joint project, there have been approximately 796 investigations, 266 arrests, 105 convictions, and no acquittals over a 1-year period.

We project our welfare fraud prevention and detection efforts will have saved a total of about $600 million in the 1994–95 State fiscal year, so we have had some results. We have made some efforts, but there are limits to what States can do and welfare reform is absolutely needed to allow States to pursue welfare fraud more aggressively.

There are several provisions in the legislation that have been proposed that we would strongly support, including allowing Federal tax refund intercepts for AFDC overpayments, increasing penalties for intentional program violations, and providing for the exchange of information with law enforcement agencies.

In addition, there are some items that are in the recently introduced Republican proposal we would support, including exemptions from what is known as regulation E for EBT, the electronic benefit transfer systems. This is a banking regulation which would expose government agencies to losses of over $50 that are issued as a result of a lost or stolen EBT card. This creates an additional liability for government agencies and an entitlement for recipients that does not exist under the existing benefit delivery system. Because of this requirement, implementation of EBT in California and other States has been delayed.

The Republican proposal also includes efforts to implement a nationwide automated data processing system capable of tracking participants over time and would deny SSI benefits for 10 years to a person found to have fraudulently obtained SSI benefits while in prison and would also institute additional computer matches which will detect prisoners receiving benefits who are not entitled to aid.

My time is up, but I just wanted to emphasize I have found this to be a very serious issue, one that must be addressed through welfare reform, and I urge you to pass along the legislation that would give States the flexibility and the authorization to take the steps needed to ensure the benefits and services we offer go to those who are truly in need.

[The prepared statement follows:]

UNITED STATES CONGRESS

HOUSE OF REPRESENTATIVES

COMMITTEE ON WAYS AND MEANS

HUMAN RESOURCES SUBCOMMITTEE

MAY 23, 1996

WELFARE FRAUD TESTIMONY OF BRUCE WAGSTAFF, DEPUTY DIRECTOR WELFARE PROGRAMS DIVISION CALIFORNIA DEPARTMENT OF SOCIAL SERVICES

Mister Chairman, honorable members my name is Bruce Wagstaff. I am the Deputy Director of the Welfare Programs Division of the California Department of Social Services. I am here today to discuss with you the welfare fraud problem which faces not only California, but our entire Nation. As a welfare program administrator, I have found the extent and impact of welfare fraud alarming and it causes me great concern.

This is an integrity issue which strikes at the heart of our public assistance programs. Unabated, welfare fraud draws away millions of dollars from federal, state and local welfare budgets that could be utilized to meet the legitimate needs of families and children. This is particularly true during this time of budgetary constraints and program limits.

Welfare fraud exists when a person knowingly and with intent to deceive makes a false or misleading statement to obtain benefits, or fails to disclose a fact that could affect the amount of the benefit. In the past, the lack of valid data on the extent of welfare fraud clouded the debate on the priority of aggressive fraud detection and prevention programs. To remedy this, California commissioned fraud incidence studies in three counties to determine the extent of fraud for specific welfare populations.

These studies commissioned were conducted in Orange, Fresno and Los Angeles counties and looked at Aid to Families with Dependent Children (AFDC) Child-Only cases. This group was selected because it is the fastest growing segment of the California AFDC caseload and currently makes up approximately 20 percent of all AFDC recipients; and, local program staff had expressed concerns regarding program integrity in this area. The results of these studies are very disturbing. Fraud was found in 30 to 60 percent of the sampled child-only cases investigated. As a result of these studies, California commissioned an additional study in Orange County which would determine the incidence of fraud in all welfare cases. We expect the results of this study to be available by the end of summer; however, preliminary information suggests that the overall incidence rate is 40 percent, of which 30 percent resulted in reductions or terminations of the AFDC grant. The remaining 10 percent had no fiscal effect on the grants.

California is attacking welfare fraud head on. We have implemented a five year strategic plan to enhance program integrity. This plan is the result of Governor Pete Wilson's commitment to improve the integrity of welfare through fraud deterrence, prevention, detection, and overpayment recovery. It was developed by a task force which included key state and county welfare staff who worked three months to identify 85 action steps to improve welfare integrity. These action steps were organized into five broad areas of improvement:

- Emphasizing prevention.
- Improving tools and technology to detect fraud.
- Increasing accountability through more effective penalties and better collections of

overpayments.
- Cracking down on program abuse.
- Refocusing program management on integrity, quality, and efficiency.

Some of the specific action steps which we have implemented include:

- Strengthening our Early Fraud Detection Programs to fund over 350 early fraud investigators who are available during the welfare application process to resolve questionable situations or clarify conflicting information. This program saves California taxpayers $400 million annually.
- Implementing a fingerprint imaging demonstration project in Los Angeles County to further eliminate misspent dollars. In the demonstration project, fingerprint imaging is a condition of eligibility for the receipt of aid for most adults and minor parents and is used to provide positive identification of recipients. This project is expected to achieve total net savings of $67 million over the 26 month demonstration period.
- Developing a proposal for a statewide system of fingerprint imaging for AFDC and Food Stamps cases which would be implemented in the 1997-98 fiscal year. A statewide system patterned after the Los Angeles model could be expected to achieve program savings in excess of $100 million annually.
- Providing overpayment collection incentives to counties which we expect to result in collections of more than $76 million, an all time record, in 1995-96 fiscal year.
- Participating in the United States (U.S.) Residency Verification Pilot Project which was designed to identify non-residents attempting entry into the U.S. who are or have been recipients of aid. Persons in this group are referred to an investigator who verifies residency. County actions in these cases have resulted in net grant and administrative savings of $3.8 million per year.
- Expanding the Income Eligibility Verification System (IEVS) to include: 1) searches of the Employment Development Department new hire file to determine if anyone receiving aid is now employed and no longer eligible for AFDC; 2) searches of the California Youth Authority and Department of Corrections records to determine if anyone incarcerated is also receiving aid and is ineligible; and, 3) Department of Motor Vehicles and Workers Compensation matches to identify reportable assets. These new matches will significantly increase the identification of AFDC fraud.
- Participating jointly with federal agents to crack down on illegal Food Stamp trafficking. Trafficking occurs when Food Stamps are used for unauthorized purposes. Most often Food Stamps are illegally sold for fifty-cents on the dollar to retailers who then redeem them for 100 percent of face value. In most cases the recipient then uses the money to purchase guns, drugs, alcohol, etc. The USDA has estimated that nearly $1 billion per year in Food Stamps are trafficked. As a result of this project, there have been 796 investigations, 266 arrests, 105 convictions and no acquittals over a one year period.
- California presently participates in a duplicate aid prevention/detection program. At intake, the 58 counties input SSNs, names, birthdates, etc. for all applicants of AFDC and Food Stamps into the statewide IEVS Applicant System. The state also matches SSNs against active AFDC and food stamp recipient database as well as Social Security Administration (SSA) files for SSN validation, Title II (RSDI) and Title XVI (SSI/SSP), and the Employment Development Department files for wages, UI and DI benefits, and Franchise Tax Board for asset information. When matches are complete, usually within three to five days after receipt by the state, the information automatically prints in each county which disseminates to the intake worker for action. This is a highly automated system which, when used properly at the county, will provide some level of overpayment and duplicate aid detection. For ongoing active cases, as part of our IEVS Recipient process, we currently have an agreement with Oregon, Nevada, and Arizona to match their active caseload against California's active caseload. The resulting match is returned to the appropriate California county, for follow-up. California also participates in the Bendex process under contract with the SSA. For this match, California, as well as other participating states, request RSDI information monthly for the active AFDC and food stamp recipients. During this process, SSA matches all states against each other and provides; (1) matches between states and (2) matches on clients receiving RSDI benefits. The resulting matches are forwarded to the appropriate county for follow-up. This system

is a fraud detection system designed to identify potential overpayments and possible duplicate aid.

The average fraud overpayment for investigated AFDC cases has ranged from $1,100 to $1,400 during the period January-March 1995 through October-December 1995. The average Food Stamp overissuance for the same period ranged from $239 to $278. California's welfare fraud prevention, detection and collection programs including implementation of strategic plan inititatives saved a total of $605 million in the 1994-95 fiscal year.

A recent audit of these welfare fraud programs was conducted by the California Bureau of State Audits. The audit found that early fraud prevention and detection programs are highly cost beneficial and returned between $6 and $67 in saved program benefits for every $1 invested. In addition, the audit found the continuing fraud prevention and detection programs return between $3 and $12 in savings for every $1 spent. We believe these types of programs, if implemented nationwide, would result in similar savings.

While these efforts have been successful, there are limits and barriers to what states can do. Welfare reform is needed to allow states to pursue welfare fraud more aggressively. Recently, the Clinton Administration released a new welfare reform proposal entitled, "The Work First and Personal Responsibility Act of 1996." Yesterday, the Republican Congressional leadership released its revised welfare reform proposal which incorporated many of the provisions unanimously recommended by the bipartisan National Governors Association. California strongly supports the following provisions which are part of both proposals:

- Allow Federal Tax Refund Intercept for AFDC.
- Increase penalties for Intentional Program Violations (IPV) in the Food Stamp Program.
- Allow compatibility of AFDC and Food Stamp reductions for overpayment collection for non-fraud overpayments.
- Provide a 10 year disqualification period for criminal conviction if a client received AFDC in more than one state.
- Provide that when a non-compliance penalty established under AFDC is a reduction in benefits, there is to be no commensurate increase in Food Stamp benefits.
- Provide that when an AFDC disqualification penalty is imposed on a Food Stamp household member for failure to perform an action required under any other federal, state, or local welfare program, the same penalty may be applied to that person for Food Stamps.
- Provide for the exchange of information with law enforcement agencies.
- Prohibit eligibility to persons fleeing felony prosecution or conviction or who has violated conditions of state or federal parole or probation.

In addition to these provisions, California supports the following additional provisions which are included in the revised Republican proposal:

- Exempt states from Regulation E for Electronic Benefit Transfer (EBT) for any state or federal program. The Federal Reserve Board ruled that welfare programs using electronic benefit issuance are subject to the consumer protection provisions of Regulation E under the Electronic Funds Act. This means that government agencies are responsible for benefits over $50 that are issued as a result of lost or stolen EBT cards prior to the report of the loss or theft. This creates a liability for government agencies and a entitlement for recipients that does not exist under other benefit delivery systems. Because of this requirement the implementation of EBT in California (and other states) has been delayed. Currently, California has a Request for Proposal (RFP) approved to go out to bid on EBT projects in San Diego and San Bernardino counties, but the release of the RFP is pending resolution of the Regulation E issue.
- Require a report to Congress on what would be needed to implement a nationwide automated data processing system capable of tracking participants over time. In this area, California believes such a data processing system should be required nationwide as soon as possible.

- Provide for the attribution of alien sponsor income and resources when alien residents apply for aid.
- Deny SSI benefits for 10 years to a person found to have fraudulently obtained SSI benefits while in prison.
- Require applicants to cooperate with the state in establishing paternity and allows the state to apply Food Stamp disqualifications to persons with delinquent child support payments.
- Provide for computer matches which will detect prisoners receiving benefits who are not entitled to aid.

If welfare reform legislation does not pass, states need federal government support to provide permanent federal waivers which would allow for the provisions previously identified for welfare reform and, in addition:

- Restore enhanced funding for fraud investigations. The loss of the 75 percent federal funding for fraud activities has seriously restricted fraud prevention, detection and prosecution activities.
- Allow Federal Tax Refund Intercept for Unemployment Insurance Benefits.
- Provide the ability for state and local government to share information with local law enforcement agencies.

I challenge Congress to address the serious problem of welfare fraud by enacting the welfare reform legislation necessary to strengthen fraud prevention, detection and overpayment collection programs nationwide.

Thank You!!

Chairman SHAW. Thank you, Mr. Wagstaff.
Mr. Grey.

STATEMENT OF MICK GREY, SHERIFF, BUTTE COUNTY, CALIFORNIA

Mr. GREY. Mr. Chairman, honorable Members, thank you for inviting me here today.

The abuse of the Social Security system and particularly SSI, the Supplemental Security Income system, by inmates in county jails is a widespread problem of enormous proportions. Inmates are routinely collecting full benefits while in jails and under the care of counties.

In April of last year, our local Social Security administrator in Chico, California, John Woodbury, met with several California sheriffs and jail managers and we had an opportunity to discuss what we believed to be a problem with our inmates. What we had noticed, and specifically in my jail, I noticed a lot of inmates with a lot of cash to spend. They were putting money in their jail accounts. It was not unusual to spend $200 to $300 a month on candy and goods out of our jail commissaries.

We learned the source of this cash was SSI checks coming right into the facility. The inmates were so bold about this, they were actually mailed to the office and were endorsed and put on their accounts. Other times, family members when they went to the house would bring the check into the jail and sign and endorse the check and the family member would cash the check for them.

To his credit, Mr. Woodbury offered us the opportunity to determine who was collecting the benefits by furnishing them complete lists of all of our inmates in custody. We chose to do that in our facility. It is a little bit time consuming. To determine who has to be disqualified, someone has to be in custody for a full calendar month, from the beginning of the month to the end of the month, to be excluded. My staff put together the list and we turned them over to the Social Security Administration. We found out 9 percent of my inmates were collecting Social Security SSI payments.

I made a news release about this finding. It was picked up by the wire services, and I also contacted my local Congressman, Wally Herger, who offered some assistance and wrote a bill. This generated quite a bit of controversy around the country. I received probably no less than 50 calls from other sheriffs around the country and jail managers who had been besieged by their local media's press reporters asking them if this problem was in their jail, also. Nobody knew.

Those jails that were checked, those sheriffs that did take the time to have their staff do the research and turn the numbers in, all reported between 5 and 15 percent of their inmate populations were also collecting SSI payments while in custody and while under the care of the county and being fed and housed and taken care of medically by counties.

The system is literally made for abuse. Under current regulations, when a recipient is in jail for 1 calendar month, he is not eligible to collect the benefit. The fallacy is that the inmate, the inmate himself, is required to pick up the phone and call the Social Security office and tell them they are not eligible because they are

in jail. Knowing inmates the way I do, and I sure you can understand, very few of them do this. Actually, I think if an inmate did do it on a charge phone at a county jail, the receptionist at the Social Security office would refuse to accept the collect call. There is no system in place for the notification to be made.

Even today, with the publicity we have had locally in my small county about us vigorously going after Social Security SSI recipients in county jails, every month we turn in those lists and every month we get a 4-percent hit on our inmates. Four percent are still attempting to beat the system.

In the State of California, there are over 100,000 inmates in county jails. If just 5 percent of those figures, and those are very conservative figures, are collecting SSI, that equates to about $35 million a year that is going directly into pockets of inmates while in custody in the county.

Under the current regulations, drug and alcohol dependence solely allows you to collect the benefit. As of January, I understand this changes, that drug and alcohol dependency by itself is not going to be a criterion for you to be able to collect a benefit. We are already told by inmate advocate groups for the inmates not to worry, do not panic, the money will still be available. They will be able to collect it because they will have other ailments they will be able to collect on that are a direct result of their drug or alcohol dependence. It could be mental problems or cirrhosis of the liver or whatever. They are not concerned about it.

But my counterparts are worried around the country that the legislation that may come out of this, we are hoping will not put another unfunded Federal mandate on local sheriffs who are already understaffed and unable to do their jobs today. If the solution were to come through, it would be one that would reimburse us administratively for our work to be able to research who is in custody for a calendar month and generate those lists every month back to the Social Security office. Congressman Herger has such a bill and we wholeheartedly support it. I have talked to the other 58 sheriffs in California and we are all in agreement that from our State, we would be happy to do it.

Thank you very much.

[The prepared statement follows:]

May 23, 1996

Testimony of Mick Grey, Sheriff, Butte County California

The abuse of the Social Security system and specifically the Supplemental Security Income (SSI) program by inmates in county jails is a widespread problem of enormous proportions. Inmates routinely collect full SSI benefits while in jails and under the care of counties.

In April of last year, our local Social Security Administration District Manager, John Woodbury, met with several California jail managers and discussed our belief that the SSI program was being abused by inmates. We had noticed that some of our long term inmates were flush with cash. They had so much money they were able spend hundreds of dollars monthly on snacks and candy in the jail commissary. We learned that these inmates were collecting SSI benefits. Some were so bold that they had their SSI checks sent directly to the jail to be placed on their jail account. Others had family members or friends bring them in for endorsement and cashing.

To his credit, Mr. Woodbury actually encouraged me to send lists of inmates including all known and used social security numbers, dates of birth of those who had been in custody for over one calendar month. We discovered 9% of our inmates were collecting SSI! Because I someday hope to collect Social Security myself, I was outraged to learn the system was literally being ripped off by convicted inmates sitting in my jail! These are the same criminals that our county pays to house, feed and provide medical care while at the same time were also collecting cash from the federal government.

I made a local news release of our efforts and contacted my Congressman, Wally Herger, for assistance. Our local experience was picked up by the wire services and our jail became the focus of national media attention for days.

Our findings placed the spotlight on jails all over the country. In the following few weeks, I received calls from no less then 50 Sheriffs and Jail managers around the country that were under pressure from their local media to determine if the problem existed in their jails. The sheriff's that did work with their local Social Security offices also experienced numbers of abusers similar to what we discovered. From 6% to 15% of all their inmates were collecting SSI benefits.

The system is made for abuse! Under the current regulations, when a recipient is held in a jail for one calendar month, he or she is not eligible to collect the benefit for that month and any month after that while in custody. The fallacy is that the system is dependent on the "honor" system. It relies on the inmate call the local Social Security office and inform them that they are in jail and not send the check for that month or and proceeding month that they are held in the jail,.. This is ridiculous. Inmates don't do that. Besides, I seriously doubt if any Social Security Office receptionist would accept a collect call from an inmate at a county jail.

We are one of very few jails in the country that now report monthly to the local Social Security office. Even with all the local media attention to our efforts, we still experience 4% of our inmate population that still attempt to take advantage of the system. In the 13 months we have been furnishing the lists, we have estimated to have saved the Social Security administration over $125,000.

In California alone, there are over 100,000 inmates in county jails. If only 5% of those are collecting SSI benefits, the saving would be over $35,000,000

Under the current Social Security regulations, alcohol and drug dependence qualifies for SSI benefits. When the regulations change in January of 1997, making these ineligible, we have already heard that they should not worry about being excluded by the new rules. We have been told that inmate advocate groups are advising inmates that they will probably still be eligible to collect from disabilities directly attributed to their drug and alcohol abuse.

My counter parts around the country are worried that one solution to this problem will be to pass a law requiring sheriffs to research, compile and submit the lists on a monthly basis. Most of us don't have sufficient funds or staff to perform another unfunded federal or state mandate. I for one would like to see the Social Security Administration pay a bounty to those sheriff's who make the effort to submit the lists. I have talked to most all of the 58 sheriff's from California and they have agreed that they would favor this solution.

Chairman SHAW. Thank you, Sheriff. Mr. Herger's provision is in the welfare bill.

Mr. Bell.

STATEMENT OF WILLIE LEE BELL, PRINCIPAL, SOUTHSIDE ELEMENTARY SCHOOL, LAKE PROVIDENCE, LOUISIANA

Mr. BELL. Good afternoon, gentleman. My name is Willie Lee Bell and I am principal of the Southside Elementary School in Lake Providence, Louisiana. It is in East Carroll Parish. We are in the extreme northeast section of the State. When you leave us, you go to Arkansas.

I am here to talk to you this morning, and I want to implore you as Members of Congress not to throw the baby out with the bathwater. But also, I want to let you know I do not have charts, I do not have graphs, and I do not have a written statement, but Houston, we have a problem.

I am principal of an elementary school with 501 students and this SSI Program has been a blessing in a sense in that for a lot of the people in East Carroll Parish, it is the sole source of income and without it, some of them just would not survive.

It is also a curse in that it has allowed my students to make intellectual prostitutes of themselves for $450 a month. I have watched my school's test scores plummet because kids have been coached to come to school and do nothing in order to satisfy mama or daddy's urge or desire to collect $450 a month. Their academic skills are suffering and so are their self-esteems.

I do not want to take up time by reciting data to you this morning because the story I would relate to you appeared in the January 1995 issue of the Baltimore Sun and it was reprinted in the May 1995 issue of the "Reader's Digest." We had a reporter named John O'Donnell who came to our community, he interviewed me, and I made some comments regarding the abuses of this program. In that article, he profiled a family who was collecting $48,000 a year of tax-free income sitting on their butts doing absolutely nothing. I do not make that as a school principal. I wish I did.

My school last year received $201,000 from the Federal Government title I program through Improve America's Schools Act to build up our reading and math achievements, and yet, we have over 200 students in my community receiving $450 a month to keep those scores down.

Gentlemen, we also received a $7,000 grant, again from title I, because our test scores had fallen down so low, we were put in what they called mandated remediation, and that $7,000 that was in addition to the $201,000 was to help us get our achievement back up. But it had no impact on my school because you are giving me $7,000 to get the scores up and the Social Security Administration is standing on the corner handing out $450 a month to keep those scores down. We have used money from Goals 2000, from so many programs to improve the educational function and the academic skill level of my school and it is of no avail.

I do not begrudge anybody's chance to do something, and I want to let you know this morning that this is a necessary program. East Carroll has no industry. We are a farming community and there are no jobs. People are using this program as a means of survival

and they have decided, If this is all I have, I will lie, I will cheat to get what I need to get to get by, and that is what is happening.

Gentlemen, I am 42 years old and I am an end-stage renal patient. When I leave here this evening, I will have to go home tonight and plug myself up to a dialysis machine for 6 hours, and then I have to get up in the morning and go to a job supervising 501 kids, 53 teachers, and bus drivers, cooks, and whatever. But there is a family right across the street from my school who will collect $48,000 doing absolutely nothing. I do not think that is fair. I do not think it is fair to the kids who have to come to school and do nothing, lower their self-esteem, not perform on tests, just to get $450 a month.

I could retire right now on disability and probably get on the SSI Program and lay up and watch soap operas every day, and it may come to that for me, but as long as I can go, I think I should be doing that.

The gentleman I mentioned across the street, I am told he is on SSI because he is overweight. He weighs 378 pounds. My wife and I often joke—I weigh 300—if I gain another 78 pounds, I could quit working and count on making a salary increase because I could probably collect a little bit more from SSI than I am making as an elementary school principal.

Gentlemen, this program was designed for a good reason but it has run amok. I hope you all will take the time to give it some serious consideration and do something for the young people I love and that this program is impacting.

Thank you very much.

Chairman SHAW. Thank you, Mr. Bell. Now I understand why Mr. McCrery has gone in and done a lot of investigation on this and done a lot of work for this Subcommittee. I appreciate your testimony.

Ms. Bell, I just have one question I want to ask you. Who in the world told you that you were going to lose Shelah's benefits under this bill?

Ms. BELL. We qualify for SSI through the IFA. Shelah initially did not qualify for SSI for the first 5 years of her life, even though she was very medically needy and developmentally delayed because she was not on the original Social Security medical listing.

Chairman SHAW. But who told you this bill was going to take her off?

Ms. BELL. That is the only way we can qualify. If you eliminate the IFA, we lose our money. We have to reapply and then be determined whether we qualify for it or not, and originally, we were not. We went into debt on our own trying to pay the bills by ourselves.

Chairman SHAW. I can assure you, you do qualify.

Mr. McCrery.

Mr. MCCRERY. Thank you, Mr. Chairman.

Ms. Bell, I agree with the Chairman that certainly your other child qualifies under the listings and she would continue to receive benefits. Shelah, I cannot imagine, would not qualify under something called functional equivalency under the current SSI law. I just find it hard to believe she would not qualify under one of the available tests outside the IFA.

Hardly anyone recommends keeping the IFA because it is so vague and so open to abuse. GAO, the General Accounting Office, did a study. They said the IFA could not be fixed. Every bill that has come before this Subcommittee, including the President's bill that is now out there, including the Deal bill that every one of the Democrats voted for last year, does away with the IFA. We simply cannot fix the IFA.

So I hope we have put that to rest, but your child, we think, would qualify under the functional equivalency test. According to data I have here from Social Security, only 16 percent of the children with muscular dystrophy qualify through the IFA, and as we have heard before through testimony before this Subcommittee, there is no requirement for disability examiners or for the Social Security Administration to qualify a child under the medical listings or exhaust every other avenue before qualifying through the IFA.

I hope you will go home with some comfort that Shelah is not going to lose her benefits under our bill or under the President's bill, because his does away with the IFA, as well, or under any other bill we pass. She will not. But I do appreciate your coming today and sharing with us your concerns.

Ms. BELL. I guess my concern is I have advocated enough for my daughters over the last 9 years and learned that language is pretty important in politics, and I have not seen language I am comfortable with yet that assures me. You can tell me that here in this meeting, but I have no assurance when I leave here how that language is going to appear and how it is going to qualify or disqualify my daughter.

Mr. MCCRERY. I understand that.

Ms. BELL. I do know the reality is we have been disqualified in the past. So it is more of a reality to me than it may be to somebody else. I knew what it was like living without the IFA. I had no benefits and we went into debt and ended up living with family because our medical insurance did not pay everything that was covered for Shelah. If we are getting into the long haul of her disease, we have a lot more to come.

So I guess I am a little uncomfortable until I see that final language and understand exactly how it is going to apply to my daughter. The other reality is, it is not just my daughter. There are over 300,000 other children. You may say it is only 16 percent, but there are faces behind those percentages and there are names and families, just like mine.

Mr. MCCRERY [presiding]. The point Mr. Bell makes, though, is that many of those 300,000 children are not children with severe developmental disabilities. They are not children who have severe physical impairments. They are children who would receive plenty of assistance through existing programs, education programs, and other Federal and State programs that do not need to be on SSI. So that is the problem we are grappling with. We are trying to reach a middle ground here that handles the abuse which we think is widespread in the system and yet does not do damage to children who legitimately need assistance.

Ms. BELL. Right, and I understand that.

Mr. MCCRERY. We are trying to walk that line, and it is difficult, I admit. Your testimony today will help us as we look at that.

Ms. BELL. I guess I am uncomfortable with that, and I appreciate Mr. Bell's comment, that he said he is not a professional and has not really done the controlled studies, so I am a little nervous at the types of stories you are hearing and how controlled and really how probable they are.

Mr. MCCRERY. Perhaps we will let Mr. Bell expound a little bit and you will be more sanguine with his remarks, because even though he is not a psychiatrist or a researcher, he is the principal of a school in the real world where he sees the real impact of this every day.

Ms. BELL. Right, and that is one school in the United States, so I am still a little nervous.

Mr. MCCRERY. I can assure you Mr. Bell's comments have been repeated to me any number of times by other principals and other teachers across North Louisiana. This is not an isolated case. You are simply incorrect to assume there is no abuse in this program, and for you to make the statement that it is incomprehensible that a parent coach his children in order to get a check is a perfectly reasonable statement for you——

Ms. BELL. For me.

Mr. MCCRERY [continuing]. And me. It is incomprehensible. The facts are otherwise, though, Ms. Bell, and Mr. Bell knows it. If one of my colleagues would lend me some of their time, I will have a chance to explore with Mr. Bell some of the statements that parents and children have made to him that will give you some more assurance it does, in fact, occur.

Mr. Levin.

Mr. LEVIN. Mr. McCrery, let me follow up, because I hope this hearing will become an important moment in the consideration of this issue.

I just want to make a plea to you, others, and to all of us that we take a hard look at this again and that we know what we are doing, because what Ms. Bell has said is that her second child, Shelah, was qualified through the IFA. She was not qualified under the medical listing.

We have abolished the IFA. It is not correct that no bill went beyond simply abolishing the IFA and leaving the medical listing provisions as is. In the minority bill that every one of us voted for, we abolished the IFA, it is true, but we put in a new category outside of the medical listings for those children who had a combination of handicaps that by themselves individually would not necessarily qualify those children under the medical listings.

I would plead with you to take another look at that. I am not saying the language we derived was perfect, but it was an effort to make sure we got at the abuse without disqualifying children like Shelah. There is nobody here, if I might say so, who can say, under your bill, under the President's proposal, that Shelah is sure to be able to qualify for benefits. Under the bill we put forth that did not gain enough votes, we could have given that assurance.

I do not think you want to disqualify families with kids like Shelah Bell, but we may end up doing it, and that is why I have

been urging you and all of us to take a very hard look at it, and we have time to do that.

Mr. Bell, I just want to say, the GAO report indicates there is some abuse. There has been some coaching. What they say is that of the million kids on SSI, they were able to identify 1,232 cases where coaching was suspected or allowed. Of those, only 77 actually resulted in awards. When SSA did its analysis, they found abuse or a reason for reversal in 2.5 percent of the cases. So there is some abuse, but there are, of the 300,000 kids, likely more who are closer to the handicapped circumstance of Shelah than to the kids who have been coached in your school.

Mr. Bell, we need to be sure we do not throw the—I am not sure we want to use that analogy. You talked about the baby with the bathwater. It sounds a little too hard. You did not mean it that way. In a sense, it is true. There are some young children who should not be thrown off the SSI Program, their families, because there is abuse in programs like yours.

The GAO report indicates the abuse is very much, not confined to, but is very much highlighted in a few States and the worst is Louisiana. I called the people who run the Michigan program. They did not know I was calling. They are appointees, in some cases, of Governor Engler. I said, What is the level of abuse in terms of coaching? They all said, Less than 1 percent.

Mr. Bell, have you reported these abuses to the State authorities?

Mr. BELL. No, sir, and one of the reasons why I have not is there is a discrepancy between what we consider abuse, to mean, Mr. Levin, if there is an able-bodied person walking around who can work and they are not working and they are drawing SSI payments, that is abuse to me. If I have a kid in my school who can function academically and they are not functioning that way just to stay on the SSI rolls, that is abuse to me.

Mr. LEVIN. But why not report this to the State authorities?

Mr. BELL. One of the reasons is that until recently, we had no one to report it to. I am under a rule of confidentiality where it concerns my students and our State just set up, and not long ago, a hotline for fraud and abuse.

Mr. LEVIN. But there is no confidentiality—if I might just pursue this for another 30 seconds or so—if you see abuse, you do not have any confidential information.

Mr. BELL. Yes, we do. I am not allowed to discuss my students' records with anybody.

Mr. LEVIN. But now you are reporting this abuse to the State?

Mr. BELL. Yes, sir, through an anonymous hotline.

Mr. LEVIN. Look, then the problem is, in part, the States that do not administer this program appropriately. Those States that allow abuse should be chastised. The States are operating these programs, not the Federal Government. If there is that kind of an abuse, if there is coaching, it should be weeded out. But children like Shelah should not be thrown out, and the families like Ms. Bell, who is staying home to take care of two handicapped children.

Mr. BELL. Sir, I prefaced my remarks with the statement that I hope that will not happen, and I really do. See, this is a necessary program. I have kids in my community who deserve their benefits

and who could not survive without them. But I also have kids in my community who are walking around doing nothing but getting somebody's daughter pregnant and they are having a field day on $450 a month.

Mr. LEVIN. That should be eliminated.

Mr. BELL. I agree.

Chairman SHAW [presiding]. The time of the gentleman has expired.

Mr. Collins.

Mr. COLLINS. Thank you, Mr. Chairman.

I would like to say I appreciate each one of the panelists being here to testify and I would like to yield my time to Mr. McCrery.

Mr. MCCRERY. I thank the gentleman for yielding.

Mr. Bell, you cannot prove, can you, all the instances of abuse of the program that you suspect, is that correct?

Mr. BELL. No, sir.

Mr. MCCRERY. In fact, your conclusion that there is abuse in this program in terms of children qualifying who really should not qualify is based on anecdotal evidence from a few parents and a few students, is that correct?

Mr. BELL. Mr. McCrery, this is what I see in my school every day, yes, sir.

Mr. MCCRERY. So you cannot tell this Subcommittee that 50 percent of the students who qualify for SSI at your school should not be on the program. You do not have that kind of data. But you feel it in your bones that there is something going on out there in your community that is not right.

Mr. BELL. Sir, I see it, and I made a statement once about the estimated number and then I was asked to prove that. I cannot go to your house and ask you, Are you on SSI and are you faking it? But it does not take a genius to see what is going on in my community.

Mr. MCCRERY. Are you familiar with the *Zebley* decision?

Mr. BELL. Yes, sir.

Mr. MCCRERY. Do you know about when that decision occurred?

Mr. BELL. Back in 1990, or in the late eighties or early nineties.

Mr. MCCRERY. Did you notice a difference in the attitude of your students following that decision?

Mr. BELL. Mr. McCrery, following the *Zebley* decision, the situation just mushroomed. From 1991 to 1994, when we would go to the mail, we would just count them everyday, the school function forms that we would collect. We just wondered, How many are we going to get today? We knew we were going to get some. We just did not know how many.

Mr. MCCRERY. Mr. Bell, do you consider it a problem that children are applying for SSI benefits under this program even if they do not get the benefits, even if they are not found to be qualified by Social Security?

Mr. BELL. Yes, sir. The problem there is if they are turned down, they can appeal, and they are going to keep their little charade going to make sure that they get it the next time.

Mr. MCCRERY. So the statistics that Mr. Levin brought out, that there is only 1 percent that have been overturned and those kinds of numbers, are not necessarily the numbers that this Subcommit-

tee ought to be concerned with. We ought to be concerned, too, about the children who apply and get turned down——

Mr. BELL. Absolutely.

Mr. MCCRERY [continuing.] Because it is those children who are being encouraged by their parents based on what they have heard around the community to go to your school, fail their exams, act up in class in order to try to qualify. Even if they are found by the examiner to be faking it and turned down, that is still an abuse of the problem. That is still an abuse of that child. That still has an indelible negative impact on that child's life.

Mr. BELL. It also has a negative impact on the academic standing of my school.

Mr. MCCRERY. Has that gone down somewhat since the *Zebley* decision?

Mr. BELL. Representative McCrery, we got our test scores this past week, and I am kind of proud of it, we are pulling ourselves back out of the hole that we fell into when we got into this SSI thing here. For the first year since 1991, we met our State test score standards. Of course, they changed the standards and they made it a little bit easier for us. When we go back to tougher standards, we will probably be back in the same—and I am not saying that SSI is at fault for everything that happens in my school. I would be lying if I said that. But sir, it has a major impact on what goes on in my school.

Mr. MCCRERY. And the drop in your scores just happens to coincide with the change in the SSI Program?

Mr. BELL. Almost with the *Zebley* decision.

Mr. MCCRERY. Mr. Bell, your testimony here, I think, is quite compelling. We could have brought into this Subcommittee, Mr. Chairman, scores of teachers and principals from North Louisiana who would duplicate this testimony. Anyone who says this is not a problem is sticking his head in the sand and ignoring the abuses that are out there as a result of governmental action. I think it is despicable, and if this Subcommittee, this Congress, and this President do not do something about it, we ought to be ashamed of ourselves.

Mr. BELL. I agree.

Chairman SHAW. Thank you, Mr. McCrery.

We are going to have to recess. The Members have to make this vote. We will recess for approximately 15 minutes.

[Recess.]

Chairman SHAW. If the witnesses would return to the witness table, please.

Mr. Herger.

Mr. HERGER. Thank you, Mr. Chairman, and again, I appreciate the opportunity of sitting in on your panel this afternoon.

I would like to make a few comments, if I could, on what I have heard in the testimony so far. Our Republican plan will spend $1,305,000,000,000 over the next 7 years. We will be spending more over the next 7 years than we have in the past 7 years. The purpose of this legislation, as I understand it, is certainly not to address individuals who are truly needy, as we see Shelah Bell, who is one of those deserving. That is not the purpose of this hearing nor the purpose of this legislation.

We have heard through the testimony of Willie Bell, the principal of a school in Louisiana—I want to thank you, Mr. Bell, for the courageous individual you are and for the role model you are, not only for your students but for this Nation—but the observations you have made of the damage this system has done has gone astray and the need for the correction.

I also want to thank my own sheriff, Mick Grey. I want to thank you for the example you have set. I would like to also give some of the results, Sheriff Grey, of bringing to my attention abuses that you saw in your jail, of those who were receiving SSI payments illegally who should not have been.

The GAO did perform an investigation in which they analyzed some 12 counties in some 9 States to get an idea of what type of savings we would have. They found approximately 5 percent were misusing the system, receiving SSI payments which amounted to a savings of $181 million estimated nationally.

So again, because you took the time to bring this to our attention and I was able to draw up legislation, again, because of your input, it now has 161 cosponsors. It has been incorporated, and I thank our Chairman, Mr. Shaw, for incorporating it into this legislation. I am quite confident that, one way or another, we will see this come into law and we will help do away with this particular abuse.

So again, I commend each of you who is here today for the time you have taken to help right a system which is very clearly broken.

Thank you very much.

Thank you, Mr. Chairman.

Chairman SHAW. Mr. Rangel.

Mr. RANGEL. Thank you.

Sheriff, when did you report this condition that outraged you in the jail? When did you find out about it?

Mr. GREY. It was in April of last year.

Mr. RANGEL. Last year?

Mr. GREY. Last year, yes.

Mr. RANGEL. In 1995.

Mr. GREY. Yes, sir, 1995.

Mr. RANGEL. And that was the first time you had any indication that men or women were receiving SSI checks?

Mr. GREY. That is right.

Mr. RANGEL. Does the name Peter Abilene, branch manager, the Department of Health and Human Services, Social Security Administration on Lincoln Street, mean anything at all to you?

Mr. GREY. No, it does not.

Mr. RANGEL. Let me thank you for what you have done, but I have a letter addressed to you where they ask for your assistance in providing their office in Oroville and Chico with the identities of those who are incarcerated and may be receiving SSI or Social Security benefits. They wanted your cooperation in doing this and it is dated March 29, 1993. Anyway, we are all trying to get rid of the same problem and we want to thank you, at least a few years later, in getting in touch with the Congressman.

Let me join in thanking you, Mr. Bell, for having a serious concern about your students, about fraud, and about all those things where hard-working people really get disgusted when they see other people working the system and depriving those who should

truly be beneficiaries not being able to get those benefits. I, like my colleague, do not have to have a college degree to see who I believe is working the system.

When you first found this out, when did you get in touch with your Congressman to share this with him? How did it happen that he got to know you and you got to know him?

Mr. BELL. Through the newspaper article, sir.

Mr. RANGEL. He contacted you?

Mr. BELL. Yes, sir.

Mr. RANGEL. And you had said something in the newspaper?

Mr. BELL. Through the newspaper article in the Baltimore Sun.

Mr. RANGEL. And then you two had conversations?

Mr. BELL. Yes, sir.

Mr. RANGEL. How many?

Mr. BELL. Several, not with Representative McCrery but with members of his staff.

Mr. RANGEL. So it was pretty clear that both of you were reading from the same page?

Mr. BELL. Yes, sir.

Mr. RANGEL. So when you came up here, you knew you would be with friends?

Mr. BELL. Yes, sir. We have——

Mr. RANGEL. So being a good citizen does not necessarily mean it is courageous. You did the right thing and you ought to be lauded for it.

Mr. BELL. I do not know about that, but——

Mr. RANGEL. Are you obligated?

Mr. BELL. No, sir.

Mr. RANGEL. So let me join with others for pointing out fraud. I just do not see where we can give any medals for valor, but certainly you did your duties as a citizen and I think you should be respected for it.

Mr. BELL. I am not looking for one.

Mr. RANGEL. No, but someone down there said something about courage.

Mr. MCCRERY. If the gentleman would yield——

Mr. RANGEL. No, thank you.

Mr. MCCRERY. I would just point out that he is courageous to go to work every day. He is on renal dialysis. Give the guy a break.

Mr. RANGEL. I have congratulated him——

Mr. MCCRERY. Well, than you very much.

Mr. RANGEL. If there is something else you want signed, I will come with you and I will sign it.

Mr. MCCRERY. Thank you.

Mr. RANGEL. You talked with the witness. Your staffers talked with him. You knew his testimony, and I am glad that he gave it.

Mr. MCCRERY. Good.

Mr. RANGEL. Let me talk with Ms. Bell. Ms. Bell, your courage is to be respected. First of all, the pain you would have just in coming forward, but in knowing that there are so many people who have children, relatives, and loved ones that cannot come forward. Let me thank you for coming here. That is first.

Second, let me thank you for not being intimidated and bullied. That is a quality, as well. It is not courageous, it means you have

it and they are not going to push you around, and that is what America should be all about.

Now, I want to join with my colleagues and say nothing is going to happen to you. Trust us. We are from the U.S. Congress. [Laughter.]

I also would like to say to you that we do not intend to harm you and your child just because we have given up the Federal responsibility. I also would want to say, in all of our hearts, we want to make certain that cases like this are taken care of. All we are saying is that we are changing the law. Soon, you will be receiving a notice from the U.S. Government and that notice will tell you that you may not be eligible for benefits, but do not worry—do not worry—because it is not our intent that you or your child be hurt.

All they would tell you is they are going to review your case. There is nothing for you to be upset about. It is just an ordinary review. They are going to review the medical evidence, the doctors' evidence. They may ask you for additional evidence. But all of the time you and your husband are concerned, I want you to remember the words you heard from this Subcommittee. Do not worry. Trust us. If their thinking is like our thinking and the evidence proves you still are eligible, then you will continue to get the check.

Until that time, though, please take our word for it. We never intended to hurt you. We are just saying the Federal Government would like to get out of this type of business and leave it up to local and State governments who are closer to the problem.

You should also know that when it reaches the point that the State government and the city government——

Mr. MCCRERY. Would the gentleman yield?

Mr. RANGEL. No, no, no. I am on a roll now.

Mr. MCCRERY. You are out of time.

Mr. RANGEL. When it reaches the point that the city government and the State government cannot help you, we always have charitable organizations, and do not ever forget that.

Thank you, Mr. Chairman.

Chairman SHAW. The time of the gentleman obviously has expired.

I would like to clarify one thing, though. SSI is a Federal program and it remains a Federal program. We are not block granting it to the States. It is going to stay a Federal program.

Ms. Bell, I do have a question, though. What condition was your daughter in when she was turned down? You told me that what she has is a progressive illness.

Ms. BELL. Right. Initially, with Shelah's type of muscular dystrophy, when they are born, they are very medically needy and then they kind of level off, and then, again in later years, start to become medically needy again. She was——

Chairman SHAW. Was she less afflicted then, when you first applied, than she is now?

Ms. BELL. No, actually, she was not. She had club feet, so we were taking her to the doctor every other week to get the casts recast. She had apnea spells. We were tube feeding her for all of her feedings for the first 9 months of her life. Obviously, she had no muscle tone, so she could not do a lot of the activities babies her age did.

Chairman SHAW. I want to thank you for bringing this situation to us as a reminder as to the beauty of this program, about which we have heard testimony today that is so self-destructive. When we think that you have to share a program with kids that are being encouraged to act up when really there is nothing functionally wrong with them, or that you have to share a program with people in prison or with drug addicts or with alcoholics who have engaged in self-destructive behavior, I think it is absolutely incredible. I think it is further incredible that this Congress has allowed this to progress as long as it has.

Mr. Rangel pointed to Sheriff Grey and said that he got a letter back in 1993 advising him there was a problem in this area. It is from the Clinton administration. I am absolutely amazed that the Clinton administration and the Social Security Administration knew of this problem so long and did not come to the Congress to get it fixed. That, to me, is an indictment of the people down at the Social Security office.

Mr. RANGEL. I agree with you, Mr. Chairman.

Chairman SHAW. Thank you. I think that is absolutely inexcusable.

I would like to say to Mr. Bell, I join Mr. McCrery and I think you are courageous. You get up every day, regardless of the fact that you are on dialysis, and you yourself would qualify for SSI. You told me over the break how much you love these kids and what you wanted to do for them and that you saw this abuse of the program as a force that was actually destroying them and destroying their future. It is melting away.

Also, Mr. McCrery told me over the break that you testified before some commission, I guess in Louisiana——

Mr. MCCRERY. No, here in Washington.

Chairman SHAW. Oh, here in Washington——

Mr. BELL. Yes, sir.

Chairman SHAW [continuing]. About one-half of the kids in your school have applied for SSI crazy checks, is that correct?

Mr. BELL. Yes, sir.

Chairman SHAW. That, to me, just shows what happens when Congress ignores the problems of Federal programs that were well meaning and meant to take care of situations such as Shelah but have gotten just so out of whack and so outrageous. I hope we can get the cooperation of all the Members in this matter.

I might say that in this one area, the President has adopted the position that the Congress had previously adopted, even though he vetoed the bill, so I am confident we will be able to solve this situation.

But I will say to Ms. Bell, trust Congress. Congress is concerned about you. You are here to talk to Congress. Congress has listened to you and the Congress agrees that this SSI check you receive for Shelah is exactly what it is intended for and we are not going to in any way diminish the amount of assistance which you so deserve and Shelah deserves, and I would like to say——

Ms. BELL. I think I will feel better when I see the language.

Chairman SHAW. I would like to say to Shelah, too, that you are a beautiful little girl. On the inside, you are courageous and think

well of yourself, because you certainly are overcoming tremendous problems and you have great courage.

Thank you.

Mr. RANGEL. Mr. Chairman, could I just be heard on the question of what you described as crazy checks? I do not know whether Mr. Bell described it that way or you did, but I think it kind of throws a connotation over all recipients when you just refer to it as that.

Ms. BELL. Thank you, Mr. Rangel.

Mr. RANGEL. I know it is not intended, but——

Ms. BELL. Thank you.

Chairman SHAW. No, the crazy check is referring to the people who are receiving the checks because of a court order back around 1990——

Ms. BELL. I understand that, but I think the media has sensationalized on it and it sort of puts us all in that same category.

Chairman SHAW. We are going to set that record straight. We are going to set that record straight.

Ms. BELL. I think repeating the word gives it more power sometimes.

Mr. LEVIN. Mr. Chairman, I would like to ask——

Mr. RANGEL. Thank you.

Chairman SHAW. Clearly, that does not apply to Shelah.

Mr. LEVIN. I would like to ask Ms. Bell, just so the record is clear, a couple of quick questions.

Chairman SHAW. Go ahead, and then we are going to have to move on.

Mr. LEVIN. First of all, how many children do you have?

Ms. BELL. I have five.

Mr. LEVIN. Five children? Have you been active on this issue in your home State?

Ms. BELL. Yes, I have.

Mr. LEVIN. Just describe briefly what you have been doing.

Ms. BELL. Initially, when I found out last January 1995, I wrote letters to my Senators and Congressmen, met with Senator Bob Bennett in his office in August, I have been in communication with Judy Hill through Senator Hatch's office, and I spoke with the Governor 2 months ago at a meeting about my concerns with the elimination of the IFA and what kind of criteria might be used in the future and how it would eliminate our family from the program.

Mr. LEVIN. Have you been active in any group, any State association or local association?

Ms. BELL. For this particular issue, or just anything?

Mr. LEVIN. No, generally, regarding handicapped children.

Ms. BELL. Yes, different ones throughout the community. Basically, I am kind of a self-motivated person, and so I go to whatever source I feel I need to help me with my cause.

Mr. LEVIN. I just, in closing, want to say that there is no question of the need to get at abuse. The question is whether in doing so we are going to affect children like Shelah. Mr. Chairman, I hope we can work together to make sure that does not happen.

Chairman SHAW. I can surely——

Mr. LEVIN. I think there are questions about the present langauge, and up until now, we have not had the kind of bipartisan

discussion we really need. I think we need more than a verbal assurance from us, because that does not carry the weight of law. We need to make sure the law is written so that families with kids like Shelah, the money goes to the family, so they have a little bit of help as they try to keep the family together while we get at the abuses.

I just want to say something, because you talked about this administration, the Social Security Administration. This is a very political season. I read this letter the branch manager wrote to the sheriff, to Mr. Grey, saying,

> I ask for your assistance in providing our offices in Oroville, in Chico, the identities of those who are incarcerated and who may be receiving SSI and Social Security benefits. I would like to establish some mechanism for a timely notification so that our office can take appropriate action to monitor and, as necessary, stop improper payments.

I do not think it is fair to blame, in this case, a Social Security Administration office that 3 years ago wrote a letter asking the cooperation of a local sheriff.

Chairman SHAW. No, the gentleman has misunderstood my remarks. We, with the Herger bill, which is incorporated in this welfare reform bill, we are going to legislatively fix this, and that is the provision that I was wondering why in the world the Social Security Administration had not brought to the Congress. They are supposed to bring these type of abuses to the Congress with some suggested language as to the legislative fix, and that is what we are going to do.

And also, I would like to further let the gentleman know he can be relieved that we no longer in this bill have a two-tier system with regard to SSI. It is a one-tier system——

Mr. LEVIN. I know. We criticized that as harsh. You dropped it. The Governors urged you to drop it. It was in the bill that was vetoed by the President as too harsh.

Chairman SHAW. Then hopefully we will look for your support, then, because——

Mr. LEVIN. I hope we can work it out, and I have said this to——

Chairman SHAW. And I would say to the gentleman, too, that if you have problems with the language that is in the bill and you feel there is any chance that people like Shelah might fall through the cracks because of inartful writing, drafting of the bill, bring that to my attention as Chairman of the Subcommittee and we will certainly see if we can improve upon it.

Mr. LEVIN. It is a deal. We will do it.

Mr. MCCRERY. Mr. Chairman, if you will allow me——

Chairman SHAW. I will yield to the gentleman and then I yield the extra time to the Minority side.

Mr. MCCRERY [continuing]. Just a moment to respond to something that Mr. Rangel said. Mr. Rangel asked Mr. Bell if he contacted me or if I contacted him, and Mr. Bell said my office contacted him after we read in the Baltimore Sun an account of the SSI problem in Lake Providence. That is correct. What Mr. Bell did not know was that my office had been contacted by a number of other principals and teachers in northwest Louisiana—Mr. Bell is from Northeast Louisiana—prior to that and we gave that information to the Baltimore Sun and to anybody else who would listen

and that information prompted the Sun and others to do investigations. That is how they found Mr. Bell.

That simply points out that this problem is widespread. I am now getting comments from States like Connecticut, not deep South States, Connecticut, where my colleagues are saying they are beginning to hear from teachers in the system who are uncovering the same kinds of problems. The word is spreading. If we do not do something about this program soon, we are going to make the lives of many, many, many children in this country immeasurably worse than they should be for absolutely no reason at all.

Chairman SHAW. Thank you. I thank again the witnesses for staying with us so long.

Now we are going to move along, and I apologize to all the witnesses that the hearing is taking as long as it is, but this is a very important subject and your presence with us today is very important.

The next panel of witnesses is Marilyn Ray Smith, who is associate deputy commissioner and chief legal counsel of the Child Support Enforcement Division of the Department of Revenue, Cambridge, Massachusetts; Susan M. Brotchie, who is the founder and past national president, Advocates for Better Child Support, Inc., from Peabody, Massachusetts; Jeffrey Cohen, who is the director, Office of Child Support, Waterbury, Vermont; and Dr. Wade F. Horn, who is the director, National Fatherhood Initiative, Gaithersburg, Maryland.

Again, we have each of your statements which will be made a part of the record and you may summarize as you see fit.

Our first witness will be Ms. Smith.

STATEMENT OF MARILYN RAY SMITH, ASSOCIATE DEPUTY COMMISSIONER AND CHIEF LEGAL COUNSEL, CHILD SUPPORT ENFORCEMENT DIVISION, MASSACHUSETTS DEPARTMENT OF REVENUE, CAMBRIDGE, MASSACHUSETTS

Ms. SMITH. Mr. Chairman, Members of the Subcommittee, good afternoon and thank you for this opportunity to testify in support of the child support legislation that you are currently considering.

My name is Marilyn Ray Smith. I am the past——

Chairman SHAW. Ms. Smith, could you suspend for just a moment. Could we take the conversation to the hall, please.

Please proceed, Ms. Smith.

Ms. SMITH. My name is Marilyn Ray Smith. I am the immediate past president of the National Child Support Enforcement Association, which is the largest association in the country of child support professionals. I am also Chief Legal Counsel at the Child Support Program in Massachusetts, where child support has been a priority for Governor Bill Weld.

Much of the media have focused on assertions that many families will be hurt by welfare reform. We are here to tell you that thousands of families will be helped by child support reform, which is an integral part of any real welfare reform. A regular child support check is a lifeline that can keep afloat millions of custodial parents, usually mothers, struggling to stay off welfare and raise their families in the dignity of self-reliance. Work requirements and time limits in whatever form they take will make child support—and the

health insurance that often accompanies it—more important than ever for families who must leave public assistance.

Mr. Chairman, in my testimony today, I would like to focus on three areas. First, I will comment on the careful attention this bill has received from Congress and from experts and advocates throughout the country. Second, I will highlight the bill's impact on the child support system. Finally, I will talk about how successful these initiatives have already proven in Massachusetts.

We have been working on this bill for 8 years, since the ink was scarcely dry on the Family Support Act of 1988. Congress then authorized the Interstate Commission to come up with state-of-the-art proposals to improve the Nation's child support program. The Interstate Commission combed the country looking for effective strategies and made its report to you in 1992. The Clinton administration made further refinements with its proposal in 1994.

More work has been done in the last year and a half as this Subcommittee and your counterparts in the Senate took a close, hard look at the many recommendations before you. You have involved every aspect of the Nation's child support community in this legislation—employers, advocates, State administrators, courts, mothers, fathers, all affected groups. The first thing I want to do is say thank you for listening to us.

As a result, this legislation contains the toughest provisions in the history of the child support program. By extensive use of automation, it shifts the burden for collecting support away from the custodial parent. She will no longer have to be the squeaky wheel to initiate enforcement at every step of the way. She will not have to work as a private investigator on her own case. Instead, child support agencies will be able to get the information we need to do the job—information from licensing agencies, employers, banks, credit bureaus.

When new-hire reporting and central case registries are fully in place, wage assignments will be transferred to the new employer before the custodial parent even knows the noncustodial parent has changed jobs. Checks for past-due support will appear out of the blue in the custodial parent's mailbox because a data match resulted in the seizure of a bank account. Obligors with valuable professional licenses will think twice before forgetting to mail that child support check.

Fathers who want to establish paternity will no longer face the barriers of an intimidating court process. Instead, they can sign a voluntary acknowledgement that gets their name on the birth certificate. Finally, families who leave welfare will benefit from a families first policy which gives them priority in collecting past-due support before the State steps in to claim its share.

These tools are not ivory tower concepts. They have been tested by innovative States, such as Virginia, Washington, Iowa, Maine, California, and many others. In Massachusetts, we have already implemented virtually every enforcement tool in this legislation and the results have been outstanding. We have used automation to transfer 150,000 wage assignments as employees hop from job to job. We have levied 25,000 bank accounts to collect $16 million from child support delinquents who put money in the bank instead of food on the table for their children.

Massachusetts has demonstrated in reality, not just in theory, that a tough child support program enables families to go off welfare. After the new-hire reporting law went into effect, the number of families leaving welfare rolls tripled. We can also show that as more families receive child support payments, fewer families are forced to go on welfare in the first place. As the number of paying child support cases climbed by 25 percent, the AFDC caseload in Massachusetts dropped by 25 percent. To give you a more vivid picture of these results, I refer you to the charts in my written testimony.

But there is only so much one State can do. Since almost one-third of the child support cases are interstate, a State's program is only as good as its neighbor's. We need Congress' help for the next significant improvement in collections. Only Congress can give us the tools to ensure that noncustodial parents' obligations to support their children do not end at the State border.

Only Congress can ensure we have the necessary uniformity and coordination among States. Only Congress can use the full force of the Federal Government to send a message to all parents that supporting their children is their first responsibility as citizens of this country.

Mr. Chairman, I wish to commend you and the Members of this Subcommittee for your outstanding leadership and hard work in bringing this bill once again before the Congress. We all agree on what is needed to improve the Nation's child support program. We have worked out the details for years. We have tested these innovations in the laboratories of the States. We must not delay any longer.

If welfare reform gets bogged down yet another time, we urge you to pass the child support provisions as a separate and free-standing bill. America's children cannot afford to wait any longer. These kids need economic security in order to have a childhood that will prepare them to lead us into the 21st century. We must not and we cannot rest until child support is paid on time and in full in every single case.

We look forward to continuing to work with you to get this legislation passed and out there working for our kids.

Thank you very much.

[The prepared statement follows:]

UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON HUMAN RESOURCES

HEARING ON CHILD SUPPORT ENFORCEMENT LEGISLATION

Statement of

MARILYN RAY SMITH

Immediate Past President

NATIONAL CHILD SUPPORT ENFORCEMENT ASSOCIATION

and

Chief Legal Counsel
Associate Deputy Commissioner

CHILD SUPPORT ENFORCEMENT DIVISION
MASSACHUSETTS DEPARTMENT OF REVENUE

May 23, 1996

Mr. Chairman, distinguished members of the Committee: Thank you for this opportunity to testify in support of the child support legislation currently pending before this Committee.

My name is Marilyn Ray Smith. I am the immediate past president of the National Child Support Enforcement Association (NCSEA). I am also Chief Legal Counsel and Associate Deputy Commissioner for the Child Support Enforcement Division of the Massachusetts Department of Revenue.

NCSEA is the largest organization of child support professionals in the country. Our members include State and local agencies, administrators, caseworkers, attorneys, judges, prosecutors, advocates, private companies, and mothers and fathers -- all joined together to promote effective child support enforcement.

In Massachusetts, child support enforcement has been a priority for Governor Bill Weld. We have enacted into law virtually all of the mandates that this legislation would impose on the States. We are here to tell you that it works. We have boosted child

support collections, and we have helped thousands of families get off and stay off welfare.

We believe that if these tools are enacted by every State, they will yield billions of dollars in increased child support for families. In addition, better child support enforcement promotes parental responsibility and helps families become independent of public assistance, saving taxpayers billions of dollars.

While most of the media have focused on assertions that many families will be **HURT by welfare reform**, little attention has been paid to the fact that hundreds of thousands of families will be **HELPED by child support reform**. Because they enjoy bipartisan support, the important changes that are about to take place in the nation's child support program have been overshadowed by the more vocal public debate over block grants, cash benefits for teen mothers, family caps, and child care funding.

Mr. Chairman, in my testimony today, I would like to trace the evolution of this bill to illustrate the careful attention this bill has received from experts and advocates throughout the country. I will then highlight the bill's key provisions. Finally, I will talk about how these initiatives have worked in Massachusetts.

Evolution of Current Child Support Legislation

Improved child support enforcement is an integral part of real welfare reform. When just one parent provides for a family, children all too often sink into poverty, and taxpayers grow weary of paying for other people's children. A regular child support check is the lifeline that keeps afloat millions of custodial parents -- usually mothers -- struggling to stay off welfare, and to raise their families in the dignity of self-reliance. Work requirements and time limits, in whatever form they ultimately take, will make child support and the health insurance coverage that often accompanies it more critical than ever for families who are forced to resort to public assistance.

The child support legislation this Committee is considering contains the most far-reaching and toughest provisions on child support since the inception of the program more than 20 years ago. These provisions have been years in the making, and the national child support enforcement community has been involved in their development every step of the way. In fact, we have been working on this bill for almost eight years, and we are ready and eager to see it enacted as soon as possible.

This seeds for this bill were sown in 1988 when, in the Family Support Act, Congress called for the appointment of the U.S. Commission on Interstate Child Support. We worked closely with this Commission, whose members included Congresswoman Barbara Kennelly of this Committee, as well as Congresswoman Marge Roukema and Senator Bill Bradley. In 1992, the Commission issued its bold and comprehensive report,

which provided detailed recommendations for specific actions Congress could take immediately to improve the nation's child support system.

In 1993, President Clinton convened the Working Group on Welfare Reform, which conducted another extensive analysis of the nation's child support system. Again, we consulted extensively with members of the Working Group, which in June of 1994 issued its recommendations and the legislative proposal which forms the framework for the bill before you.

Throughout 1995, Congress took a hard, close look at these many recommendations, and our work began to bear fruit.

- We testified at Congressional hearings, answering detailed questions about the workings of new hire reporting, how to improve paternity establishment, and the effectiveness of license revocation as an enforcement tool for the self-employed.

- We worked with Committee staff in both houses of Congress to hammer out the technical details of this complex proposal.

- We conferred with Clinton Administration staff at Health and Human Services to strike the right balance between Federal mandates and State flexibility.

- We wrote position papers and fact sheets, chronicling States' successful implementation of these innovations.

- We drafted amendments and got them adopted, to make sure that no critical tool was omitted and that every technical detail was attended to.

- We joined informal networks with other organizations interested in child support enforcement, including the American Public Welfare Association, the Children's Defense Fund, the National Women's Law Center, the Center for Law and Social Policy, the Eastern Regional Interstate Child Support Enforcement Association, and the American Bar Association.

As result, our voices have been heard as never before in the halls of Congress. This has been a truly collaborative legislative process, showcasing democracy at its best. Congress is not proposing to include child support in the block grants. Congress is not federalizing the program. Instead, Congress is continuing the Federal-State partnership that has been the hallmark of this program for the last 20 years. More important, Congress is sending a clear message that it will put the full force of the Federal government behind the efforts of the States to secure support for our children. In short, this strong, bipartisan legislation is a work of which Congress can justly be proud.

Highlights of this Legislation

This bill contains virtually every tough enforcement tool under the sun -- the proven winners.

- It consolidates the caseload onto central registries of child support orders at the State and Federal level, so that we can make effective use of the location tools at our disposal.

- It makes it easy for unmarried parents to do the right thing, and establish paternity right at the hospital, so that we can get a father for every child.

- It sets up centralized collection and disbursement units using the latest in payment processing technology, so that employers will have one location in the State to send wage assignment payments and parents will have up-to-date account records.

- It makes it easy for States to transfer health insurance orders, so children don't run the risk of being without coverage when the noncustodial parent changes jobs.

- It achieves the full potential of administrative enforcement remedies, by requiring regular searches of available databases of income and assets and by providing for automatic issuance of wage assignments, liens, levies, and other administrative enforcement remedies when income or assets are located.

- It makes maximum use of automation, by requiring States to shift from "retail to wholesale," to use high-volume strategies to enforce a high-volume caseload.

- It has new hire reporting, so that wage assignments can keep up with job hoppers as they move from job to job and from State to State.

- It requires States to revoke licenses of people who owe child support, but who continue to drive, work, or play while making the rest of us foot their bill.

- It calls for a bank match program to locate bank accounts of child support delinquents who put money in the bank instead of food on the table for their children.

- It breaks down barriers in interstate cases, by requiring all States to adopt the Uniform Interstate Family Support Act, to close the net on delinquent parents who just skip across State lines to avoid paying child support.

- It even makes the Federal government become a model employer, by requiring it to participate in new hire and quarterly wage reporting, and to honor wage assignments without unnecessary bureaucratic barriers.

- Finally, it adopts "Family First" distribution rules, giving families who leave welfare priority in the distribution of collections when past-due support is owed to both the family and the State.

Moreover, throughout the individual provisions, this legislation establishes the proper balance by creating Federal mandates that set standards to push States to improve their programs, while maintaining States' flexibility for continued innovation that responds to local needs and charts new directions.

But most importantly, by its extensive use of automation, this legislation shifts the burden away from the custodial parent, so she no longer has to be the "squeaky wheel" to initiate enforcement action at every step of the process. When new hire reporting and central case registries are fully implemented, wage assignments will be transferred before the custodial parent even knows the noncustodial parent has changed jobs. Checks for past-due support will appear out of the blue in the custodial parent's mailbox because of a successful data match that resulted in the seizure of a bank account. Obligors with valuable professional licenses who are not subject to wage assignments will think twice before forgetting to mail those child support payments. States will be able to cooperate in interstate cases by electronic communication instead of being buried in an avalanche of paper and overwhelmed by tedious court proceedings for the most routine cases. Fathers who want to establish paternity will no longer face the barriers of an intimidating and adversarial court process.

Massachusetts' Experience with These Reforms

These enforcement tools are not ivory tower concepts, but are tried and true, tested by innovative States such as Virginia, Washington, Iowa, Maine, California, and many others.

In Massachusetts, we have already implemented virtually every significant enforcement tool in this legislation, and the results have been outstanding. We have consolidated cases onto a central case registry. All payments are processed through a central payment processing unit. We have a highly successful paternity acknowledgment program, which has assisted the parents of almost 70% of children born out of wedlock to establish paternity within a few weeks of birth. All employers are required to report new hires within 14 days of hire. We have authority to revoke or deny professional, occupational, recreational, and driver's licenses of child support delinquents who fail to honor payment agreements. We use tax and bank information to locate assets.

In the last three years, we have used automation to transfer more than 150,000 wage assignments as obligors hopped from job to job, and we have levied almost 25,000 bank accounts to collect over $16 million from child support delinquents who accumulated assets rather support their children. In four years, we have increased collections by 34%. Our compliance rate has gone from 54% to 64%, and 18,500 more families now receive child support regularly.

In Massachusetts in FY95 alone, just five of the key provisions in this bill generated $44 million in increased child support collections. Based on CBO estimates of the **Federal** share of collections just for **families on welfare**, we estimate that this number will translate into more than $2 billion nationwide in increased annual collections for all families by the year 2002, when States fully implement this bill, as the chart below illustrates.

CHART 1

National Child Support Provisions Worth Over $2 Billion by 2002

	Massachusetts FY 1995 *(Millions)*	**National Estimate FY 2002** *(Millions)*
In-hospital Paternity	$ 7	$ 374
Financial Reporting/Bank Levy	$ 21	$ 1,210
New Hire Reporting	$ 15	$ 245
License Revocation	$ 1	$ 331
Total	**$ 44**	**$ 2,160**

But the huge increase in child support collections is just the tip of the iceberg. The Massachusetts new hire program requires employers to report new employees within 14 days of hire. It has saved Massachusetts $52 million every year not only by delivering steady child support payments, but also by reducing welfare dependency and abuse, and by detecting hundreds of cases where people were working while collecting unemployment benefits, as the chart below shows.

CHART 2

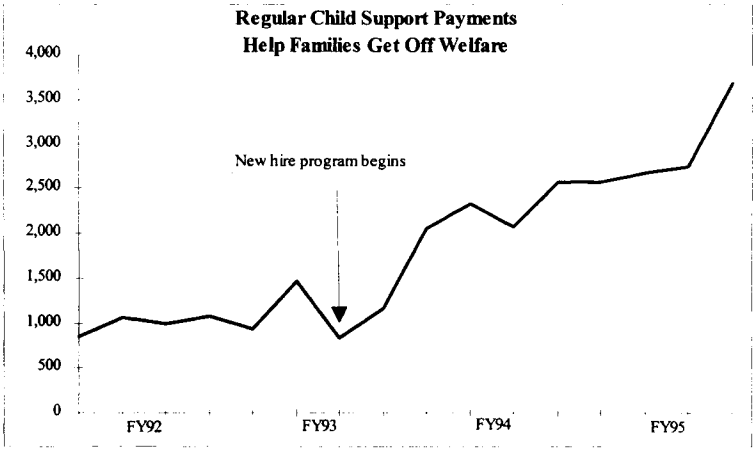
New Hire Match
A Massachusetts Success Story

Program Results

	(In Millions)
Increased Child Support Collections	$ 14.5
Reduced Welfare Dependency	$ 21.6
Reduced Welfare/Food Stamp Fraud	$ 14.4
Unemployment Compensation Savings	$ 1.5
Total Benefits	**$ 52.0**

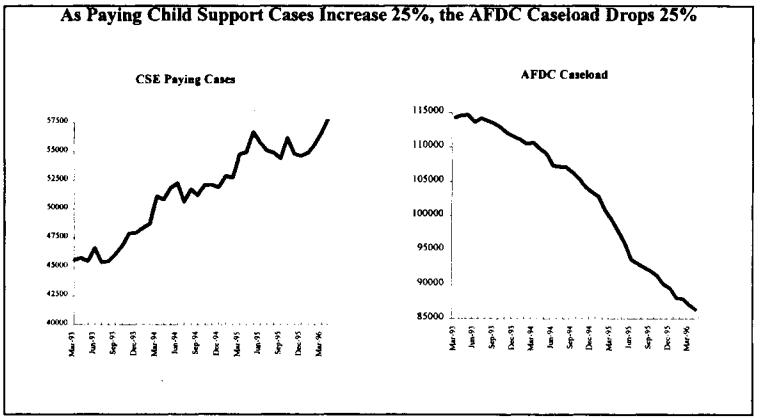
Welfare is, after all, child support paid by the taxpayer. All of the child support remedies in the welfare reform bill will help families get off -- and stay off -- welfare. Our track record in Massachusetts demonstrates that a tough child support program enables more families than ever before to achieve economic self-sufficiency and remain independent of public assistance. As the following chart shows, after we implemented the new hire reporting law, the number of families leaving the welfare rolls quickly tripled.

CHART 3



In short, as more families receive child support payments, fewer families are forced to resort to public assistance in the first instance. In Massachusetts, as the number of paying child support cases **climbed** by 25%, the AFDC caseload **dropped** by 25%, as illustrated in the following chart.

CHART 4



But there is only so much one State -- or the many other States that have also implemented some or all of these reforms -- can do alone or in small disparate groups scattered throughout the country. Since almost a third of the child support cases are interstate cases, a State's program is ultimately only as good as its neighbors'. For example, in Massachusetts, we have reached an 80% compliance rate for in-state cases, but less than 40% for interstate cases. We need Congress' help for the next significant improvement in our collections. Only Congress can give us the tools to ensure that noncustodial parents' obligation to support their children doesn't end at the State border.

Conclusion

Child support enforcement is all about giving families a hand -- instead of a handout. The child support provisions in the welfare reform bill promote parental responsibility and relieve taxpayers, many of whom have families of their own, of the burden of support. By placing responsibility for raising children where it belongs -- on their parents -- Congress will go a long way toward enhancing the economic security of the nation's children.

Mr. Chairman, I wish to commend you and the members of this Committee for your outstanding leadership and hard work in bringing this bill once again before the Congress. We know what is needed to improve the nation's child support program. We have worked out the details for years, and we have tested these innovations in the laboratories of the States. We must not delay any longer. If welfare reform gets bogged down yet another time, we urge you to pass the child support provisions as a separate, free-standing bill. America's children cannot afford to wait for the financial support they deserve. These kids need economic security in order to have a childhood that will prepare them to lead us into the 21st century. We must not -- we cannot -- rest until child support is paid on time and in full in every case in the country.

Thank you for your gracious attention.

Chairman SHAW. Thank you, Ms. Smith.
Ms. Brotchie.

STATEMENT OF SUSAN M. BROTCHIE, FOUNDER AND PAST NATIONAL PRESIDENT, ADVOCATES FOR BETTER CHILD SUPPORT, INC., PEABODY, MASSACHUSETTS

Ms. BROTCHIE. Good afternoon, Mr. Chairman, and thank you very much for the opportunity you are giving me today to testify on behalf of the Nation's children who are owed child support.

My name is Susan Brotchie. I am a single parent, never married, of a 14-year-old daughter. Through my frustrations and successes, I founded a national organization. Unfortunately, our organization is growing in leaps and bounds. This bag, sir and Members, represents 2 days' worth of mail from desperate custodial parents across the country, virtually from every State and even other countries who have noncustodial parents residing here in the United States. I am grateful for the opportunity you are giving me today to share some of these. By the way, there are eight other volunteers who have bags similar to these that we are all taking turns going through.

While the spotlight has been focused on getting mothers off of welfare, effective child support enforcement can prevent them from resorting to welfare in the first instance. Working mothers feel no incentive to remain in the work force. They feel they have not been acknowledged for their efforts. Child support can also prevent a low-income, non-AFDC mother from resorting to welfare. After all, a working low-income, non-AFDC mother receives no food stamps, no housing, and no clothing allowance.

If I may just share with you a quote from a letter from Montana, where a single custodial parent wrote,

> They can do nothing with him until he is over 6 months behind in child support payments, but in actuality, 7 months behind, and then they can start the long process to get the driver's license revoked. He owns a farm. He has hay, grain, livestock, and lives in the home that we once owned together, but they tell me they cannot attach anything. He basically pays what he wants when he wants.
>
> I have had to go on food stamps three different times and AFDC in the past. I tried to stay out of government subsidies unless I was desperate. Just before Christmas, a church came to my rescue with food and money for rent. I have been working hard to be in a position where I do not have to depend on the government for existence, but so far, I have not been able to do it.

And another mother from Pennsylvania wrote,

> If I do not receive child support, I must pay for day care with my household budget money. Then I cannot pay my monthly bills. While he gives just enough support, $19 at a time, to keep him out of jail, it is rare if I get anything lately. Why is he given all the chances when our existence is slowly going down the drain?

A letter from Indiana, this mother writes that she applauds the efforts of Congress and lawmakers to help find ways of controlling this problem. But she goes on to say,

> What gets me is that if I were on welfare and food stamps, they would sure be after him to collect the money so they would not have to continue helping us and supporting us. I do have a full-time job and have tried to do the best for my daughters and I am always there for them, but on my income, I cannot find a place to live that we can afford and pay the bills. The system definitely needs improvement.

But she goes on to say that she is very grateful that she can work. She said, "I am glad that I can work and that I do not have to be on welfare, but we have to live and survive."

A mother from Florida wrote to us. She is owed $40,000. She works full-time days and is struggling to provide for herself and her 13-year-old son. She goes on to say that,

> I have become an expert at coupons and second-hand stores. My son has not had a new pair of pants since he was 8 years old. However, I am afraid if I take a night job, I will lose my son to the streets.

This is a problem that many custodial mothers are facing now by working multiple jobs and going without, that they do not have enough time to spend with their children, not enough leisure time, not enough time. The children are often going unsupervised when the parents have to work two and three jobs.

In the one-third of child support cases in which the parents reside in different States, the remedies in your proposed legislation could mean the difference between welfare dependency and self-sufficiency. The proposed legislation will finally let delinquent parents run but will not allow them to hide. New-hire reporting, administrative liens, quarterly bank data matches, license revocation, these have all been proven to be effective in Massachusetts. They can be successful on a national scale if we just give them a chance. Central registries are a must.

I see the yellow light went on, but if I just may, again, we get tons of letters from people and they all have something in common. They are all interstate cases. The parents all have the ability to pay. More importantly, these are not just statistics. One woman from Virginia wrote she realizes that she

> . . . is just a statistic and that there may be many women in her shoes, but absent parents should not be permitted to keep dodging the system, accumulating thousands of dollars in back child support while they continue living for themselves and letting the children go without.

She said she keeps hearing and reading how Congress and local officials are cracking down on deadbeat parents. "I have yet to experience it firsthand."

So I think what we all need to remember is there is a human being that wrote every single one of these letters on behalf of their most precious children. Kids cannot wait another day. They have been waiting way too long now.

If I may close with this letter that we received on January 13, we receive many letters from grandparents asking for help on behalf of their grandchildren. One letter in particular exemplifies the urgency for strengthening our Nation's child support enforcement system.

Sarah E. Collins wrote us from Wellston, Ohio, on January 13. She wrote on behalf of her cancer-stricken 42-year-old daughter, who at the time of her letter had only 6 to 8 months to live. But Mrs. Collins wanted her daughter to die in peace. She wanted her daughter to know that her child had child support secured for her. Her daughter was 15 years old, the granddaughter. In 1983, the father was ordered to pay only $40 a week for two children, one of whom is of age now. He rarely paid, and as hard as Mrs. Collins' daughter tried, she was not able to collect the debt owed to her children.

Mrs. Collins' next letter was dated February 26, 1996. As soon as I opened the letter, attached to it was this card and it reads, "In memory of Roxie Ann Leach, who passed away on February 9, 1996," 3 weeks after her mother wrote this letter. Mrs. Collins wrote that we failed her daughter, and we did, all of us as a nation, because we waited too long to help the Roxie Leaches and their children. We cannot and we should not wait another day to implement these child support provisions included in H.R. 4.

In closing, we do commend you for your efforts and your acknowledgement of the missing link between welfare dependency and self-sufficiency and of the serious impact that nonpayment of child support has on families and your decision to do something to stop this problem now.

Thank you very much.

[The prepared statement follows:]

UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON HUMAN RESOURCES

Statement of

SUSAN M. BROTCHIE

Founder/Past President

ADVOCATES FOR BETTER CHILD SUPPORT, INC (ABC'S)

May 23, 1996

Mr. Chairman, distinguished members of the Committee: thank you for the opportunity to testify on behalf of the millions of our nation's children who are owed child support.

My name is Susan Brotchie. I am the founder and past National President of Advocates for Better Child Support, known by the acronym ABC'S. We are a non-profit organization operated by an entire staff of single, working parents who volunteer their time to help others help themselves. Founded in Massachusetts, our first year alone in 1993, we answered to over 9,000 custodial parents from across the nation, seeking assistance and started chapters in 11 other states. We accept no salaries for ourselves and operate solely on donations or small grants when time allows us to research and write for them.

ABC'S is growing at an alarming and overwhelming rate This can be attributed to a feature article in the February issue of Family Circle magazine. The article profiled my organization and the success of Massachusetts cases. Nothing prepared us for the thousands of telephone calls and letters that immediately started to pour in from mothers and grandparents across the nation - all with the same desperate cries for help collecting child support.

I am grateful for the opportunity you have given me today to share some of those letters and to stress the importance of the child support provisions this Congress added to H.R. 4 and the urgency to implement these long overdue enforcement tools. These tools have been proven to be effective in Massachusetts, but we need more and we need it now. It has been a long journey for children owed support, but for the first time, families are becoming optimistic, albeit cautiously. Summarizing the thousands of letters we received, there are three common issues I would like to share with you today:

- while the spotlight has been focused on getting mothers off welfare, effective child support enforcement can prevent them from resorting to welfare in the first instance;
- in the one-third of child support cases in which the parents reside in different states, the remedies in the proposed legislation can mean the difference between welfare dependency and self-sufficiency;
- most non-custodial parents have the ability to earn and pay their child support obligations.

Please allow me to briefly elaborate on each of these points.

CHILD SUPPORT PREVENTS WELFARE DEPENDENCY

While Congress is focusing on helping mothers leave welfare, and acknowledging that the missing link in helping mothers achieve financial independence is establishment and enforcement of child support orders, many hard working mothers who write to us feel more emphasis is being placed on mothers already on welfare than those of us who have struggled to stay off welfare. A clear message needs to be sent to those working mothers that these child support enforcement provisions will also help them secure their child support, enabling them to stay off the welfare rolls. Working mothers also need their child support in full and on a regular basis. Many former welfare recipients end up back on the rolls once child support stops, even though they've tried their hardest to make it on their own. What is needed is the incentive for a mother who has been in the work force at a low paying job, to remain there. That incentive is a child support check received on time and in full.

Mothers who have been forced to work full time plus additional part-time jobs to barely survive, upon receiving regular child support, are often able to give up their part-time jobs and spend more time with their children. Many children of mothers working multiple jobs are often unsupervised for too long a period of time, creating problems in other areas, yet all stemming indirectly from lack of child support.

Mothers who must work multiple jobs often can't cope with the stress and exhaustion leading to additional problems that regular receipt of child support would eliminate.

Grace Alva of Miami Beach, Florida wrote to us in desperation. She is owed $40,000 in child support. Her son is 13 years old and although she works full time days and is struggling to survive, she wrote: "I've become an expert at coupons and second-hand stores. My son has not had a new pair of pants since he was 8. But if I take a night job I will lose my son to the streets."

Karen Chudy of Milford, Connecticut wrote us of her struggles to stay off welfare. She lost her home by bank foreclosure, forcing her and her young daughter to live in one room kept at 50 degrees and use a quartz heater to keep them warm. She pays the bare minimum of her electrical bill, has little left over for food and utilities. She earns $230.00 a week. Her child support order is for $135.00/week, which she never receives. How are we to convince her to remain in the work force when she has been told she "makes too much" to qualify for assistance?

Pamela J. Ingalls of Cambridge City, Indiana wrote that she "applauded the efforts of lawmakers" in helping combat the problem of non-payment of child support. But, she went on to write: "What gets me is that if I were on welfare and food stamps, they would sure be after him to collect the money." She works full time and is "trying to do the best to stay off welfare, but her income isn't enough for her and her two daughters to live on." She also said she was glad to be able to work but has fears of succumbing to welfare.

Mothers fear leaving the welfare system and enter into the system in the first place because they are afraid they will not be able to provide food for their children, keep a roof over their heads, bring them to the doctor when they are ill and worries of daycare. Welfare provides some security in those areas by opening up access to food stamps, medicaid, and housing. But non-AFDC mothers find all their hard earned money going to daycare expenses, leaving no funds for food, rent and utilities. These expenses must be shared by both parents if the mother and children are to be free of government assistance.

The child support initiatives proposed by Congress would enable the states to enforce child support orders wherever the non-custodial parent resides.

INTERSTATE CHILD SUPPORT CASES

Interstate cases are both the child support agency and the mother's worst nightmare. All the child support provisions in the Congressional bill will greatly enhance child support collections and significantly reduce the welfare rolls.

It is an absolute necessity that we have uniform laws across the nation if self-sufficiency is to become a reality. Because so many non-custodial parents are crossing state lines to avoid child support obligations, central registries, new hire reporting, child support liens and quarterly bank matches can work as well on a national scale as they have proven to be effective in Massachusetts.

It's amazing how quickly delinquent non-custodial parents can find money when their driver's or professional licenses face potential suspension. We have witnessed this time and time again in Massachusetts. These measures work but we need them nation wide.

Our members in Massachusetts tell us that their worst fear is that the noncustodial parent will leave the state and venture beyond the reach of the Massachusetts Department of Revenue. If we have uniform laws and the enforcement tools provided in H.R. 4, than delinquent parents can run, but they won't be able to hide.

Marilyn Mitchell of Glendale Heights, Illinois has been trying to collect child support for 13 years. She is owed $135,000 in back child support. She wrote "the government does nothing except complain about how different all the states are and don't cooperate with each other." Her ex-husband lives in Oregon with his third family while she and her children are forced to live with her mother. Although she works, her money goes to pay off lawyers' fees and bill collectors. Her mother has been supporting them and is now just about out of money herself.

Misty Lee of Fairfax County, Virginia said she "realizes she is just a statistic, but that absent parents shouldn't be permitted to keep dodging the system, accumulating thousands of dollars in back child support while they continue to live life for themselves and let the children go without". She further writes, "I keep hearing and seeing how Congress is cracking down on deadbeat parents, but I have yet to experience it first hand." She's read of license revocation, liens, new hire reporting, etcetera. Her ex-husband is a "job-hopper" who changes jobs everytime a wage assignment is applied. Her son is owed $13,000.

Occasionally, we will receive a letter from a second wife like Sharon Town of Cicero, New York. She couldn't understand why her new husband would move her out to South Carolina. She wrote us that he told her "South Carolina does not enforce child support laws and he wouldn't get caught because he lives in a different state." She felt it unfair his son and first wife had to go without. She asked us to help his son and not to let her husband get away with it.

Leslie Dykeman of Albany, New York is a mother who has high praise for the Massachusetts Department of Revenue. Because of our enforcement techniques, she receives regular child support for her teenage son. Leslie, in the true spirit of advocacy, was ecstatic when her home state reported in February they had yielded $3.5 million in child support due to new initiatives that included revocation of driver's licenses. The license threat alone brought in $2 million.

All the thousand of letters we receive have commonalities. The majority are interstate cases, involve single mothers struggling to stay off welfare, or mothers too frightened to leave the security of welfare. Most importantly, the majority of the letters describe the absent parent as having the ability to pay.

As Rita C. Oh of Kapolei, Hawaii relayed to us, "Once you are off ADC you can say good-bye to ever seeing any assistance in child support enforcement against delinquent out-of-state parents." Her son was seriously injured in 1982 at the age of 14, five days before Christmas, while helping his mother deliver her morning paper route.

There is a human being behind everyone of these letters, writing on behalf of their most precious children. These are not just statistics, as Misty Lee wrote. These are America's families who are desperately trying to survive and who are greatly in need of the money that this legislation will help collect. These are families who deserve to regain their dignity and self-esteem by holding the irresponsible parent accountable.

We receive many letters from grandparents asking for help for their grandchildren. One letter in particular exemplifies the urgency for strengthening our nation's child support enforcement system. Sarah E. Collins wrote us from Wellston, Ohio on January 13, 1996. She wrote on behalf of her cancer-stricken, 42 year old daughter who at the time of her letter had only 6 to 8 months to live. Mrs. Collins wanted her daughter to be able to die in peace, securing child support for her 15 year old daughter. In 1983, the father was ordered to pay support of $40.00 a week for two children, one of whom is of age now. He rarely paid and, as hard as Mrs. Collins' daughter tried, she could never collect the debt he owed to their children.

Mrs. Collins' next letter was dated February 26, 1996. Enclosed in the letter was a card. It read: "In Memory of Roxie Ann Leach". Her daughter had passed away on February 9, 1996. Mrs. Collins wrote that we failed her daughter and granddaughter. We did, all of us, by waiting too long to help the Roxie Leaches and their children. We cannot and should not wait another day to implement these child support provisions included in H.R. 4.

In closing, we commend your efforts and acknowledgement of the serious impact non-payment of child support has on families and your decision to do something to stop this widespread problem.

Chairman SHAW. Thank you.
Mr. Cohen.

STATEMENT OF JEFFREY COHEN, DIRECTOR, VERMONT OFFICE OF CHILD SUPPORT, WATERBURY, VERMONT

Mr. COHEN. Thank you, Mr. Chairman. I am testifying before the Subcommittee today as someone who has been involved in child support since 1980 as an attorney, as an administrator, and now as director of the Vermont Office of Child Support.

When I started with the program, nationally, only about 13 percent of the cases this country had in its child support program received any payments. I suppose the good news is that since 1980, that has increased to 18 percent. The bad news is that over 80 percent of the cases in our caseload have not paid a single cent in 1984 in child support. That is unbelievable.

There are some reasons for that, obviously. One of them is the tremendous increase in our caseload since that time. We have experienced a 350-percent increase in child support cases since 1980. We now have over 18 million cases in our caseload.

To make matters worse, it is not just the number of cases but also the nature of the cases. In 1980, about 18 percent of this Nation's kids were born out of wedlock. In 1994, if you went to the average maternity ward, 3 out of 10 of those babies would have been born to out-of-wedlock parents, and not just to out-of-wedlock mothers but out-of-wedlock fathers, and that is, I think, something that is often overlooked.

It is important now that we take steps to make our child support enforcement program tougher, and I am glad Congress is taking steps in this direction. I would just like to say that it needs to be comprehensive and it needs to be done quickly.

Most child support professionals I have spoken to strongly endorse the comprehensive approach that past legislation such as H.R. 4 included, and I hope the pending legislation will also embody most of those elements. The reason I think most people endorse them is because they come from best practices in the States that have already been trying them and it is now a matter of spreading those practices throughout the country.

Congress also needs to be very concerned about this, not just because of the billions of dollars in taxpayer money that is subsidizing these children that should be subsidized by their natural parents, but because of the interstate nature of the caseload. We have heard a couple of times that one-third of the cases, about 30 percent, involve two different States. I would not be surprised if the bulk of the complaints your office gets involve interstate cases.

We found in our State tools like driver's license suspension and work search requirements really do work. In our very first license suspension case, for example, a person who had not made payments for years showed up with $3,000 in cash, and even more important, has been in compliance ever since. With work search requirements for noncustodial parents, we have once again seen people beginning to make payments. Even if they have not gotten jobs, those who have been working under the table have suddenly found it more convenient to make payments than to look for a job.

The point is that these people, the 80 percent who are not making payments, have the money but lack the attitude. The point I would like to make is that legislation like this, as important as it is with the individual elements, is even more important for the message it sends. Parents need to take responsibility for their actions.

To make an analogy to DWI in this country, we have seen an 18-point drop in the number of deaths due to DWI-related fatalities since 1980. Tougher laws went into effect. There were DWI roadblocks, public awareness, "friends do not let friends drink," that sort of thing, and what it has done, it has changed people's attitudes.

This is what needs to be done in child support, so that people themselves are taking more responsibility for their offspring, and maybe better yet, take responsibility before they have children. We should measure success not just in terms of dollars collected or licenses suspended but in the number of people who are taking responsibility for their own children.

My last point is, I think it is very important that Congress act quickly. States need time to absorb all of this legislation. We have seen from past legislation in 1984 and 1988 that the States need time to implement it. Automated systems need to be built. People need to be trained. It takes, I would guess, 2 to 3 years for all of this to filter out into real results. So if we want to see results before the end of this century, I really hope Congress will take steps this session and pass comprehensive legislation.

I do thank you for your time and your willingness to take steps that will help millions of children get the child support that they deserve and need.

Thank you.

[The prepared statement follows:]

TESTIMONY OF JEFFREY COHEN

DIRECTOR, VERMONT OFFICE OF CHILD SUPPORT

HOUSE WAYS AND MEANS COMMITTEE

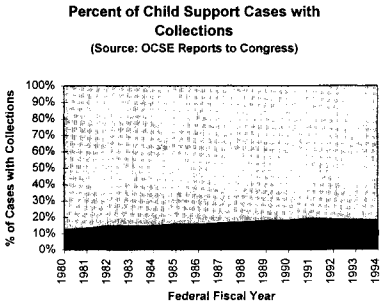
SUBCOMMITTEE ON HUMAN RESOURCES

MAY 23, 1996

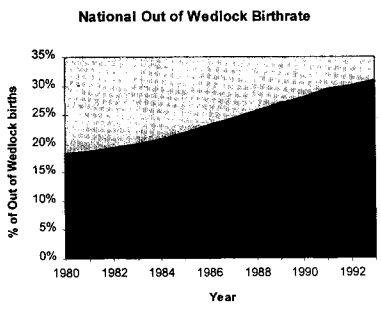
Thank you for the opportunity to comment on child support legislation now pending in Congress. I offer my comments as a practitioner who has been involved in child support enforcement for over 16 years as an attorney, administrator, and as Director of the Vermont Office of Child Support.

Background

Since the inception of the child support program under Title IV-D of the Social Security Act, there has been a slow but steady improvement in parental responsibility, at least measured in terms of the percentage of cases making some payments. The good news is that the percentage of child support cases with collections increased from around 13% of the cases in 1980 to 18% of the cases in 1994. Of course, the bad news is that over 80% of child support cases received no payments at all. This means that in 1994, over 15 million non-custodial parents failed to contribute a single cent toward formal child support contributions.



During the same 16 year period, the number of child support cases served by the program increased over 350% to over 18,000,000 million cases in 1994. To make matters worse, the national out-of-wedlock birthrate during this period increased drastically. When I started in 1980 about 18.4% of all children in this country were born out of wedlock. Now, almost 1/3 of the babies in the average maternity ward are born to unwed parents. This of course makes the job of providing child support even more difficult.



I am very glad to see that Congress is taking steps to improve the lives of millions of children in this country by adopting innovative, and long overdue, child support legislation.

I would like to make 2 points:

1. Comprehensive child support legislation needs to be passed and,

2. It should be done soon.

Why pass Comprehensive Child Support Legislation?

The legislative proposals now before Congress contain many provisions for improving the child support situation. Every child support professional I have spoken with supports the overall package of child support legislation. After all, the bulk of the legislative proposals is based upon proven and effective best practices already in place in a number of states. Aside from the fact that billions of federal and state taxpayer dollars are spent to provide for the basic needs of children in cases where their parents should be contributing, the interstate nature of the child support problem makes it an issue that is national in scope. Approximately 30% of all child support cases involve parents in different jurisdictions. I would not be surprised if the majority of the child support complaints and calls that you and your staff receive involve interstate cases.

I know from first hand experience that remedies such as license suspension and work search requirements for non-custodial parents are effective. In our state, parents who ignored court orders for years suddenly found ways to pay thousands of dollars when faced with the loss of drivers licenses or work search requirements.

The mere fact that our drivers license suspension law was about to go in the books prompted a number of parents to begin to make payments. This suggests that the ability to contribute is there but what is missing is sufficient attitude of responsibility. Perhaps more important than the impact in the individual cases, laws such as these send a clear message about parental responsibility: Society will not tolerate parents who neglect their children.

The most important thing about this legislation is not just the impact it will have in the individual cases, but rather the potential for changing attitudes. Those of us who are concerned about this country's child support problem can learn something from the national success in reducing the DWI fatality rate which has dropped over 18 percentage points between 1980 and 1994. Increased penalties for driving while intoxicated, stepped up law enforcement, and emphasis on public awareness, have changed people's attitudes toward drinking and driving. People now act more responsible when it comes to drinking and driving. Improved child support laws will prompt parents to act more responsibly when it comes to their children. Ultimately this country's child support effort will be successful, not because of the number of licenses suspended or dollars collected, but rather because people will take their obligations as parents more seriously. Better yet, people will consider the implications of parenthood before having children.

Why Should Congress Act Soon?

Comprehensive child support legislation should be enacted as quickly as possible for a number of reasons.

First, state legislatures with the best of intentions will need time to absorb the federal legislation and enact legislation on the state level. Since most state legislatures

convene in January, it is important that they have time prior to the session to study the issues and introduce legislation.

From another practical standpoint, experience with the Child Support Amendments of 1984 and the Family Support Act of 1988 shows how long it takes to properly implement legislation. State laws need to be changed, regulations adopted, automated systems programmed, court and child support personnel need to be trained on new procedures, and processes need to be worked out with employers, in-state agencies, out-of-state agencies, and a variety of contractors at the state and county level. In the past, it has taken at least 2-3 years before federal legislation has been adequately implemented. Without immediate attention to this problem, we will not see real results before the end of the century.

For the above reasons I hope Congress will take advantage of the present opportunity and quickly adopt comprehensive legislation for the benefit of the millions of children who are not receiving the support to which they are entitled.

Chairman SHAW. Thank you, Mr. Cohen.

Dr. Horn, if you could move the mail bag and get the microphone over, we can proceed.

Ms. BROTCHIE. We are keeping the Postal Service in business.

Chairman SHAW. I thought we had heavy mail.

Dr. Horn.

STATEMENT OF WADE F. HORN, PH.D., DIRECTOR, NATIONAL FATHERHOOD INITIATIVE, GAITHERSBURG, MARYLAND

Mr. HORN. Thank you, Mr. Chairman. My name is Wade Horn. I am a child psychologist and director of the National Fatherhood Initiative, an organization whose mission is to restore responsible fatherhood as a national priority. Formerly, I served as the commissioner for Children, Youth and Families and chief of the Children's Bureau in the U.S. Department of Health and Human Services, and I was a Presidential appointee to the National Commission on Children. I just recently finished up tenure on the National Commission on Childhood Disability, so I found the previous panel of some interest, as well.

I appear here to testify in strong support of the Personal Responsibility and Work Opportunity Act of 1996. In the past, fathers have been the forgotten figure when it comes to welfare. Yet, the empirical evidence is now incontrovertible. Children growing up without an involved and committed father are at significantly greater risk for a host of developmental problems, including school failure, juvenile delinquency, teenage pregnancy, drug and alcohol abuse, and suicide. The implication is clear. If we are ever to improve the well-being of children, we will have to address the growing problem of fatherlessness in America.

Unfortunately, many public policy experts and political leaders believe that making welfare father friendly means simply to enhance efforts to establish paternity and enforce child support orders. Certainly, paternity establishment and child support enforcement are important public policy endeavors. Any man who is capable of providing financially for his children and yet does not is not fulfilling his responsibility as a father.

But good fathers are also engaged in their children's lives as nurturers, as disciplinarians, as teachers, and as moral instructors. If we want men to take on these important tasks, we must give them a more compelling message about fatherhood than simply the image of getting tough on deadbeat dads.

This is what makes H.R. 4 so noteworthy. For the first time, child support enforcement has been coupled with a serious attempt to get and keep fathers involved in the lives of their children. It does this in two ways.

First and most importantly, the act adds to the purpose of welfare the goal of encouraging the formation and maintenance of two-parent families. Statistics show that 80 percent of women who have a child before finishing high school are living in poverty, compared to only about 8 percent of women who finish school, marry, and have a baby after the age of 20. Yet, present social welfare policies work against the creation and stability of two-parent families. For example, current Federal AFDC rules prevent a family from receiving full benefits if the father is in the home and does not have a

sufficient employment record or works for more than 100 hours a month.

By combining the encouragement of two-parent family formation as a fundamental purpose of welfare with the devolution of responsibility for welfare to the States, H.R. 4 empowers States to think creatively about how to restructure welfare to encourage and not punish marriage and responsible fatherhood. The States should, at a minimum, seize on this opportunity by allowing substantially higher earnings and asset disregards for low-income married couples than for single-parent households and by relaxing current restrictions on the eligibility of two-parent families for welfare benefits.

The second way the Personal Responsibility and Work Opportunity Act helps to get and keep fathers involved in the lives of their kids is by establishing a $10 million annual entitlement spending program to support and facilitate noncustodial parents' access to and visitation of their children. In approximately 85 percent of the cases, the noncustodial parent will be the father.

What this section of the act recognizes is that in order for children to thrive, they need not only the financial support of their fathers but their emotional and psychological support, as well. By establishing spending for access and visitation programs for noncustodial parents as an entitlement, fathers will be sent the message that they are not simply money machines when it comes to their kids. The end result is likely to be greater compliance with child support payments, not because of legal threats but because the fathers know they are acting in the best interests of their children.

I want to thank you for the opportunity to provide this testimony. I offer my very strong support to H.R. 4.

[The prepared statement follows:]

STATEMENT OF WADE F. HORN, PH.D.
DIRECTOR
NATIONAL FATHERHOOD INITIATIVE

My name is Wade F. Horn, Ph.D. I am a child psychologist and the Director of the National Fatherhood Initiative, an organization whose mission is to restore responsible fatherhood as a national priority. Formerly, I served as Commissioner for Children, Youth and Families within the U.S. Department of Health and Human Services, and was a presidential appointee to the National Commission on Children. Perhaps most importantly, I am the father of two young daughters. I appear here today to testify in strong support of the Personal Responsibility and Work Opportunity Act of 1996.

In the past, fathers have been the forgotten figure when it comes to welfare. Yet the empirical evidence is now incontrovertible: children growing up without an involved and committed father are at significantly greater risk for a host of developmental problems, including school failure, juvenile delinquency, teenage pregnancies, drug and alcohol abuse, and suicide. The implication is clear: if we are ever to improve the well-being of children, we will have to address the growing problem of fatherlessness in America.

Unfortunately, many public policy experts and political leaders believe that making welfare "father friendly" is to enhance efforts to establish paternity and enforce child support orders. Certainly paternity establishment and child support enforcement are important public policy endeavors. Any man who is capable of providing financially for his children, yet does not, is not fulfilling his responsibility as a father. But ***good*** fathers are also engaged in their children's lives as nurturers, disciplinarians, teachers, and moral instructors. If we want men to take on these important tasks, we must give them a more compelling message about fatherhood than the image of getting tough on "deadbeat dads."

This is what makes the Personal Responsibility and Work Opportunity Act so noteworthy. For the first time, child support enforcement has been coupled with a serious attempt to get and keep fathers involved in the lives of their children. The Act does this in two ways.

First, and most importantly, the Act adds to the purpose of welfare the goal of encouraging the formation and maintenance of two-parent families. Statistics show that 80 percent of women who have a child before finishing high school are living in poverty, compared to only 8 percent of women who finish school, marry, and have a baby after the age of 20[1]. The link between avoiding welfare dependency, finishing high school and having children within the context of the two-parent family is now irrefutable. Yet, present social welfare policies work against the creation and stability of two-parent families.

The antipathy of the welfare system to two-parent families and fathers dates back to the "man in the house" rules promulgated in the 1950's. At that time, there was increasing public sentiment that fathers who could not find work and whose families would otherwise go on ordinary relief, might do better by appearing to abandon their family so that their wives and children could get on AFDC (then called Aid to Dependent Children or ADC) with its better standards for relief. Consequently, in 1950 the ADC legislation was amended by the Notice to Law Enforcement Officials (NOLEO), requiring that public-assistance workers get information from mothers about deserting fathers and give this to the district attorney, who might seek financial support from the father by legal means. This quickly led to unannounced inspections of the home, even "midnight raids," to reassure officials that the mothers were, in fact, deserted and that no man was around the house.

Beginning in the 1960s, there have been attempts to extend the AFDC program to include situations in which both parents live in the home. But today only about 10 percent of all families receiving AFDC have both a mother and a father in the home. This is because welfare rules continue to discourage, rather than encourage, family formation and the presence of a father in the home. For example, current federal AFDC rules prevent a family from receiving full benefits if the father is in the home and does not have a sufficient employment record or works more than 100 hours a month.

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[1] William Galston, "Beyond the Murphy Brown Debate: Ideas for Family Policy," remarks given at the Family Policy Symposium sponsored by the Institute for American Values, New York, NY, December 10, 1993.

By adding the encouragement of two-parent family formation as a fundamental purpose of welfare and devolving responsibility for welfare to the states, the Act empowers states to think creatively about how to use welfare block grant monies to encourage, and not punish, marriage. States could, at a minimum, seize on this opportunity by allowing substantially higher earnings and asset disregards for low-income, married couples than for single-parent households, and by relaxing current restrictions on the eligibility of two-parent families for welfare benefits.

The second way the Personal Responsibility and Work Opportunity Act helps to get and keep fathers involved in the lives of their children is by establishing $10 million in annual entitlement spending for programs to support and facilitate noncustodial parents' access to and visitation of their children. In approximately 85 percent of cases, the non-custodial parent will be the father. What this section of the Act recognizes is that in order to thrive children need not only the financial support of their fathers, but their emotional and psychological support as well. By establishing spending for access and visitation programs for non-custodial parents as an entitlement, fathers will be sent the message that they are not just "money machines" when it comes to their kids. The end result of aggressively keeping non-custodial fathers involved with their children is likely to be greater compliance with child support payments, not because of legal threats, but because the fathers know they are acting in the best interest of their child.

I believe that the Personal Responsibility and Work Opportunity Act represents an important advance in the establishment of responsible and involved fatherhood as an important public priority. For this reason, the Personal Responsibility and Work Opportunity Act has my strong support.

I thank you for the opportunity to provide you with this testimony in support of this important legislation, and would be pleased to answer any questions you might have concerning my testimony.

Chairman SHAW. Thank you, Dr. Horn.

Mr. McCrery.

Mr. MCCRERY. I want to thank the panel for your testimony. You certainly seem to bolster the concerns that we have expressed in writing the legislation. We are trying to address many of the areas which you have pointed out here today.

Dr. Horn, let me ask you to give us, if you can, any specific actions you think State governments can take, if we devolve it to the States, to promote the stability of father-child relationships where there is a nonmarital birth. Do you understand what I am asking?

Mr. HORN. Yes.

Mr. MCCRERY. Have you given this any thought and can you give us some suggestions?

Mr. HORN. I think the best model program in this regard, the Institute for Responsible Fatherhood in Cleveland, Ohio, is run by a fellow by the name of Charles Ballard. What he does is start with the premise that the first step in effectively working with unwed fathers, and in his case, inner-city and mostly minority fathers, is connecting the child with the father and the father with the child.

His work begins by getting the father to hold the baby and to bond emotionally with the child. From that, he finds the motivation flows to do three things: One, to claim the child as his own, and second, to provide financially for the child, and finally, to stay involved in the child's life emotionally.

It seems to me that we spend a lot of time in this country going after paternity establishment and child support enforcement as the first step in the process. If, in fact, we invert the process and make the first step getting unwed fathers emotionally connected to their children, from that will flow the motivation to want to care for their children.

I am not suggesting that in the end we should not also have strong child support enforcement provisions. I think this bill has some very good enforcement provisions in it, and they have my very strong support. As I said, any father who does not take care of his child financially ultimately has to pay some consequences for it. But it seems to me if we are talking about unwed fathers, one of the things we need to do is rethink whether or not the first step ought to be paternity establishment and child support enforcement or whether the first step ought to be getting the father connected with his child.

Ms. SMITH. Could I comment on that 1 minute?

Mr. MCCRERY. Sure.

Ms. SMITH. We found that that actually is quite true in the implementation of our in-hospital paternity program. We really decoupled it from child support. The child support agency is not the one that is responsible for working with the parents in the hospital. It is done through the medical records clerk and then there is a very easy process for people to follow up with the city or town clerk if the mother's stay in the hospital is too brief.

Only after about 2 years in operation, about 70 percent of the parents are signing in the hospital. We think it is because it is being viewed apart from child support and apart from a more punitive enforcement system. We think there is a great deal of merit to what Dr. Horn is saying.

Mr. MCCRERY. Thank you.

Mr. Cohen, in your written testimony, you note that over 80 percent of child support cases result in no payment. Have you looked at our welfare bill, and if so, do you think there is anything in our welfare bill that will help to change the attitudes toward not paying child support and thereby increase the rate of child support payments?

Mr. COHEN. I am assuming that within the welfare bill are all the child support enforcement provisions.

Mr. MCCRERY. Yes.

Mr. COHEN. Yes. I think overall, all of those things really cannot hurt. They are all a help, not only for the individual impact but also the message that it sends. I know in our State, we have a waiver. One of the things we are doing is we are passing along the child support payment directly to the family, not in the form of a welfare check but a child support check, so that, once again, there is more of a connection between the noncustodial parent and their children. That is maybe something that should be considered, as well.

Mr. MCCRERY. Thank you, Mr. Chairman.

Chairman SHAW. Thank you, Mr. McCrery.

Ms. Brotchie, you have been very active for some time in this and I know you appeared at a news conference with some of us trying to push the child support provisions in the welfare reform bill. Is there anything you can think of that we did not go after that we should go after, realizing that what we are trying to do is to assist the States in the collection of child support payments?

Ms. BROTCHIE. I think overall you have done an awesome job with the provisions, and these provisions that are included in H.R. 4 are long overdue. One of the things I would like to see done, at least in Massachusetts and, I am sure, across the country, is administrative process, giving States the ability to process a lot of these cases administratively within the child support agency so as not to clog up the courts, and so forth, with simple matters, certainly not complex matters, but uncontested matters, which I think will save time for not only the parents but also the clerks, judges, and so forth, in the court system.

Chairman SHAW. I would like for you to comment on what Dr. Horn was talking about as far as getting the father involved with the child, emotionally as well as physically.

Ms. BROTCHIE. I can tell you that, from firsthand experience, I grew up in a very stable home with a dad who would have went without anything before he saw any of his six children go without. He was there for us financially and emotionally. He did not make a whole lot of money, but we had more fun just walking down the street and doing things.

I think what Dr. Horn said was very, very—has a lot of merit, because having the type of dad I had, that is my one regret, that my daughter, who is 14 years old, was not as fortunate as I or my five brothers. However, the one thing that we have to do before this can become a reality is we have to find the majority of these fathers first. My own daughter's father lives right in Massachusetts and she has not seen him in 5 years. That is his choice, not ours, and he only lives maybe 40 miles away. He has to drive right by

our exit to get to where his boat is docked every weekend. She loves her dad. It is her father.

So I think that, yes, getting fathers involved, it is a wonderful idea. Everybody should be as fortunate as I was, to have a dad like I did. But the reality is, the majority of these cases are interstate cases where the absent parent is normally the father who flees the State. He is not fleeing because he loves his children and wants to spend Saturdays and Sundays with them. So we have to find them first. So much emphasis must be put on interstate. Perhaps once they start paying, then they will become involved in their children's lives, hopefully. That would be ideal.

Chairman SHAW. Thank you.

Ms. Smith, I was handed a graph which paints a wonderful picture of the success that you are having in Massachusetts. It certainly proves that welfare reform does work. Dr. Haskins, who is sitting behind me, the staff director, he just said, "Just think. We could make this same thing happen for the entire country." That, I think, is the promise of welfare reform.

I was just advised that the President has just given a speech in which he said that he could sign the Republican bill if there are no poison pills attached. I wait now for the followup, but I think that certainly is—I do not know if his handlers know about this, but it is certainly good news if when he wakes up tomorrow he could give the same speech. That would be very helpful.

By the way, how is your Governor?

Ms. SMITH. He has recovered fully. I think it really was——

Chairman SHAW. I was shocked to see those pictures on television. He is such a wonderful guy and he has just been so helpful.

Ms. SMITH. He is, and he recovered with his sense of humor in tact, so they think he is fine.

Chairman SHAW. He has certainly been a great help to us on welfare reform and please convey to him we wish him well.

Ms. SMITH. I will. Thank you.

Chairman SHAW. Thank you all for being with us this afternoon.

We will proceed now to the last panel. The next panel is made up of Jane Ross, who is the Director of Income Security Issues, U.S. General Accounting Office in Washington, DC; Michael Fix, the director of the Immigrant Policy Program, the Urban Institute, Washington, DC; and Angelo Doti, the director of Financial Assistance, Orange County Social Services Agency, Santa Anna, California.

I want to thank all of you for waiting so long, and particularly Angelo Doti, who I understand had to make new flight arrangements in order to get home this afternoon. We certainly appreciate all of you staying with us here this afternoon.

Ms. Ross.

STATEMENT OF JANE L. ROSS, DIRECTOR, INCOME SECURITY ISSUES, HEALTH, EDUCATION, AND HUMAN SERVICES DIVISION, U.S. GENERAL ACCOUNTING OFFICE

Ms. ROSS. Mr. Shaw and Mr. McCrery, you asked me to talk about the rapid growth in the number of noncitizens receiving Supplemental Security Income. I would like to focus on three issues in particular: The growth and the characteristics of the noncitizen SSI

caseload, something about the aged noncitizens and how financial support from their families affects SSI benefits, and disabled noncitizens and the potential for translator fraud.

In 1995, nearly 800,000 noncitizens were receiving SSI benefits. These Federal and State benefits to noncitizens totaled nearly $4 billion. The number of all SSI recipients has grown dramatically since the mideighties and some of the factors contributing to this growth would apply to both noncitizens and citizens alike. Such factors as program outreach and some expansion of the disability provisions, as well as limited efforts to conduct continuing disability reviews, affect both the citizens and noncitizens.

Still, the number of noncitizens is growing faster than that of citizens and some contributing factors apply primarily to these noncitizens, in particular, the growth in immigration, provisions relating to financial sponsorship and deeming, and the potential for fraud involving middlemen who provide translation and other services to applicants. The latter two of these, I will discuss in just 1 minute. But looking ahead to the projections that SSA has, they are projecting that by the year 2000, nearly 1 million noncitizens will receive about $5 billion in SSI benefits.

Noncitizens are only 12 percent of the SSI caseload but they are somewhat more likely to receive SSI than our citizens. Roughly 3 percent of noncitizens receive SSI, compared to about 1.8 percent of citizens. One reason that may be true is that noncitizens typically have a more limited U.S. work history than lifelong residents. Therefore, they have smaller Social Security benefits and this, in turn, allows them to qualify for and receive SSI.

But I want to move quickly from these general characteristics to discuss the recipients who are age 65 and over. In December 1995 noncitizens were nearly one-third of aged SSI cases. The reasons for noncitizens representing such a large part of the aged SSI caseload results at least in part from the way in which sponsorship and deeming rules work.

As you know, some legal immigrants are admitted to the country under the financial sponsorship of a U.S. resident. Sponsors sign an affidavit of support assuring the U.S. Government that the immigrant will not become a public charge. They further state they are willing and able to provide financial assistance for this immigrant for 3 years.

SSI's deeming provisions attempt to reinforce immigration policy. In determining financial eligibility and benefit levels, SSA deems a portion of a sponsor's income and resources to be available to the immigrant. This provision applies regardless of whether a sponsor is actually providing financial support or not.

When we look at the characteristics of aged SSI recipients, they raise questions about whether immigration policies have been effective in ensuring that immigrants will be self-sufficient. Some data suggests that many immigrants apply for SSI or other welfare benefits shortly after the deeming period is over. Specifically, about 25 percent of immigrants receiving SSI applied for benefits within 1 year after the deeming period expired. Also, some sponsors refuse to support the immigrants they sponsor, especially after the affidavits of support expire. When aged immigrants come to the United

States with few personal resources and are already too old to work, we should examine carefully how we think they will be supported.

Turning from the aged to the disabled recipients, as you know, the overall SSI disabled caseload for both citizens and noncitizens has been growing rapidly in recent years, although again, the noncitizen portion is growing more rapidly. Beyond the factors that would contribute to growth for both citizens and noncitizens, translator fraud may contribute to disabled caseload growth and this is especially true among noncitizen cases.

Some non-English-speaking applicants have obtained SSI benefits illegally with the help of translators. For example, a Washington State translator arrested for fraud had helped at least 240 immigrants obtain SSI benefits by coaching them on which medical symptoms to claim and by providing false information on their medical conditions and family histories.

The Congress, SSA, and several States have initiated efforts to prevent or detect fraudulent SSI claims involving translators, but in addition to the things that have already occurred, we have recommended SSA adopt a much more comprehensive policy which would include requiring the use of its own bilingual staff or contractors to conduct these interviews rather than allowing people to bring their own translators.

Let me summarize. Noncitizens are one of the fastest growing groups of SSI recipients. Two aspects of this growth are particularly worrisome. First, adult children of aged immigrants say they are willing to financially support their aged relatives, but sometimes they do not. Eventually, some of these aged immigrants receive SSI.

Second, there is some translator fraud which occurs among noncitizens who do not speak English. We do not know precisely how much of this occurs, but we believe it can be reduced.

Mr. Chairman, that concludes my statement. I will be happy to answer questions.

[The prepared statement follows:]

STATEMENT OF JANE L. ROSS, DIRECTOR
HEALTH, EDUCATION, AND HUMAN SERVICES DIVISION
U.S. GENERAL ACCOUNTING OFFICE

Mr. Chairman and Members of the Subcommittee:

Thank you for inviting me to speak about the rapid growth in the number of noncitizens receiving Supplemental Security Income (SSI) benefits. As you are aware, the SSI program provides means-tested income support payments to eligible aged, blind, or disabled persons. In 1995, over 6.5 million SSI recipients received nearly $25 billion in federal benefits and over $3 billion in state benefits.

Noncitizens, who include legal immigrants and refugees, accounted for nearly 25 percent of SSI's caseload growth from 1986 through 1993. In December 1995, almost 800,000 noncitizens were receiving SSI benefits, accounting for about 12 percent of all SSI recipients. In 1995, federal and state SSI benefits to noncitizens totaled nearly $4 billion.

Today, I would like to focus on three issues: the overall growth in noncitizen SSI caseloads and some of the reasons for it; aged noncitizen recipients and how financial support from their families affects their SSI benefits; and disabled noncitizens and the potential for translator fraud, and actions the Social Security Administration (SSA) can take to reduce such fraud. My remarks are based on two reports we issued last year relating to immigrants and SSI,[1] and on updated SSA data.

In summary, we found that noncitizens are one of the fastest growing groups of SSI recipients. They represent nearly 33 percent of aged SSI recipients and about 6 percent of disabled recipients. While the growth rate for noncitizen caseloads has slowed somewhat, it is still higher than that for citizens, and the proportion of noncitizens relative to other SSI recipients continues to grow. About two-thirds of noncitizen SSI recipients, roughly 520,000, live in three states--California, New York, and Florida. On the whole, noncitizens are somewhat more likely to receive SSI than are citizens, but this may be primarily true for refugees and asylees. Moreover, the 1980s saw significant growth in immigration. Adult children of aged immigrants and others who say they are willing to financially support them sometimes do not. Eventually, some of these aged immigrants receive SSI. Also, some translators have assisted noncitizens in fraudulently obtaining SSI disability benefits.

BACKGROUND

The Congress established the SSI program in 1972 to replace federal grants to similar state-administered programs, which varied substantially in benefit levels and eligibility requirements. The Congress intended SSI as a supplement to the Social Security Old Age, Survivors, and Disability Insurance programs for those who had little or no Social Security coverage.

Federal SSI benefits are funded by general revenues and based on need, unlike Social Security benefits, which are funded by payroll taxes and, in effect, are based on the contributions of individuals and their employers. SSA has overall responsibility for the SSI program.

To be eligible for SSI, individuals must be 65 years old, blind, or disabled. To be considered disabled, adults must be unable to engage in any substantial gainful activity because of a physical or mental impairment expected to result in death or last at least 12 months. Individuals cannot have income greater than the maximum benefit level, which is about $5,600 per year in 1996, or own resources worth more than $2,000, subject to certain

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[1]Supplemental Security Income: Growth and Changes in Recipient Population Call for Reexamining Program (GAO/HEHS-95-137, July 7, 1995) and Supplemental Security Income: Disability Program Vulnerable to Applicant Fraud When Middlemen Are Used (GAO/HEHS-95-116, Aug. 31, 1995).

exclusions, such as a home. Individuals must also be U.S. citizens or immigrants lawfully admitted for permanent residence or noncitizens "permanently residing under color of law" (PRUCOL).[2]

In 1996, the maximum federal SSI benefit is $470 per month for an individual and $705 for a couple with both spouses eligible; these benefit rates are adjusted annually for cost-of-living increases. This monthly benefit is reduced on the basis of various factors: recipients' incomes; living arrangements, such as living with family; and other sources of support, including Social Security benefits. As a result of these adjustments, the average monthly federal benefit in 1995 was $334.

In addition to federal SSI benefits, states may provide supplemental benefits. In December 1995, nearly 40 percent of SSI recipients received an average of about $105 per month in state supplemental benefits at a total cost to the states of about $3.2 billion a year.

Most SSI recipients are generally eligible for Medicaid and food stamps, which can cost the government more than SSI benefits themselves. For 1994, annual Medicaid benefits averaged about $2,800 for the aged SSI recipients who received them and about $5,300 for blind and disabled SSI recipients, excluding long-term care costs. Including long-term care, Medicaid benefits averaged about $8,300 for the aged and $7,700 for the disabled. In September 1994, a one-person household eligible for both food stamps and SSI, with no other income, could receive nearly $1,000 per year in food stamp benefits, depending on the state.

SSI Provisions for Noncitizens and Related Immigration Policy

Immigrants are those with "lawful permanent resident" status. They include those who came here after obtaining an immigrant visa in their country of origin. They also include noncitizens already living here who have changed to this status. Since SSA data do not usually reflect changes in immigration status, we describe the status SSI recipients had when they applied for benefits.

In addition to immigrants, noncitizens on SSI include refugees and asylees as well as undocumented aliens legalized by the Immigration Reform and Control Act of 1986 (IRCA). Refugees and asylees are noncitizens who are unable or unwilling to return to their countries of nationality because of persecution or a well-founded fear of persecution. Refugees apply for their status from outside the United States, while asylees apply from within. Both are eligible for permanent resident status after 1 year of continuous presence in the United States.

Some legal immigrants are admitted to the country under the financial sponsorship of a U.S. resident. The Immigration and Nationality Act of 1952, as amended, provides for denying permanent resident status to noncitizens who are likely to become public charges. Noncitizens can demonstrate they will be self-sufficient in several ways, including having a financial sponsor. Sponsors sign an affidavit of support assuring the U.S. government that the immigrant will not become a public charge and in which they state they are willing and able to provide financial assistance to the

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[2]PRUCOL is not an immigration status, such as immigrant or refugee. Rather, it is an eligibility status defined in the enabling legislation for major federal assistance programs, including SSI. PRUCOL is more frequently a transitional status for noncitizens who are becoming permanent residents than for those whose deportation has been delayed, though it can be either. Initially, PRUCOL was interpreted to include primarily refugees and asylees. Court decisions have broadened it to include other categories of noncitizens. Nearly 75 percent of SSI recipients in the PRUCOL category are refugees or asylees.

immigrant for 3 years. However, several courts have ruled that these affidavits of support are not legally binding. Refugees and asylees do not need to demonstrate they will be self-sufficient to reside in the United States.

SSI's "deeming" provisions, which apply only to immigrants with financial sponsors, attempt to reinforce immigration policy. In determining financial eligibility and benefit levels, SSA deems a portion of a sponsor's income and resources to be available to the immigrant. This provision applies regardless of whether a sponsor is actually providing financial support. This provision currently applies for 5 years from the immigrant's entry into the United States.[3]

On May 2, 1996, the Senate passed an amended version of the Immigration Control and Financial Responsibility Act of 1996 (H.R. 2202), which the House of Representatives passed on March 21. The bill is still pending conference committee action. Both the House and Senate versions of the bill contain provisions to make the affidavits of support legally enforceable. They also contain provisions extending the deeming period. In addition, the bill makes some changes to eligibility requirements for noncitizens. It also provides that any noncitizen who receives more than 12 months' worth of federal, state, or local needs-based benefits within 5 years of becoming a lawful permanent resident (with several exceptions) would be considered deportable as a "public charge."

OVERVIEW OF NONCITIZEN SSI RECIPIENTS

From 1986 through 1994, the number of aged or disabled noncitizen SSI recipients grew an average of 15 percent annually. In 1986, noncitizens constituted about 6 percent of all SSI recipients; by 1994, their proportion had grown to nearly 12 percent. This year, 800,000 noncitizens will receive $3.6 billion in federal SSI benefits; SSA projects that nearly 1 million noncitizens will receive almost $5 billion in the year 2000. From a peak growth rate of 19 percent in 1991, growth in noncitizen cases has slowed substantially, with a rate of just 6.4 percent last year. However, this remains higher than the growth in all SSI cases, which was 3.5 percent last year. SSA projects that growth rates will remain in this lower range at least through the year 2000. Figure 1 gives past and projected numbers of noncitizens on SSI.

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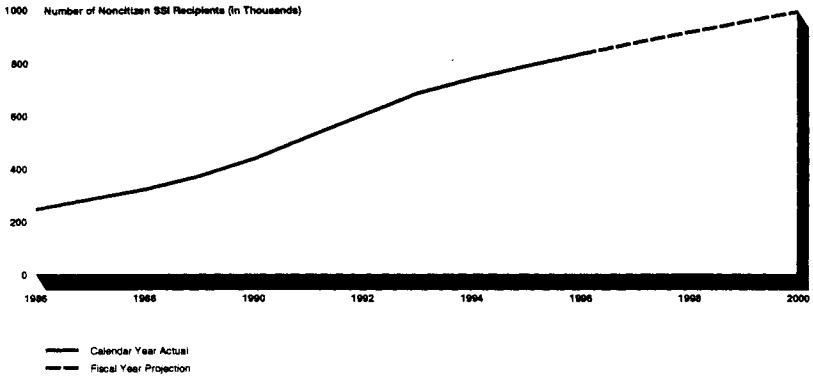
[3]The Congress temporarily extended SSI's deeming period from 3 to 5 years from January 1994 through September 1996. However, in the affidavits of support, sponsors only say they are willing to provide support for 3 years.

Figure 1: SSI Noncitizen Caseload Growth



Source: SSA.

Refugee and asylee cases are growing somewhat faster than immigrant cases, averaging 18 percent growth annually from 1986 through 1993 compared with 15 percent. Refugees and asylees constitute a larger share of SSI's disabled noncitizen population than SSI's aged population, 23 percent compared with 16 percent.

Factors Contributing to Caseload Growth

The number of all SSI recipients has grown dramatically since the mid-1980s, and some of the factors contributing to this growth apply to noncitizens and citizens alike. Such factors include program outreach, and, in the case of the disabled, eligibility expansion and limited efforts to review recipients' disability status or help them return to work. Still, the number of noncitizens is growing faster than that of citizens. From 1986 through 1993, the number of all SSI recipients grew at an average annual rate of 5 percent, compared with the 15 percent rate for noncitizens. In particular, growth among those aged 65 or over differs dramatically between citizens and noncitizens. While the number of aged noncitizens on SSI has grown dramatically, the number of aged citizens has actually declined.

Increased immigration has probably contributed to the growth in noncitizen SSI caseloads. The number of immigrants rose steadily in the 1980s, from about 500,000 per year early in the decade to 1.5 million in 1990, then fell to 900,000 in 1993. Altogether, the number of immigrants totaled more than 7.3 million in the 1980s. Roughly half of these immigrants did not need to demonstrate that they would be self-sufficient.

Noncitizens are more likely to receive SSI than citizens: roughly 3 percent of noncitizens receive SSI compared with 1.8 percent of citizens. One reason that may partially explain this is that noncitizens typically have more limited U.S. work histories than life-long residents do and therefore qualify for smaller Social Security benefits. This, in turn, may make noncitizens more likely to qualify for SSI.

Still, the likelihood of receiving SSI probably varies for different types of noncitizens. Refugees and asylees may be more

likely than citizens to receive benefits. They are not subject to sponsorship and deeming provisions and may qualify for benefits immediately after arriving here. Immigrants admitted through normal procedures may be no more likely or even less likely than citizens to be on SSI; data limitations make it difficult to say.[4]

About 46 percent of noncitizen recipients applied for SSI within 4 years of entering the United States. Roughly 5 percent of immigrants receiving SSI applied within a year of entry compared with 52 percent of the remaining noncitizens receiving SSI, such as refugees.

Noncitizen Beneficiary Profile

Fifty-one percent of noncitizens on SSI come from six countries--Mexico, the former Soviet Union, Cuba, Vietnam, the Philippines, and China. However, rates of growth vary substantially by country of origin. For example, among these six countries, annual caseload growth from 1986 through 1993 ranged from an average of 11 percent for Cuba to 33 percent for the former Soviet Union.

About 20 percent of noncitizens on SSI also qualify for Social Security benefits, compared with 40 percent of all SSI recipients. When looking at aged SSI recipients alone, the contrast is even greater. About 22 percent of aged noncitizens on SSI qualify for Social Security compared with over 60 percent of all aged recipients. Those noncitizens who do qualify for Social Security tend to get smaller Social Security benefits and larger SSI benefits compared with other SSI recipients.

About two-thirds of noncitizen SSI recipients live in three states--California, New York, and Florida. Average annual growth rates from 1986 through 1993 for the noncitizen caseload varied from 7 percent in Maine to 27 percent in New Mexico.

AGED RECIPIENTS AND AFFIDAVITS OF SUPPORT

Nearly 70 percent of noncitizens on SSI are at least 65 years old. Without the growth in noncitizen cases, SSI's aged population would have decreased 10 percent from 1986 through 1993; instead, it remained relatively level. The aged noncitizen caseload grew an average of 14 percent annually during this period, increasing from 9 percent of aged cases to 23 percent. In December 1995, noncitizens were nearly one-third of aged cases. In 1993, the average federal SSI monthly benefit was $304 for aged noncitizens compared with $188 for all aged recipients.

Nearly 60 percent of aged noncitizen SSI recipients have been in the country fewer than 5 years. This raises questions about whether immigration policies have been effective in ensuring that immigrants will be self-sufficient. SSI's deeming provisions apply only to immigrants with financial sponsors. About 25 percent of immigrants receiving SSI applied for benefits within a year after the deeming period expired. Furthermore, even some affluent sponsors refuse to support the immigrants they sponsor, especially after the affidavits of support expire, but we do not know how many.

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[4]Data limitations that prevent drawing firmer conclusions include the following: (1) the general population data we examined estimated the noncitizens' status on the basis of country of origin rather than on their actual status and (2) SSI data about noncitizens reflect their status when they applied for benefits, not when they entered the United States. See Michael Fix and Jeffrey S. Passel, Immigration and Immigrants: Setting the Record Straight (Washington, D.C.: The Urban Institute, 1994), pp. 19-22, 34, and 63-67.

In considering changes to financial sponsorship or SSI deeming policies, it is worth noting that immigrants may respond by changing their behavior. For example, restricting benefit eligibility may prompt more immigrants to become citizens to retain their eligibility. Also, immigrants who lose eligibility for federal welfare programs may turn to state-funded public assistance programs, thus shifting costs to the states. For example, the Orange County, California, Social Services Agency reported a significant cost shift to its General Relief program as a result of the extension in the SSI deeming period from 3 to 5 years.

DISABLED RECIPIENTS AND TRANSLATOR FRAUD

While disabled recipients constitute a smaller share of noncitizen cases than aged recipients, their number is growing faster, averaging 19 percent growth annually from 1986 through 1993. Noncitizens increased from 3 percent of disabled cases to 5.5 percent during this period. Perhaps the most significant factor contributing to caseload growth for disabled citizens and noncitizens alike was changes in the criteria for qualifying as disabled. New and broader standards for mental impairments were implemented in the late 1980s. Since then, disabled cases with psychiatric diagnoses have accounted for a large share of the caseload growth. These changes to the mental impairment standards may have also contributed to growth in noncitizen caseloads involving mentally disabled adults; the proportion of cases with a psychiatric diagnosis is similar for both citizens and noncitizens.

Translator Fraud May Add to Disabled Noncitizen Caseload

Translator fraud may contribute to disabled caseload growth and occurs primarily in noncitizen cases. Some ineligible non-English-speaking applicants have obtained SSI benefits illegally with the help of translators. The actual number of people who have done so is unknown. A translator, also sometimes referred to as a "middleman," is a person or organization that provides translation and/or other services for a fee to help individuals apply for SSI.

For example, a Washington State translator arrested for fraud had helped at least 240 immigrants obtain $7 million in SSI benefits by coaching them on which medical symptoms to claim and by providing false information on their medical conditions and family histories. In California, at least 6,000 potentially fraudulent applications have been identified since July 1992. Of these 6,000 applications, about 30 percent represented SSI claims that were being paid.[5] Mistakes in accurately determining disability are costly. Given that the average time on disability is 11 years before recipients reach age 65, we estimated that a single ineligible SSI recipient can receive a total of about $113,000 from SSI, Medicaid, and the Food Stamp program.[6]

A combination of factors has contributed to SSI's vulnerability to fraud involving translators. First, SSA's management practices and shortage of bilingual staff have allowed applicants to use translators that they select. For example, applicants have been able to apply for benefits at the field office of their choice--SSA has not restricted applicants to offices in which SSA has staff who speak their language. In addition,

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[5]About 1,800 of the 6,000 applications represented cases that could have been subject to periodic reviews of a recipient's disability status. SSA had completed about 400 of these reviews as of June 1995.

[6]The actual total amount of $112,805 represents $50,688 from SSI, $55,396 from Medicaid, and $6,721 from food stamps. Some applicants ineligible for SSI could still be eligible for Medicaid, food stamps, or both.

applicants' medical histories often have lacked documentation. And finally, SSA has had limited monitoring of translators, limited funds for investigations, and a lack of coordination with state Medicaid agencies.

The Congress, SSA, and several states have begun efforts to prevent or detect fraudulent SSI claims involving translators. Federal legislation has made SSI fraud a felony and has given SSA access to information from the Immigration and Naturalization Service and the Centers for Disease Control and Prevention. SSA established a task force in April 1993 on translators that has suggested initiatives such as developing and managing a translator database. Also as a result of this task force, SSA's San Francisco regional office is periodically reviewing the disability status of possibly fraudulent cases involving translators.

In addition to these efforts, we have recommended that SSA implement a more comprehensive, programwide strategy for keeping ineligible applicants from ever being accepted on the SSI rolls.[7] SSA could require that its own bilingual staff or contractors conduct interviews with non-English-speaking applicants and explore the use of videoconferencing technology to maximize the use of SSA bilingual staff. SSA should also share among its field offices information it has already gathered about translators until its planned database is established. Furthermore, SSA should institute a mechanism to obtain regular access to investigative results from states with Medicaid fraud control units to help identify fraudulent claims associated with illegal translator activity.

OBSERVATIONS

Noncitizens are one of the fastest growing groups of SSI recipients; their number grew an average of 15 percent annually from 1986 through 1993. To some extent, this parallels the rapid growth in immigration in the 1980s as well as in SSI caseloads overall. Caseload growth for noncitizens has slowed substantially to just over 6 percent last year, and SSA projects that growth rates will remain in this more moderate range. Still, according to SSA, noncitizen SSI recipients are projected to number nearly 1 million and receive nearly $5 billion in federal benefit payments in the year 2000 compared with about 800,000 and $3.6 billion this year.

As a percentage of aged SSI recipients, noncitizens increased from 9 percent to nearly 33 percent from 1986 through 1995. Adult children of some aged immigrants say they are willing to financially support their relatives but sometimes do not. Eventually, some of these aged immigrants receive SSI. About 25 percent of immigrants receiving SSI applied for benefits within a year of the deeming period's expiration.

Regarding translator fraud, our work suggests that it occurs primarily in noncitizen cases. Although we do not know how often such fraud occurs, we believe it can be reduced with a more comprehensive, programwide strategy for keeping ineligible applicants from ever receiving benefits.

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This concludes my testimony. I would be happy to answer any questions.

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[7]GAO/HEHS-95-116, Aug. 31, 1995.

Chairman SHAW. Thank you.
Mr. Fix.

STATEMENT OF MICHAEL FIX, DIRECTOR, IMMIGRANT POLICY PROGRAM, URBAN INSTITUTE

Mr. FIX. Thank you, Mr. Chairman. My name is Michael Fix and I am an attorney and principal research associate with the Urban Institute here in Washington, DC. The Urban Institute is a private nonprofit, nonpartisan research organization. You have my written statement before you, so I will simply summarize some of the main points in it.

I want to begin by saying that despite some of the trends in benefits use that I am going to be describing, it remains a fact that the great majority of immigrants in this country are self-sufficient. Indeed, about 94 percent of immigrant individuals do not receive public welfare income. Further, the Urban Institutes' analysis of SIPP, the Survey of Income and Program Participation, reveals that immigrants and natives use public benefits at roughly the same rate—with the important single programmatic exception of the SSI aged program.

But to understand immigrant use of welfare in ways that are meaningful to policy, it is important to distinguish between immigrant groups on the basis of their time of arrival and their immigration status. When we do so, we see that welfare use among immigrants is concentrated among two populations.

The first is refugees who are, in many cases, fleeing persecution, who often suffer physical and mental impairments, and who have been made eligible by the Congress for benefits upon their arrival.

The second group in which welfare use is concentrated is elderly recently arrived immigrants, who, as we have just heard, receive SSI. They have not worked enough quarters in covered employment to qualify for Social Security. For them, SSI may represent a bridge to medical insurance and in particular to Medicaid. I should note, though, that elderly immigrants who have lived in the United States for 20 years or more use SSI at roughly the same rate as do natives.

Welfare use among working-age immigrants 18 to 65 who are not refugees is roughly the same as for natives, but it appears to have risen slightly since 1990. Finally, as a contextual matter, I would say that poor immigrants remain less likely than poor natives to use welfare benefits.

Let me turn briefly now to some of the policy concerns and recommendations that I set out in my testimony. First, because immigrants' use of welfare is concentrated within specific programs and specific subpopulations, policy responses should probably focus on those programs and those populations. They need not implicate all legal immigrants or all social welfare programs.

Second, it strikes me that increased benefits use on the part of immigrants, most notably SSI use on the part of the elderly, is best addressed by expanding deeming and making the current affidavit of support enforceable; reforms that are now proceeding within the context of immigration reform. We believe that expanding deeming is a better approach than barring the use of benefits because deeming is a more flexible tool. It is one that takes account of the actual

availability of resources to the immigrant and it is one we believe strikes a fair balance between government and family in supporting immigrants.

Further, as was also suggested, SSI data make clear that deeming does deter benefits use. Immigrants have very low levels of welfare use during the first 3 to 5 years they are in the country, when deeming is in effect.

Third, while it is reasonable to expect families to provide food, shelter, and income for a period of time after arrival, barring legal immigrants from all means tested public benefit programs goes far beyond this objective. In so doing, the proposals not only bar immigrants from handout programs like SSI, they also bar them from hand-up programs which promote integration, programs like job training, student loans, Medicaid, and Head Start.

Fourth, we are also concerned that some of the proposals before the Congress now may be overbroad with regard to the populations that are reached. That is, bars to benefits such as SSI and food stamps would not only extend to beneficiaries of the SSI aged program, they would also extend to beneficiaries of the SSI disability program, including disabled foreign-born children of noncitizens, children whose presence in the United States is not voluntary and whose condition often arose after entry.

Fifth, it strikes us that applying new restrictions to benefits prospectively, as the current House immigration bill does, rather than retroactively, is more equitable when it comes to individuals who find themselves without essential safety net services despite the fact they have paid taxes and played by the rules. Applying these restrictions prospectively might also be fairer to State and local governments that are now going to have to grapple with a host of new applications for State benefits from immigrants who are excluded from Federal programs.

In conclusion, whatever one might think of current immigration policy or levels, the fact remains that we as a nation have consented to the presence of a large newcomer population. Exiling this population from our social welfare system and from the mechanisms for integration that it provides, job training and the like, may not, in the final analysis, be in their or the Nation's long-run interest.

Thank you very much. I will be happy to answer any questions.

[The prepared statement and attachments follow:]

THE USE OF SSI AND OTHER WELFARE PROGRAMS BY IMMIGRANTS

Testimony before the U.S. House of Representatives
Committee on Ways and Means
May 23, 1996

MICHAEL FIX
URBAN INSTITUTE

Introduction

We would like to begin by summarizing several key points presented in this analysis:

1. Overall, immigrants use welfare at roughly the same rate as natives. However, immigrant use of welfare is concentrated among refugees and elderly immigrants.

2. High and rising immigrant use of Supplemental Security Income (SSI) benefits for the aged represent a significant public policy issue that calls for legislative attention.

3. Use of SSI among elderly immigrants is principally a substitute for receiving Social Security income and Medicare benefits.

4. Expanding deeming and making the affidavit of support enforceable represent the most flexible strategies for limiting immigrant use of public benefits, balancing the responsibility for support of needy immigrants between their families and the government.

5. Establishing the appropriate duration of deeming poses difficult policy problems:

   (A) Shorter deeming periods (e.g., five years) reflect current law, mirror the waiting period for naturalization, and do not exaggerate differences between the treatment of immigrants and natives by government.

   (B) Deeming to citizenship generates greater savings — depending on naturalization rates. But, it creates incentives to naturalize that respond to the availability of public benefits rather than allegiance to the country.

   (C) Deeming beyond citizenship (for life, or until the immigrant has worked 40 quarters in covered employment, e.g.) creates a pool of second-class citizens with full political rights, but limited economic rights.

6. Fraud in the SSI disability assistance program may be combatted by making trained, perhaps certified, interpreters available to state officials making eligibility determinations.

7. Analysis of rising immigrant receipt of SSI disability assistance indicates that the sources of increased use for immigrants are the same as those for natives. Thus, to the extent that fraud is not an issue, reform may be more effectively pursued within the area of disability policy than immigrant welfare policy.

General Patterns in Immigrant Welfare Use

The current proposals to restrict immigrant access to benefits, including SSI, are premised on the assumption that welfare use by immigrants is widespread, growing rapidly and concentrated among the undeserving. This assumption begs the question: Which immigrants use welfare and are their rates rising?[1]

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[1]We have addressed these issues elsewhere. See, especially, Michael Fix and Wendy Zimmermann, "When Should Immigrants Receive Public Benefits?" The Urban Institute, 1995; Michael Fix and Wendy Zimmermann, "Immigrant Families and Public Policy: A Deepening Divide," The Urban Institute, 1995; Michael Fix and Jeffrey S. Passel, *Immigration and Immigrants, Setting the Record Straight*, The Urban Institute, 1994.

Overall, immigrants use welfare at slightly higher rates than is the case for natives. According to the March 1994 Current Population Survey (CPS), 6.6 percent of the foreign-born use AFDC, SSI or General Assistance, compared to 4.9 percent of natives. But, to understand immigrant use of welfare, it is critical to disaggregate the immigrant population in several ways: by immigration status, by age, by time of entry to the U.S., and by income level.

In the first place, poverty and benefits use are far more heavily concentrated among immigrants who are *not* citizens than among immigrants who have naturalized. This owes in large part to the two groups' economic standing: 10 percent of naturalized citizens live in poverty versus 29 percent of non-citizen immigrants.[2]

Further, welfare use is concentrated among two groups of immigrants: elderly immigrants and refugees. Taken together, refugees and elderly immigrants make up 21 percent of immigrants, but account for 40 percent of all immigrant welfare users. *Elderly immigrants* represent 28 percent of the SSI recipients aged 65 and older but only 9 percent of the total elderly population.[3] *Refugees* are also significantly more likely to use welfare than the rest of the immigrant population (13.1 percent versus 5.8 percent). This higher rate of use owes to the fact that refugees are thought to be fleeing persecution, have fewer economic or family ties in the United States than other immigrants, and often suffer physical and mental impairments. As a consequence, the Congress has exempted refugees from the public charge provision of immigration law and made them eligible for benefits upon arrival. In fact, there is substantial overlap between elderly and refugee benefits use as refugees account for 27 percent of immigrants over 65 who receive public benefits.

Welfare use among *working-age immigrants (18–64) who did not enter as refugees* is about the same as for natives (5.1 versus 5.3 percent). However, welfare use within this population appears to have risen in recent years as four years earlier their rate fell below that of natives (2.5 versus 3.7 percent). This rise[4] may be attributable to the fact that the 2.6 million immigrants who legalized under IRCA have recently become eligible for benefits. Further, the immigrant population was especially hard-hit by the recession in the early 1990s, in part because such a large share lives in California. Another source of increased welfare use among working-age immigrants is rising immigrant receipt of SSI disability assistance (which we discuss below).

Looking beyond cash benefits, a 1995 Congressional Research Service study found that the foreign born are no more likely to use food stamps or Medicaid than the native born. In each instance, higher levels of use among non-citizens was offset by lower use by naturalized citizens.

While the current debate suggests that immigrants are inclined to welfare dependency, *immigrants who are poor* remain substantially less likely to use welfare than natives (16 percent versus 25 percent).

Growth in SSI Aged and SSI Disability Rates

The Social Security Administration recently reported that approximately 785,400 aliens received SSI benefits as of December 1995. This number was more than double the number receiving benefits six years earlier, and six times the number receiving SSI in 1982, the first year for which such records were kept. Between 1982 and 1993 the share of total SSI recipients who are immigrants rose from just over 3 percent to 11.5 percent. While this rate of growth in SSI use by immigrants is very high, one should not lose sight of the fact that SSI use overall is confined to only three percent of the foreign-born population (versus two percent of the native population). Four key indicators of SSI use by immigrants in 1993 are set out below:[5]

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[2]About 14 percent of the native-born population is in poverty (March 1994 CPS).

[3]Charles Scott and Elsa Ponce, "Aliens Who Receive SSI Payments," Office of Supplemental Security Income, 1994.

[4]Although this change in rate of welfare receipt for working-age (non-refugee) immigrants between the 1990 Census and 1994 CPS appears large, it is not statistically significant at conventional levels (95 percent confidence). Thus, the reasons described in the text must be considered speculative.

[5]From SSI 10-Percent Sample File (Scott and Ponce, supra note 2) and March 1994 Current Population Survey.

Percent of total SSI recipients who are aliens	11.5%
Percent of SSI elderly recipients who are aliens	28.2%
Percent of SSI blind and disabled recipients who are aliens	5.9%
Percent of foreign-born who receive SSI	3.3%[6]

Factors in SSI Growth. The comparatively heavy immigrant reliance on SSI owes to a number of factors. First, and perhaps most importantly, many elderly immigrants (particularly those who have arrived in the United States relatively recently) have not worked enough quarters in covered U.S. occupations to qualify for Social Security benefits. This is either because they have not been in the United States long enough or because they have worked for employers who have not paid Social Security taxes for them. Second, for many elderly immigrants SSI represents a bridge to Medicaid, and hence to affordable medical insurance, given their ineligibility for Medicare.

The substitution of SSI for Social Security among elderly immigrants manifests itself in several ways. Nearly 80 percent of alien recipients of SSI do not receive any Social Security income, compared with 57 percent of citizen SSI recipients. Length of residence in the United States is crucial because of the necessity of working long enough in covered employment to qualify for Social Security and Medicare benefits. For immigrants who have lived in the United States for at least 20 years, SSI use is only slightly higher than that of natives (8.7 percent versus 6.9 percent — see Table 1).[7] However, almost one-third of the 513,000 immigrants who arrived between 1970 and 1990, report receiving SSI income in 1990. The differential between those who have qualified for Social Security and those who have not is extraordinary — about 15 percent of post-1970 immigrants with Social Security income also report SSI income, whereas 39 percent of those with no Social Security income receive SSI.

Third, rising demand for SSI benefits among immigrants is, in part, a demographic phenomenon, reflecting the sharp growth in the immigrant population that has occurred over the past thirty years. Between 1982 and 1993 alone, legal immigration (including refugee admissions) almost doubled from 650,000 to 1.1 million per year. Accompanying this increased inflow has been dramatic growth in the number of elderly immigrants with relatively short durations of residence in the United States. Although the number of elderly immigrants has decreased slightly overall from 3.0 million in 1970 to 2.7 million in 1994, the number who have lived in the United States for less than 10 years doubled between 1970 and 1980 (from 93,000 to 175,000) and then doubled again to 350,000 in 1994. Indeed, if we focus on immigrants who have been in the U.S. 20 years or less, we see that this elderly immigrant population more than tripled between 1970 and 1994; the number actually increased by more than 30 percent between 1990 and 1994, alone.

Increased immigration over the last three decades will translate into even more elderly immigrants in the future as today's foreign-born residents age. The number of foreign-born residents aged 65 and over is projected to rise rapidly from 2.7 million in 1990 to more than 4.5 million in 2010.[8] Many of these, however, will have worked in the United States long enough to qualify for Social Security and Medicare coverage. However, the number of relatively short-duration elderly is likely to continue to increase as the large number of adult immigrants who are naturalizing today seek to reunite with their parents.

Research conducted by Frank Bean and his colleagues at the University of Texas documents that most of the rise in immigrant use of welfare between 1980 and 1990 is due to increasing numbers of immigrants, not an increasing propensity on the part of immigrants to use

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[6] Derived from Current Population Survey, March 1994. See, generally, "Native and Naturalized Citizens and Non-Citizens: An Analysis of Poverty Status, Welfare Benefits, and Other Factors," Congressional Research Service, February 1995.

[7] These figures and others following in the paragraph are derived from tabulations of the 1-percent Public Use Microdata Sample (PUMS) of the 1990 Census.

[8] John R. Pitkin and Patrick A. Simmons, "The Foreign-Born Population in 2010: A Prospective Analysis by Country of Birth, Age, and Duration in the U.S.," forthcoming *Journal of Housing Research*, volume 7, number 1, Fannie Mae, Washington, D.C.

welfare.[9] Over the decade, the rate of welfare use in households headed by Mexicans, Guatemalans, and Salvadorans actually decreased slightly, although it remained higher than that of native households. In households headed by immigrants from refugee-sending countries, the rate of welfare use rose slightly during the 1980–90 decade. It is the large expansion in the *number* of immigrants from these areas that fueled overall increases in immigrants' use of welfare. For the balance of the immigrant population (representing two-thirds of immigrants in 1990), the rate of welfare participation decreased during the decade, remaining below that of natives.

In addition to demographic factors, it stands to reason that increased use also owes to liberalized eligibility rules, as well as greater awareness of the program — achieved in part through greater outreach. But we are aware of no research that systematically documents the effects of these developments on SSI use patterns by immigrants.

While it is often assumed that Asian immigrants predominate among recipients of SSI benefits, in fact non-citizens from Mexico, the former Soviet Union, and Cuba supply the largest numbers, accounting for one-third of all immigrant SSI recipients. Chinese recipients of SSI — who have been the subject of so much controversy — represent roughly five percent of total beneficiaries nationwide,[10] a figure below their representation in the population of recent elderly immigrants.

Distinguishing SSI Aged and Disability Assistance. There are, in effect, two distinct categories of assistance under the SSI program: one that provides aid to the poor elderly; the other provides benefits to the blind and disabled who are poor.[11] Both have witnessed a steady rise in the number and share of immigrant recipients since 1982.

There are important differences in immigrant enrollment between the two programs, however. Although immigrant enrollment in the SSI disability program is currently rising at a faster rate than enrollment in the elderly program (22 percent versus 10 percent between 1993 and 1995), immigrants make up a far larger share of all recipients in the SSI elderly than in the disability program (28.2 versus 5.9 percent in 1993).

The rapid rise in disabled immigrants' use of SSI should be viewed within the context of extremely fast overall growth in the SSI disabled population. Lewin-VHI recently conducted an econometric analysis of growth in SSI disability awards. They report that SSI applications from non-citizens grew much more rapidly than those from citizens between 1988 and 1992 — at an average annual rate of 17.4 percent versus 9.8 percent for citizens.[12] However, the report's authors conclude that rapid growth in immigrant applications during this period was due to the same factors that are behind growth in applications from citizens. These include increased unemployment, more liberal eligibility rules introduced by the courts, the Congress and the Administration (particularly in the area of mental and pain-related impairments), and state efforts to shift beneficiaries from state programs such as General Assistance to federally financed programs. The authors attribute the faster growth rate among immigrants to the fact that the recession that occurred during the early 1990s had a larger impact on legal aliens than citizens.

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[9] Frank D. Bean, Jennifer V.W. Van Hook, Jennifer E. Glick, "County of Origin, Types of Public Assistance, and Patterns of Welfare Recipiency Among U.S. Immigrants and Natives," University of Texas at Austin, forthcoming in *Social Science Quarterly*.

[10] Data provided by the Social Security Administration.

[11] To qualify for SSI under the aged category, the applicant must be 65 years or older and meet income guidelines. The "blind" are "individuals with 20/200 vision or less with the use of a correcting lens in the person's better eye. . . Disabled individuals are those unable to engage in any substantial gainful activity by reason of a medically determined physical or mental impairment expected to result in death or that has lasted, or can be expected to last, for a continuous period of at least 12 months. . . Also a child under age 18 who has an impairment of comparable severity with that of an adult can be considered disabled." Comm. on Ways and Means, *Overview of Entitlement Programs, 1992 Green Book*, 102d Cong. 2d Sess. 1992 at 778.

[12] See Lewin-VHI Inc (1995). *Labor Market Conditions, Socioeconomic factors and the Growth of Applications and Awards for SSDI and SSI Disability Benefits (Final Report)*. Washington, D.C.: The Office of the Assistant Secretary for Planning and Evaluation and the Social Security Administration; Lewin-VHI, Inc. (1995). *Longer Term Factors Affecting Disability Program Applications and Awards (Draft Report)*. Washington, D.C.: The Office of the Assistant Secretary for Planning and Evaluation and the Social Security Administration.

The Policy Response

It strikes us that the issues raised by rising levels of SSI use on the part of immigrants are significant and suggest a number of possible legislative responses.

Guiding Principles. As we have indicated in earlier testimony before this committee, we believe that reform should be guided by five principles:

1. Promoting self sufficiency.
2. Promoting family and not government responsibility for immigrants' support.
3. Providing a safety net for immigrants and sponsors if they fall on hard times and require transitional assistance or when a disabling injury occurs or condition emerges.
4. Reducing administrative burdens and complexity.
5. Promoting immigrant integration — both by insuring that immigrants do not become welfare dependent and by ensuring that they have access to programs that promote human capital development.

Proposed legislation to curb immigrant use of public benefits has embodied a number of reforms. These include:

- a bar on immigrant benefits;
- expansion of the current deeming requirements;
- increased use of the deportation power for welfare dependent immigrants;
- mandating that immigrants obtain health and long term care insurance prior to entry.

General Concerns. While each of these strategies offers differing strengths and weaknesses, they raise a number of common concerns. Each redefines the membership of legal immigrants within the society, widening the gap between the mutual support obligations of immigrant and native families.

Further, each of these strategies needs to be viewed within a larger context of potential shifts in immigration policy that have been proposed by this Congress. In this regard, policy makers need to be attentive to the *cumulative* effects of changes in both social welfare (or immigrant) and admissions (or immigration) policy. We are concerned that immigrant families — which have been justly celebrated for their strength — will be forced to contend with the simultaneous loss of a wide range of public benefits, at the same time that the social capital (child care and the like) made available from siblings and parents will be put out of reach.

Finally, the intersection of benefits rules and immigration law has always been an extraordinarily complex area of program administration — one where complexity itself has made administration so difficult as to defeat Congressional objectives. We remain concerned that proposed changes will essentially generate three separate regimes of welfare eligibility — one for natives; one for current immigrants (those in the U.S. at the time of passage); and one for future immigrants.

Bars and Deeming

We believe that the sponsorship and deeming system has a powerful logic to it on which reform can profitably build. Under the public charge provision of the immigration laws, immigrants can be excluded from the United States if they appear likely to become welfare dependent. One way to overcome this exclusion is to have a sponsor (often a family member) with sufficient income or assets sign the affidavit of support. The sponsor's income is currently deemed to be available to the immigrant for the purpose of qualifying for three means-tested programs: AFDC, SSI and food stamps. These mechanisms allow the nation to admit immigrants who may be poor at the time of entry but have the potential to work and contribute to the economy. They also balance the responsibility for support of needy immigrants between their families and the government.

We believe that deeming is preferable to barring immigrant use of public benefits because it represents a more flexible policy instrument that can take into account the financial support that is actually available to the immigrant. This support can be suspended as a result of the sponsor's death, extended unemployment, or abandonment of the immigrant.

For deeming to work, though, the affidavit of support needs to be made enforceable between the immigrant, the sponsor, and the state. At the same time, deeming requirements should be waived when it can be demonstrated that the immigrant has been abandoned by the sponsor, which is currently not permitted by law. This strategy would provide immigrants with access to a safety net while at the same time allowing the state to recoup its costs from the sponsor. It should be borne in mind, though, that in most instances deeming will translate into effective disqualification of immigrants who apply for benefits.

The expanded application of sponsorship and deeming requirements raises a number of difficult design issues:

- How long should deeming and the affidavit of support last? Three years? Five years? To citizenship? Until the immigrant has worked 40 qualifying quarters? For life?
- Should expanded deeming requirements be applied to immigrants now in the U.S. or just to future immigrants?

Identifying the best "stopping point" for deeming and the affidavit of support is extremely difficult, as the members of this Committee know. Current legislation calls for three years of deeming for AFDC and food stamps and extends deeming for SSI to five years. The extension to five years for SSI will lapse in 1996 and will need to be reauthorized. This five-year deeming period has a number of virtues. One is transparency and consistency. Five years is the period during which an immigrant can be deported for becoming a public charge, the period that most immigrants must wait to apply for citizenship, and the length of time that legalizing immigrants under IRCA were barred from benefits use. Deeming for five years premises eligibility on sustained residence, a good indicator of integration.

Such a reform would, however, generate less savings than other strategies, and may not substantially diminish the high, sustained levels of SSI use on the part of the elderly immigrants. One response, then, could be to set citizenship as the stopping point for deeming. Deeming until citizenship within the SSI program, however, raises a number of concerns. Such a requirement would tend to penalize those immigrants who have the greatest needs — that is, those who would find it particularly difficult to pass the requisite naturalization tests. Deeming to citizenship also begs the question whether we want to make citizenship the gateway for public benefits, rather than a statement of allegiance to the nation. At the same time, though, the relative ease with which citizenship can be attained, the limited time period until it can be achieved (five to six years), and the fact that conditioning aid on citizenship has a firm basis in law,[13] may recommend this particular stopping point.

From a savings perspective, though, the Congress might want to move deeming beyond citizenship to the life of the immigrant or to some marker of economic contribution — say to 40 quarters of qualified employment. The serious problem this proposal presents is the creation for the first time of a pool of second-class citizens who would hold full political rights, but limited economic rights.

Proposals have also been advanced to strengthen the definition of a public charge and to enforce the deportation of those immigrants found to become a public charge within their first five years in the U.S. It should be noted that few immigrants use welfare during their initial years in the U.S. because of the effect of deeming requirements.

Mandating Health and Long Term Care Insurance

In addition to providing a cash payment to beneficiaries, SSI gives the poor elderly access to health care by making them eligible for Medicaid. Anecdotes suggest this is a prime motivating factor for many elderly immigrants' enrolling in the program. Proposed reforms would require sponsors to ensure that immigrants are covered by health and long-term care coverage. In many instances, though, relying on the private market to provide health and long-term care insurance

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[13] In the landmark case *Mathews v. Diaz*, the Supreme Court held that:

> The decision to share the nation's bounty with our guests may take into account the character of the relationship between the alien and this country. . .. Congress may decide that as the alien's tie grows stronger, so does his claim to an equal share of that munificence. 426 U.S. 67 (1976)

for elderly immigrants would prove to be prohibitively expensive. and make it impossible for citizens to unite with their parents. Indeed, our own analysis indicates that the Administration's estimates are correct: the average costs of obtaining health and long-term care coverage for older immigrants would be $7000 to $13,000 annually.[14] Further, some private insurers would be unlikely to offer health insurance to elderly immigrants at any price.

One intermediate solution might be to make it easier for recently-arrived elderly immigrants to buy into Medicare Part A at the full actuarial value.[15] (Medicare Part A is essentially hospital insurance that helps pay for inpatient hospital care, skilled care in a nursing facility, home health care and hospice care.) But even this proposal would be quite expensive for the immigrant or the sponsor, costing approximately $360 per month.

Congress might also consider making Medicare Part B available to such recently-arrived immigrants — again at the full actuarial value: which is roughly four times the discounted price at which it is made available to citizens. Part B Medical Insurance helps pay for doctor care, outpatient hospital services, medical equipment and other services.

As there is no government issuer of long-term care insurance, designing a policy solution that does not leave immigrants at the mercy of the economic forces that drive costs in this area seems particularly difficult.

Eliminating (Reducing) Fraud in Claims for SSI Disability

Another policy issue raised by the Committee is the expansion of fraud in the SSI disability program — often through the use of middlemen serving as translators. One rather straightforward solution would be to ensure that state officials who screen and adjudicate such claims have access to trained and, perhaps, certified interpreter pools. These interpreters would be in a position to aid government workers in assessing the merits of immigrants' claims. If such a program were implemented in an even-handed manner, community agencies might prove to be good sources of individuals who could provide language support.

We have noted that the sources of rising use of SSI disability benefits among immigrants are the same as those within the native population. Thus, to the extent that rising disability use among immigrants is not due to fraud, it may be more comprehensively and effectively addressed within the domain of disability policy rather than immigration policy.

How Do We Make Immigrants Self Sufficient?

We should begin by noting that most immigrants *are* self-sufficient: 94 percent of immigrants in the U.S. do not receive welfare benefits. In addition, we would like to make four observations.

First, a number of proposals advanced under the rubric of "welfare reform" would bar legal immigrants from all "needs-based" or "means-tested" federal programs." These proposals are problematic for many reasons, one of which is their potential impact on immigrant self-sufficiency. In this regard, they are troublesome because they fail to draw distinctions between cash transfer programs and programs that develop human capital. Despite the fact that job training programs, adult education, child care and the like represent a classic "hand up" for immigrants and natives alike, and not a "hand out," such programs would be restricted to immigrants just like cash transfer programs.

Second, researchers have shown that one of the surest paths to economic mobility is learning English. Thus, one legislative response to aiding immigrants' transition to self-sufficiency might be to focus on the resources dedicated to English language acquisition on the part of immigrants. According to our estimates, the federal government spends only $300 million combined on the two principal programs designed to increase English language proficiency:

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[14]See, letter of Andrew Fois, Assistant Attorney General, U.S. Department of Justice, to Alan Simpson, Chairman, Subcommittee on Immigration, November 28, 1995.

[15] Legal permanent residents can only enroll in Medicare if they are 65 or older and *eligible for Social Security* or if they have resided continuously in the U.S. for five years and purchase Medicare Parts A and B or Part B only. (Part A may not be purchased by itself.) National Immigration Law Center, *Guide to Alien Eligibility for Federal Programs,* 1992.

bilingual education for elementary and secondary students (funded at $195 million in FY1995) and English as a Second Language (ESL) for adults (approximately $100 million FY1995). Economists have documented that the return on investment for increased language skills exceeds other forms of human capital expenditures.[16]

Third, we believe that it is important for policy makers to consider the *cumulative* effects of proposed changes in immigration policy as well as changes in immigrant eligibility for public benefits — especially as they are felt by the immigrant family. We need to make sure that the immigrant family is not simultaneously losing financial support provided by the public sector, losing its access to human capital development programs, and, at the same time, losing its access to the family's social capital — represented by adult siblings and parents.

Finally, we would urge the Committee to examine the lessons that have been learned from the early employment experiments that have been undertaken in refugee resettlement programs to assess their implications for legislation. Along these same lines, examining the refugee programs in California and New York — where most refugees are concentrated and where refugee welfare use rates are particularly high — may go a long way toward alleviating refugee welfare use overall.

Michael Fix is Director, Immigrant Policy Program, Jeffrey S. Passel is Director, Program for Research on Immigration Policy, and Wendy Zimmermann is a Research Associate at The Urban Institute, Washington, D.C. The opinions expressed here are those of the authors and not those of the officers or trustees of The Urban Institute. The authors would like to thank Pamela Loprest for her helpful comments. Support for the underlying analysis has been provided by the Andrew W. Mellon, Ford, and William and Flora Hewlett Foundations.

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[16] See, generally, Barry R. Chiswick and Paul W. Miller, "Language in the Labor Market," in Barry Chiswick (ed.), *Immigration, Language and Ethnicity*, AEI Press, 1992.

APPENDIX: SUMMARY OF FACTS ABOUT IMMIGRANTS' USE OF WELFARE

Questions have arisen recently about the use of welfare and public assistance by immigrants. We lay out here some key facts about immigrants' welfare use and report the similarities and differences in recent, prominently cited research on this issue conducted by the Urban Institute and George Borjas.[1]

KEY FACTS:

- Most immigrants (94 percent in 1993 according to the Current Population Survey, CPS) do not use "welfare" as conventionally defined (to include Aid to Families with Dependent Children, AFDC, Supplemental Security Income, SSI, or General Assistance, GA).

- Overall, immigrants have slightly higher welfare use rates than natives (6.6. versus 4.9 percent). But welfare use among immigrants is concentrated among refugees and elderly immigrants who use welfare at rates disproportionate to their numbers. These two groups make up 21 percent of the immigrant population but 40 percent of welfare users. Non-refugee working-age immigrants use welfare at about the same rate as natives.

- Immigrant welfare use and costs have risen slightly relative to natives since 1990 -- but we believe the rise owes largely to the concentration of the immigrant population in California which has generous welfare programs, is home to many legalizing immigrants, and has been in recession.

- According to administrative data, immigrants are more likely to use SSI -- a cash assistance program for the elderly and disabled -- than natives. In 1993, elderly immigrants made up 28 percent of the SSI recipients aged 65 and older, but they made up only 9 percent of the total elderly population. Many of these elderly immigrants have not worked enough quarters in covered U.S. occupations to qualify for Social Security, either because they have not been in the United States long enough or because they worked for employers who have not paid Social Security taxes for them.

- The immigrant group with the fastest growth in SSI use is the disabled. Despite recent growth in use, immigrants continue to make up a smaller share of the disabled SSI population than they do of the general population.

- Poor immigrants remain less likely than poor natives to use welfare (16 versus 25 percent). These findings are confirmed by administrative data: a 1995 Food and Nutrition Service study found that eligible immigrants who legalized under the Immigration Reform and Control Act of 1986 were less likely to receive food stamps than the general population.

INTERPRETING THE URBAN INSTITUTE'S AND GEORGE BORJAS'S FINDINGS:

Similar basic findings -- In his most recent paper on the subject, Borjas states that the "immigrant-native difference in the probability of receiving cash benefits is small (10.8 vs. 7.3 percent)" -- the same basic conclusion reached by Urban Institute studies.

Different definitions of "welfare" -- Borjas finds large differences between immigrant and native "welfare" use when he uses a measure that includes cash assistance as well as Medicaid, food stamps, energy assistance, housing assistance and WIC (the supplemental food program for women, infants and children) -- programs that go beyond those typically considered "welfare." Among non-cash programs he finds small differences in use rates for each program except Medicaid and the reduced price school lunch program (which is not included in the cumulative measure), where he finds larger differences.

Different data sources -- The Urban Institute findings are based on an analysis of the 1993 Current Population Survey while Borjas combines 1990 to 1993 data from the Survey of Income and Program Participation (SIPP). Each data source has its advantages. Even after Borjas combines different years of the SIPP, the size of his sample is half that of the 1993 CPS and therefore provides less accurate results for relatively small populations, such as immigrants, and for the even smaller population of immigrants who use welfare. The SIPP, however, reinterviews the same family periodically over the course of 32 months, providing a better picture of welfare use than the one point-in-time analysis of the CPS.

Different units of analysis -- The Urban Institute CPS results are based on an analysis of individuals' use of benefits, while Borjas uses a household level analysis. The household analysis is problematic because it attributes to immigrant-headed households use of welfare by natives in their households, such as children. This is a serious concern since 67 percent of immigrant-headed households contain a native-born person and 52 percent contain a native-born child.

Different results using SIPP individual level data -- Elaine Sorensen and Nikki Blasberg of the Urban Institute recently analyzed individual use of welfare with the SIPP and found that immigrant and native use rates for those of all ages are so close that they are not statistically different for any of the cash or non-cash benefit programs except SSI.

When immigrants and their native born children are considered together, statistically significant differences emerge in the use of Medicaid and housing assistance. Statistically meaningful differences in SSI use disappear, however. This apparently anomalous result occurs because the foreign-born population is composed of a smaller share of children and a larger share of adults than the general population. For this reason, when the native-born children of immigrants are included in the analysis, use rates of child-oriented services such as Medicaid increase. Conversely, use rates of programs directed largely at adults -- like SSI -- decline.

1. See Michael Fix, Jeffrey Passel and Wendy Zimmermann, "The Use of SSI and Other Welfare Programs by Immigrants," and George Borjas, "Immigration and Welfare: Some New Evidence," testimony before the U.S. Senate Subcommittee on Immigration, February 6, 1996; George Borjas, Lynette Hilton, "Immigration and the Welfare State: Immigrant Participation in Means-Tested Entitlement Programs," forthcoming, Quarterly Journal of Economics, May 1996.

Immigrants vs. Natives Program Recipiency

	All Ages		All Ages		Children Under 15			15-64		65+	
	Natives	Immigrants	Natives	Immigrants and Their Children	Natives	Native Born of Immig. Parents	Immigrant	Natives	Immigrants	Natives	Immigrants
Cash Programs											
AFDC	3.6%	3.2%	3.6%	3.9%	9.4%	7.0%	10.8%	2.4%	2.4%	0.1%	1.0%
SSI[a]	2.3	3.7*	2.4	3.1	0.0	0.1	0.0	2.4	2.2	6.1	15.3*
General Assistance	0.4	0.6	0.4	0.6	0.7	0.9	1.3	0.4	0.5	0.1	0.0
Noncash Programs											
Medicaid	7.3%	8.6%	7.2%	9.4%*	13.4%	12.9%	17.2%	5.3%	5.7%	6.7%	17.4%*
Food Stamps	6.7	7.0	6.6	8.0	13.8	12.8	17.2	4.9	5.6	3.4	5.6
Housing	4.2	5.2	4.2	5.6*	6.5	7.2	12.4	3.2	4.2	5.2	4.5
WIC	1.0	0.7	1.0	1.2	3.4	3.6	4.0	0.4	0.3	0.0	0.0
Sample Size	44,759	4,290	43,713	5,336	10,260	1,046	559	28,163	3,165	5,290	566
Total	223,970,774	19,098,292	219,766,082	23,302,985	46,691,094	4,204,692	2,224,184	146,667,479	14,344,428	26,407,509	2,529,681

Source: Elaine Sorensen and Nikki Blasberg's analysis of the 1990 Survey of Income and Program Participation.

Note: * indicates significance at the 5% level.
a.) SSI is calculated on an annual rather than monthly basis.

Chairman SHAW. Thank you.
Mr. Doti.

STATEMENT OF ANGELO DOTI, DIRECTOR, FINANCIAL ASSISTANCE PROGRAMS, ORANGE COUNTY SOCIAL SERVICES AGENCY, SANTA ANA, CALIFORNIA

Mr. DOTI. Mr. Chairman and Subcommittee Members, thank you this afternoon. It has been a long day. I might have some disagreement with Mr. Fix, but I certainly agree with his conclusions.

I am the Director of the Financial Assistance Programs for Orange County. We are the fifth largest county in the United States in population, and I do respectfully request that our text be entered into the record.

In our view, legal and undocumented aliens do access our welfare programs. We believe this is probably true because we have had an expansion of them at the Federal and State levels and through the intervention of the court systems, and something that we have seen an increasing phenomena of is sponsored aliens, generally individuals sponsoring in aged parents and siblings. We believe these factors of policies and the issues relating to sponsored aliens has more of an impact on us than, say, the domestic economy.

I was asked specifically to comment, and I will do it very briefly, on the impact on local government from these policies. It is a fact that noncitizens do access our health and welfare programs. Forty-seven percent of all persons receiving SSI in Orange County are noncitizens. We are the second highest affected county in California, Santa Clara being the first, but I think that occurs also across the Nation. The vast majority of those receiving SSI in Orange County are aged, 65 years of age and over. In fact, 90 percent exceed age 60.

Noncitizens barred for SSI for 5 years, as they are currently because of the change that occurred in January 1994, readily access our programs. We now have 904 recipients as of April of this year who would not have been able to access our programs had Federal change not occurred.

Any alien that is barred from the SSI Program would also lose the Medicare provisions, and possibly, if the changes were to go that deep, Medicaid, as well. Our experience is that they will access local health programs at local cost.

We have in California a program of aiding indigent legal adults. Most States do in this country. Currently, 67 percent of all persons receiving local 100 percent county tax-paid programs are noncitizens. The trend continues.

In conclusion, we believe that any shift of the current welfare operations as we know them in this country to local government will, in effect, be something the counties in California and across the Nation cannot absorb.

I thank you for your time.

[The prepared statement and attachments follow:]

STATEMENT OF ANGELO DOTI
DIRECTOR, FINANCIAL ASSISTANCE PROGRAMS
ON BEHALF OF ORANGE COUNTY SOCIAL SERVICES AGENCY
SANTA ANA, CALIFORNIA

GOOD MORNING, MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE.

I AM ANGELO DOTI, THE DIRECTOR OF FINANCIAL ASSISTANCE FOR THE SOCIAL SERVICES AGENCY, COUNTY OF ORANGE, CALIFORNIA. IN CALIFORNIA, COUNTIES ARE CHARGED WITH CARRYING OUT FEDERAL AND STATE WELFARE PROGRAMS.

OVERVIEW

ORANGE COUNTY IS THE FIFTH MOST POPULOUS COUNTY IN THE NATION. INCREASINGLY, MORE OF THE 2.6 MILLION COUNTY RESIDENTS ARE BEING SERVED BY OUR SOCIAL SERVICES AGENCY. OUR COUNTY POPULATION AND WELFARE CASELOADS EXCEED THAT OF MANY STATES. APPROXIMATELY 22,000 PERSONS APPLY MONTHLY FOR VARIOUS ENTITLEMENT PROGRAMS SUCH AS AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC), REFUGEE CASH ASSISTANCE (RCA), FOOD STAMPS AND MEDICAID, AS WELL AS OUR OWN STATE-MANDATED GENERAL ASSISTANCE PROGRAM. SOME ARE CITIZENS AND LEGAL ALIENS; MANY ARE NEWLY ARRIVED FROM OTHER COUNTRIES. OVER THE YEARS, WE HAVE BECOME ONE OF THE MOST HIGHLY IMPACTED REFUGEE COUNTIES IN THE NATION WITH REFUGEES (BOTH TIME-ELIGIBLE AND TIME-EXPIRED) MAKING UP SIGNIFICANT AMOUNTS OF EACH WELFARE PROGRAM CASELOAD. CONCERNING THE IMMIGRATION AND REFORM CONTROL ACT (IRCA), OVER 230,000 AMNESTY APPLICATIONS WERE FILED IN THE INITIAL YEAR, WITH MANY FORMER IRCA APPLICANTS NOW RECEIVING PUBLIC ASSISTANCE.

ORANGE COUNTY STATISTICS

IN ORANGE COUNTY, NEWLY ARRIVED LEGAL ALIENS DO READILY ACCESS ENTITLEMENT AND LOCAL HEALTH AND CASH ASSISTANCE (GENERAL RELIEF) PROGRAMS. CIVIL RIGHTS LAWS REQUIRE US TO RECORD NUMEROUS STATISTICS ABOUT THE WELFARE POPULATIONS. THE IMPACT OF ALIENS ON THE ORANGE COUNTY CASELOADS ARE AS FOLLOWS:

AFDC/RCA

- 27% OF THE CASES ON AFDC ARE IMMIGRANTS/REFUGEES (EXCLUDES CHILDREN BORN OF UNDOCUMENTED PARENTS AND RCA CASES).
- 94% OF REFUGEES WHO APPLY FOR RCA DO SO WITHIN THE FIRST TWO MONTHS OF ENTRY INTO THE COUNTRY.
- 42% OF REFUGEES WHO RECEIVE AFDC REMAIN ON AID FIVE YEARS OR LONGER.

MEDICAID

- OBRA 1986 (UNDOCUMENTED PERSONS) DOUBLED THE ELIGIBLE POPULATION, ALLOWING ACCESS TO RESTRICTED SCOPE OF SERVICES.
- OBRA RECIPIENTS INCREASINGLY ACCESS MEDICAID. FOR MEDICAID ONLY (EXCLUDING CASH GRANT-RELATED MEDICAID), THE AVERAGE ELIGIBLES ROSE FROM 15% IN 1989 TO 26% IN 1994.
- FEDERAL REGULATIONS AND LAWSUITS HAVE PRECLUDED OUR ABILITY TO VERIFY ALIENAGE OR INCOME, THUS MAKING MEDICAID HIGHLY FRAUD PRONE AND SUBJECT TO ABUSE.

GENERAL RELIEF (COUNTY-ONLY FUNDS)

- 67% OF THE GENERAL RELIEF CASELOAD ARE NON-CITIZENS. OF THESE:
  - 35% ARE SPONSORED ALIENS IN THE COUNTRY LESS THAN FIVE YEARS.
  - 15% ARE REFUGEES TIME-EXPIRED FROM THE EIGHT-MONTH FEDERAL BENEFITS OF RCA
  - 17% ARE OTHER LEGAL ALIENS, SUCH AS FORMER IRCA AMNESTY, WHO HAVE ADJUSTED TO PERMANENT LEGAL STATUS.
  - 83% OF THE SPONSORED ALIENS ARE 65 YEARS OR OLDER AND 95% ARE OVER 60 YEARS OLD. THEY TEND TO APPLY UPON THEIR THIRD YEAR OF UNITED STATES RESIDENCE AND WILL REMAIN ON AID CONTINUOUSLY UNTIL THE FIVE-YEAR BAR TO SSI EXPIRES.

WE DO NOT ADMINISTER THE SUPPLEMENTAL SECURITY INCOME (SSI) PROGRAM, YET WE ARE IMPACTED BY ITS POLICIES. FOR EXAMPLE, SPONSORED ALIENS WERE BARRED FROM SSI FOR FIVE YEARS (FORMERLY THREE YEARS) EFFECTIVE JANUARY 1994. UNFORTUNATELY, THE FEDERAL AFFIDAVIT OF SUPPORT (AN UNENFORCEABLE MORAL AGREEMENT) WAS NOT MODIFIED TO COINCIDE WITH THIS INELIGIBILITY PERIOD EXTENSION. THE NET EFFECT WAS THAT SPONSORS PRESENTED THEIR CHARGES FOR LOCAL ASSISTANCE SHORTLY AFTER THE THREE YEARS HAD PASSED. FROM THE OUTSET OF THE CHANGE, OVER 904 SPONSORED ALIENS IN ORANGE COUNTY ALONE HAVE BEEN "TRANSFERRED" FROM POTENTIAL SSI ROLLS TO LOCAL GOVERNMENT -- IN SHORT, A COST-SHIFT -- TO FILL THE TWO-YEAR GAP UNTIL THE RECIPIENTS MEET THE FIVE-YEAR SSI ELIGIBILITY PERIOD.

CONCLUSIONS

COST-SHIFTS ARE CURRENTLY OCCURRING TO SOME LOCAL GOVERNMENTS WHEN ALIENS ARE BARRED FROM FEDERAL ENTITLEMENT PROGRAMS. IT IS REASONABLE TO ASSUME THAT FURTHER COST-SHIFTS MAY OCCUR AS LEGAL ALIENS ARE PREVENTED FROM ACCESSING EVEN MORE PROGRAMS.

THE DEBATE CONTINUES AS TO THE LEGALITY OF FEDERAL LAWS TO PROHIBIT ELIGIBILITY FOR SOME ON THE BASIS OF ALIENAGE BUT TO PERMIT DISCRETION AT STATE OR LOCAL OPTION. THIS WILL PERHAPS ONLY BE RESOLVED BY THE COURTS.

CALIFORNIA LAW MANDATES THAT COUNTIES PROVIDE ASSISTANCE TO LEGAL RESIDENT ADULT INDIGENTS. TO SOME OF THE 58 COUNTIES, THE IMPACT OF AIDING INDIGENT ALIENS WOULD BE NEGLIGIBLE WHILE FOR SOME COUNTIES, IT WOULD BE A MAJOR FISCAL HARDSHIP. AS AN EXAMPLE, THE FEDERAL POLICY IN FORCE SINCE JANUARY 1994 THROUGH THE PRESENT TO BAR SPONSORED ALIENS FROM SSI FOR FIVE YEARS HAS CREATED A COST-SHIFT TO ORANGE COUNTY APPROACHING $2 MILLION ANNUALLY. ALMOST 47% OF ALL SSI RECIPIENTS IN ORANGE COUNTY (48,872) ARE NONCITIZENS (22,815). IF ONLY 10% WERE TO APPLY FOR LOCAL BENEFITS, THE WELFARE ROLES WOULD MORE THAN DOUBLE TO OVER $15 MILLION ANNUALLY.

RECOGNIZING THE POSSIBILITY OF SUCH COST-SHIFTS, IT IS SUGGESTED THAT FEDERAL FUNDS BE MADE AVAILABLE TO MITIGATE THE NEGATIVE FISCAL IMPACT ON LOCAL GOVERNMENT.

State of California
Health and Welfare Agency

Department of Social Services
Information Services Bureau
April 17, 1998

Noncitizen SSI/SSP Recipients By County
February 1998

County	Aged	Blind	Disabled	Noncitizen Total	SSI/SSP Total	Percent of Noncitizen To SSI/SSP Total
Alameda	9,210	136	3,834	13,180	48,056	27.4
Alpine	0	0	0	0	29	0.0
Amador	14	0	1	15	469	3.2
Butte	308	22	496	827	8,321	9.9
Calaveras	13	0	1	14	855	1.6
Colusa	70	1	27	98	472	20.8
Contra Costa	3,345	51	1,402	4,798	21,112	22.7
Del Norte	21	0	42	63	1,467	4.3
El Dorado	90	1	36	127	2,426	5.2
Fresno	4,725	163	5,332	10,220	36,693	27.9
Glenn	72	4	123	199	866	23.0
Humboldt	55	4	139	198	5,520	3.6
Imperial	2,133	28	863	3,022	7,831	38.6
Inyo	15	0	5	20	534	3.7
Kern	1,996	48	1,310	3,354	24,807	13.5
Kings	377	8	206	591	3,914	15.1
Lake	51	2	31	84	2,989	2.8
Lassen	8	0	3	11	932	1.2
Los Angeles	97,617	1,692	37,692	136,991	335,968	40.8
Madera	407	5	233	645	4,194	15.4
Marin	421	8	172	601	3,563	16.9
Mariposa	4	0	0	4	288	1.4
Mendocino	90	0	73	163	3,475	4.7
Merced	1,286	50	1,230	2,566	8,358	30.7
Modoc	2	0	10	12	373	3.2
Mono	1	0	2	3	88	3.4
Monterey	1,656	35	938	2,629	8,338	31.5
Napa	184	1	87	272	2,321	11.7
Nevada	13	0	15	28	1,489	1.9
Orange	15,313	310	7,192	22,815	48,872	46.7
Placer	168	1	104	274	4,033	6.8
Plumas	7	0	5	12	652	1.8
Riverside	4,400	79	2,328	6,807	35,500	19.2
Sacramento	5,458	123	5,335	10,914	45,881	23.8
San Benito	165	1	67	233	859	27.1
San Bernardino	5,255	88	2,539	7,882	46,211	17.1
San Diego	14,807	304	7,371	22,482	72,246	31.1
San Francisco	15,015	229	4,424	19,668	47,488	41.4
San Joaquin	2,793	124	4,280	7,197	23,993	30.0
San Luis Obispo	228	3	141	372	4,922	7.6
San Mateo	4,064	48	973	5,083	13,673	37.2
Santa Barbara	1,147	20	648	1,815	8,752	20.7
Santa Clara	13,277	187	5,292	18,756	39,117	47.9
Santa Cruz	675	13	377	1,065	5,457	19.5
Shasta	125	1	339	465	7,544	6.2
Sierra	3	0	3	6	101	5.9
Siskiyou	18	3	46	67	2,143	3.1
Solano	1,478	16	420	1,914	9,547	20.0
Sonoma	556	21	474	1,054	9,707	10.9
Stanislaus	2,063	59	1,782	3,884	17,580	22.2
Sutter	350	18	212	580	2,750	21.1
Tehama	33	1	33	67	2,118	3.2
Trinity	2	0	2	4	564	0.7
Tulare	1,933	45	1,517	3,495	16,122	21.7
Tuolumne	16	1	11	28	1,358	2.1
Ventura	2,788	46	1,143	3,977	13,982	28.4
Yolo	509	12	480	1,001	4,358	23.0
Yuba	232	17	374	623	3,655	17.0
Unknown	123	3	75	201	769	26.1
Total	217,178	4,018	102,290	323,486	1,025,584	31.5%

* Disabled applies to those recipients under the age of 65 and Aged applies to recipients aged 65 and over.
When disabled recipients turn 65, the SSI program data typically continues to count them among the disabled.

Source: Data derived from February 1998 State Data Exchange (SDX) file from SSA.

ORANGE COUNTY SOCIAL SERVICES AGENCY

REPORT ON THE IMPACT OF SPONSORED ALIENS ON THE LOCAL GENERAL RELIEF PROGRAM

4/96

This information illustrates the extent to which federal immigration and SSI eligibility policies affect caseloads and resulting expenditures on local programs.

General Relief expenditures for sponsored aliens, refugees, and all others.

MONTH/ YEAR	TOTAL GR CASELOAD EXPENDITURE*	90 Regular		93 Sponsored Aliens		94 Refugees	
		$$	%	$$	%	$$	%
7/95	$530,786	$304,402	57.3%	$129,746	24.5%	$96,639	18.2%
8/95	$539,976	$305,772	56.6%	$141,497	26.2%	$92,707	17.2%
9/95	$541,844	$302,588	55.9%	$148,953	27.5%	$90,103	16.6%
10/95	$746,820	$393,664	52.7%	$227,392	30.5%	$125,765	16.8%
11/95	$684,674	$370,506	54.1%	$201,898	29.5%	$112,269	16.4%
12/95	$687,188	$366,819	53.2%	$210,580	30.7%	$110,809	16.1%
1/96	$682,741	$362,159	53 %	$211,526	31 %	$109,056	16 %
2/96	$670,933	$349,642	52.1%	$215,743	32.2%	$106,548	15.7%
3/96	$681,443	$362,242	53.2%	$217,989	32 %	$101,212	14.8%

* Expenditures increased in 10/95 due to grant supplements in all cases for medical.

CALENDAR YEAR	TOTAL GR EXPENDITURE	CATEGORY BREAKDOWN			
		90 Regular	92 Irca	93 Sponsored Alien	94 Refugee
1994	$7,824,984	$5,937,584	$27,040	$ 343,020	$1,517,340
1995	$7,235,169	$4,283,156	$ 0	$1,666,839	$1,286,174

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ORANGE COUNTY
SOCIAL SERVICES AGENCY

Prior to 1994, the number of sponsored aliens receiving General Relief (GR) benefits in Orange County was insignificant.

Since the law changed permitting the Social Security Administration to change the alien sponsorship period from 3 to 5 years, the General Relief caseload has grown dramatically and continues to grow every month. The majority of the sponsored aliens affected by this change are elderly or incapacitated. As the sponsorship period under GR regulations is still 3 years, individuals who would have been eligible for SSI/SSP prior to and subsequent to the change, have turned to the GR Program for assistance. The majority of these aliens provide statements from their sponsors indicating that the sponsor will no longer provide support to the alien. Some sponsors cite changes in their living situation as the reason that they can no longer support the alien but most point out that the written agreement that was completed for INS has expired and believe that it is no longer binding.

Chart 1 illustrates the number of sponsored aliens approved for GR benefits whose 3 year period has expired:

CHART 1

MONTH/YEAR OF GR APPLICATION	(A) # OF SPONSORED ALIENS APPROVED WITH 3 YR PERIOD EXPIRED	(B) APPLIED FOR GR LESS THAN 30 DAYS FROM DATE OF EXPIRATION	(C) APPLIED FOR GR 30 TO 60 DAYS FROM DATE OF EXPIRATION	(D) APPLIED FOR GR MORE THAN 60 DAYS FROM DATE OF EXPIRATION
1/94	4	2	1	1
2/94	6	3	0	3
3/94	20	17	1	2
4/94	16	13	2	1
5/94	26	15	4	7
6/94	36	21	4	11
7/94	41	15	12	14
8/94	50	20	2	28
9/94	55	27	4	24
10/94	42	22	10	10
11/94	59	36	14	9
12/94	60	45	2	13
1/95	57	18	12	27
2/95	78	41	16	21
3/95	77	30	16	31
4/95	54	10	14	30
5/95	37	12	1	24
6/95	69	33	2	34
7/95	55	23	4	28
8/95	81	30	9	42
9/95	51	24	7	20
10/95	51	20	5	26
11/95	36	16	8	12
12/95	38	7	11	20
1/96	38	6	1	31
2/96	23	4	0	16
3/96	30	6	0	24

* This number does not include 3/96 applications that remain pending

Columns B & C validate that many of these aliens apply for GR immediately upon the expiration of the 3 year period.

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ORANGE COUNTY
SOCIAL SERVICES AGENCY

Chart 2 indicates the number of sponsored aliens approved for GR benefits whose 3 year sponsorship period has expired. These aliens would have been eligible or potentially eligible to SSI/SSP prior to the change. It is likely that they will remain on GR until their 5 year period expires and they qualify for SSI/SSP.

CHART 2

MONTH/YEAR 3 YEAR SPONSORSHIP PERIOD EXPIRED	(A) AGE 65 YEARS OR OLDER	(B) INCAPACITATED AGE 60 - 64	(C) INCAPACITATED UNDER AGE 60
1/94 or prior*	23	34	19
2/94	11	9	2
3/94	18	4	4
4/94	24	6	5
5/94	43	4	4
6/94	36	6	0
7/94	28	9	3
8/94	63	7	8
9/94	65	14	11
10/94	53	11	6
11/94	53	13	7
12/94	75	16	11
1/95	68	18	3
2/95	65	16	4
3/95	26	6	1
4/95	11	3	0
5/95	21	7	3
6/95	48	4	1
7/95	35	4	2
8/95	36	5	2
9/95	40	7	3
10/95	41	6	2
11/95	12	0	0
12/95	10	1	0
1/96	5	0	0
2/96	5	2	0
3/96	1	1	0

* The 3 year sponsorship period expired prior to 1/1/94 for some of these aliens, however, the alien was not 65 years of age or incapacitated until after 1/1/94.

All of the individuals listed in Column A would be eligible for SSI/SSP based solely upon their age. Those in Column B would very likely be eligible for SSI/SSP based upon our experience in evaluating their medical conditions in combination with their advanced age. Some of those in Column C would also be eligible to SSI/SSP based upon their disability.

Orange County's GR expenditure for sponsored alien cases for the month of December 1993 was $2,428.00. GR expenditures for sponsored aliens for the month of March 1996 was $217,989.00. These figures illustrate the significant cost shift that is occurring because of this federal change. These costs will continue to rise as new applicants apply for aid when the 3 year sponsorship period expires. In addition, most will remain on aid continuously until eligibility to SSI/SSP exists.

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ORANGE COUNTY
SOCIAL SERVICES AGENCY

The number of sponsored alien recipients who are 65 years old or over continues to increase. Chart 3 provides a snapshot of the current sponsored alien caseload. All of the aided sponsored aliens have been in the U.S. between 3 and 5 years.

CHART 3

MONTH/ YEAR	# OF SPONSORED ALIENS AIDED	AGE					
		65 OR OLDER	%	60 - 64	%	UNDER 60	%
7/95	684	557	81.4%	80	11.7%	47	6.9%
8/95	747	608	81.4%	86	11.5%	53	7.1%
9/95	787	638	81.1%	93	11.8%	56	7.1%
10/95	825	672	81.5%	97	11.8%	56	6.7%
11/95	857	703	82 %	102	11.9%	52	6.1%
12/95	881	729	82.7%	100	11.4%	52	5.9%
1/96	894	741	82.9%	109	12.2%	44	4.9%
2/96	908	755	83.4%	109	12 %	42	4.6%
3/96	904	753	83.3%	113	12.5%	38	4.2%

Chart 4 supports the belief that once approved, very few sponsored alien cases are discontinued.

CHART 4

MONTH/YEAR	# OF CONTINUING CASES DISCONTINUED
12/94	5
1/95	4
2/95	9
3/95	6
4/95	9
5/95	13
6/95	8
7/95	13
8/95	6
9/95	5
10/95	7
11/95	4
12/95	14
1/96	9
2/96	9
3/96	11

Chairman SHAW. Mr. McCrery.

Mr. MCCRERY. Mr. Doti, when you say local governments will not be able to absorb that shift, is there any thought on the part of local governments to simply refuse services to that universe of applicants?

Mr. DOTI. Congressman, it is our interpretation and that of our State attorney general that laws such as *Graham* v. *Richardson, El Souri* v. *State of Michigan, Valora* v. *County of San Diego,* prohibit that——

Mr. MCCRERY. For health care?

Mr. DOTI. No, actually, for any form of alienage. The courts have spoken very clearly that State and local governments have no jurisdiction in any matters related to alienage and it is questionable still as to whether or not if the legislation passed, as we understand it, were to pass, it would still pass the test of the courts.

Mr. MCCRERY. Can you offer us any suggestions how to make sure that it would?

Mr. DOTI. Short of your funding us so that these benefits can continue? I think—we do not have a board position on this. This is not something that is normal board policy. Our issue is, we do not want to become a de facto program of last resort when individuals are barred from benefits because they do not "go away." We know they will access whatever program is available.

Mr. MCCRERY. What kind of programs do you have available at the local level?

Mr. DOTI. We have cash and health programs for any indigent adult legal resident who does not qualify for any other Federal or State entitlement program. So we are the safety net for those individuals 18 through 64 who do not qualify for AFDC, food stamps, or adult ABD-type programs.

Mr. MCCRERY. I would suggest maybe looking again at the need for those programs. If 67 percent of your caseload is immigrant population, perhaps you should reconsider offering those benefits. The Federal programs are quite expansive in terms of offering cash and other assistance to people in need in this country.

If you are telling us we cannot make any changes because it would cause you to spend more local money and you are not willing to look at changing your programs, you are not being very persuasive with me. I do not know about the rest of the Subcommittee. I cannot help it if your local governments have generous assistance programs that other States do not have.

Mr. DOTI. It is an unfunded State mandate in our State. It is not a county——

Mr. MCCRERY. An unfunded State mandate? You mean the State government mandates that to the local——

Mr. DOTI. Yes. It is not a county option.

Mr. MCCRERY. Then you need to talk to your Governor and your State legislature. But certainly, I do not think we can make public policy at the Federal level based upon local or State laws that would require you to spend more money because we simply do not find it necessary to give assistance to certain populations.

Mr. Fix, I do not understand how we have the obligation to provide assistance to aliens, to immigrants, who come to this country, even if they are legal immigrants. They come here voluntarily.

They know what they are getting into when they get here. Why does an American citizen paying taxes have an obligation to take care of an immigrant who comes here voluntarily? I think we can agree on most points, anyway, with respect to illegal aliens, but with legal aliens, they come here with their eyes wide open. Why do we have an obligation to take care of them?

Mr. FIX. The question is, How differently are we going to treat one class of members of our society? If the question is, Do we have a legal obligation to provide most services to noncitizens? I think the answer is the law does not require the Federal Government to extend services to noncitizens.

But if you ask a set of public policy questions: Is it in the public interest to provide medical insurance to a subset of the population for public health-related reasons? Is it in the public interest to ensure that a subset of the population develops the kind of human capital resources that we were hearing about earlier this morning? Should immigrants be foreclosed from the kind of training and education services that other Americans receive?

The answer is, that in the long run, it is counterproductive to have a segment of the society essentially receiving a lower level of services than natives. Those exclusionary policies, in turn, raise two questions: Are we drawing deeper divisions among our people? And when is it more cost effective to deliver than to withhold services from legal immigrants?

Chairman SHAW. I would say the education part of your statement does not apply because we consider that as part of the American dream, part of coming to the United States. We do not prevent the foreign students from participating in grants and student loans. We got rid of that in the bill. It is in the immigration bill now and that is under conference. That is something I hope is dropped.

We have come to the end of a very long but most informative day and I very much appreciate all of you being here.

Ms. Ross, very, very quickly, because we have a vote on the floor and I do not want to keep you all beyond this point, is this growth in the SSI Program for noncitizens growing at an increasingly accelerated rate? Does it look as though the word is getting out that the system has some problems that can be easily tapped into?

Ms. ROSS. We asked the Social Security Administration what their projections are for the next several years, and even over the last couple of years, we looked at those data, as well. The rate of growth has been declining somewhat and they project it to decline somewhat more. That is for a couple of reasons.

First of all, they find that the trends among noncitizens reflect, to some degree, the trends among citizens, and SSI growth, while still going up, has been tapering off. Also, because immigration has been down some, the number of people who can apply has been down, and deeming seems to have worked. When you precluded people from receiving benefits for 5 years, it had an effect. Very few people get much money at all under deeming. Deeming usually makes them ineligible for a benefit.

Chairman SHAW. Thank you all very much, and again, particularly this last panel for staying with us so long.

Thank you.

The hearing is adjourned.

[Whereupon, at 2:49 p.m., the Subcommittee was adjourned.]

[Submissions for the record follow:]

Testimony on Children's SSI Program
for the
Subcommittee on Human Resources
Committee on Ways & Means
U.S. House of Representatives

Presented by the
Consortium for Citizens with Disabilities
May 23, 1996

Submitted on behalf of the following CCD members:

American Academy of Child & Adolescent Psychiatry
American Association of University Affiliated Programs
American Association on Mental Retardation
American Network of Community Options and Resources
American Psychological Association
American Rehabilitation Association
Association of Maternal and Child Health Programs
Bazelon Center for Mental Health Law
Brain Injury Association
Children and Adults with Attention Deficit Disorders
Division for Early Childhood of the Council for Exceptional Children
Federation of Families for Children's Mental Health
National Association of Developmental Disabilities Councils
National Association of Protection & Advocacy Systems
National Association of School Psychologists
National Center for Learning Disabilities
National Community Mental Healthcare Council
National Easter Seal Society
National Mental Health Association
National Parent Network on Disabilities
The Arc (formerly Association for Retarded Citizens)
United Cerebral Palsy Associations

The Consortium for Citizens with Disabilities (CCD) is a coalition comprised of more than 100 national consumer, advocacy, provider and professional organizations which advocate on behalf of our nation's 49 million citizens of all ages with physical and mental disabilities and their families. Working through task forces, CCD works on federal policy issues in a number of areas including budget and appropriations, education, employment and training, health care, housing, long term services and supports, income maintenance, rights, technology and transportation. This testimony is submitted on behalf of the Task Forces on Social Security and Children and Families.

The CCD Social Security and Children and Families Task Forces unequivocally support the continuation of the Supplemental Security Income (SSI) program as a cash assistance program to provide basic income for low-income children who have severe disabilities or chronic illness or who are blind. We believe that the SSI program for children is extremely important because it encourages low-income families to stay together and reduces the need for more costly out-of-home institutionalization. The cash assistance program is founded on the principle that families should be empowered to decide how to best meet the needs of children with severe disabilities.

If eligible children lose their SSI cash benefits, many families will simply not have the resources to care for them at home. They would turn to state and local governments for more assistance. Without the federal benefits that parents now spend on behalf of their children, state costs to serve children with severe disabilities would inevitably escalate. As an especially tragic consequence, some families would be forced to surrender custody to guarantee proper care for their children, either through the foster care system or in state institutions at a higher cost to taxpayers.

The expected and predicted growth of the children's SSI program over the past five years has prompted extremely negative stories about families allegedly abusing SSI benefits. These stories focused on a minuscule number of families in only a few selected states. However, the impact of the media attention generalized isolated problems to paint a broad picture of abuse. Amidst the allegations, there has been virtually no attention to how the children's SSI program serves its intended beneficiaries. Our testimony addresses seven common questions about the program:

1. What is the purpose of the children's SSI program?
2. Who qualifies for children's SSI benefits?
3. What is the disability determination process for a child to prove eligibility?
4. Why is cash assistance critical for eligible families?
5. Why did children's SSI applications increase over the past few years?
6. Is there evidence of widespread program abuse?
7. How will pending welfare reform proposals affect families receiving SSI benefits?

1. WHAT IS THE PURPOSE OF THE CHILDREN'S SSI PROGRAM?

Congress intended SSI benefits to pay for food, clothing and shelter for qualified low-income children with severe disabilities and children who are blind. The cash payment recognizes the family's wisdom and responsibility to make decisions about how to best spend benefits on behalf of an eligible child.

Families raising children with severe physical, developmental or mental disabilities have higher expenses and often have less income. Although public or private health insurance covers some medical costs, families may face extraordinary additional out-of-pocket expenses related to the child's disability which continue throughout the lifetime of the child. The needs of a child with a severe disability frequently require a parent to remain home and forego paid employment. Some parents remain underemployed by taking a part-time job to have more time at home. Other parents must refuse better job offers to protect current health benefits or remain in a school district that has the necessary services for their child. All these factors decrease family income in both one and two-parent households.

Last year, the Congressionally authorized Commission on Childhood Disability met to study the program and possible alternatives. The Commission members

included nationally recognized experts in the fields of medicine, psychology, rehabilitation, law, education, disability program administration, social insurance, social and family policy and ethics. In its final report, issued in October 1995, the Commission made a series of recommendations to support the continuation of children's SSI as a cash benefit program. One recommendation was to amend the SSI statute to clarify that the purpose of the program is to assist low-income families caring for eligible children to provide basic necessities; cover additional costs of caring for a child with a disability; enhance the child's opportunity to develop; and offset lost family income because a parent (or parents) remains out of the labor force or underemployed to care for the child.

Similarly, the Disability Policy Project of the National Academy of Social Insurance (NASI) was asked by Congress to review the Social Security disability programs. In its report on the childhood disability program, NASI recognized that "Low-income families have even fewer resources to cope with the special needs of their children. The SSI benefit often must be used to meet basic needs such as food, clothing and shelter in order to provide a stable home environment for the child." (May 1995, p. 19) NASI found a "clear rationale and a compelling need for SSI cash support to families with a disabled child... Without these supports, disabled children would be at a much greater risk of losing both a secure home environment and the opportunity for integration into community life, including the world of work." (p. 22)

2. WHO RECEIVES CHILDREN'S SSI BENEFITS?

To be eligible for SSI, a child must meet two sets of eligibility criteria: financial and disability. Only **after** the child is found financially eligible does Social Security consider whether the child is blind or whether the child's disability or chronic illness is severe enough to qualify.

In January 1996, 68 percent of eligible children received a payment of $470 which is the maximum federal monthly benefit for this year. This means that over two-thirds of the children receiving SSI benefits were living in very low-income families because in a means-tested program, people with the lowest income receive the highest benefits. Benefits are also available to qualifying children whose families fall out of the middle-class mainstream when disability strikes. The extra expenses they incur and the income they forfeit when a parent must stay home to care for a child with severe disability make them financially eligible for SSI.

Families apply for SSI for their children not only for the cash assistance, but also because in most states, children who qualify automatically receive medical assistance through Medicaid. These families depend upon Medicaid for health coverage for their children with severe disabilities because currently, many of these children do not qualify for any private health insurance because of their pre-existing conditions or because their parents work for employers who do not provide health insurance.

In December 1995, almost 969,000 children received SSI benefits because they were blind or disabled. Children with mental retardation were the largest single group, representing about 42 percent of the enrollment, while another 33 percent have physical disabilities and 25 percent have mental disorders.

3. WHAT IS THE DISABILITY DETERMINATION PROCESS FOR A CHILD?

Medical Proof

Medical documentation must be presented about a child's **severe medical or psychological impairment** to begin Social Security's disability review process. The impairment must be identical or equivalent to one appearing on a specific list of qualifying impairments or must significantly interfere with the child's ability to develop or function in an age-appropriate manner in multiple areas of normal childhood activities. The disability examiner is required by law to evaluate each application to document whether benefits should be awarded or denied.

Functional/Developmental Documentation

The disability examiner must also consider functional information from people who observe the child over a period of time such as parents, social workers, child care providers, clergy and school personnel. By collecting evidence from many sources, the examiner can verify the extent of a child's disability or chronic illness.

Comprehensive Decisionmaking

To make a decision, the disability examiner is required to review all available information about the child's daily functioning. Any test results must be consistent with other evidence about the child's daily behavior and activities. If there are inconsistencies, the examiner must get more documentation to resolve the differences. Social Security provides on-going training and guidance to the state disability examiners to ensure that they are implementing the legal requirements of the disability procedure properly.

4. WHY IS CASH ASSISTANCE CRITICAL FOR ELIGIBLE FAMILIES?

To evaluate the value of the cash assistance, the Commission for Childhood Disability reviewed existing data and found that low-income families tend to spend most of a cash benefit on basic necessities. Spending patterns by families raising children with disabilities reveal that they typically spend the SSI benefit on expenses related to meeting basic needs for food, clothing and shelter. Many of these daily expenses are higher-than-average given the child's special needs.

Families also report using their children's benefits for special expenses related to the child's severe disability. The cash assistance helps parents meet the changing needs of a child with a severe disability, helping him or her to learn and gain the greatest possible independence as an adult without trying to deprive other family members of their respective need to grow and learn. Often the SSI benefit is the only money available to families to purchase the multiple items and services that meet the child's complex needs. Families report using their children's SSI benefits for the following types of expenses:

o utility bills (electric bills for 24 hour/day respirators, rental costs of back-up generators to prevent power lapses, battery charges for communication devices or power wheelchairs; water bills for above average bathing and laundry usage)

o telephone calls to medical providers, pharmacists, social service providers and schools

o specially trained child care providers since neighborhood babysitters are often unable or unwilling to care for children with disabilities

o respite care

o personal assistance services (including wages and taxes)

o public or private transportation costs for numerous trips (often long distances in rural areas) to obtain medical treatment and services

o adapted clothing (e.g. buttons replaced with velcro fasteners, specially fitted shoes, modified openings or specially designed clothing for persons with limited movement)

o clothing, laundry and household cleaning supplies (e.g. children who require frequent clothing changes or whose disability requires more frequent household cleaning)

o specially equipped vehicles to transport children who use wheelchairs

o home repairs (e.g. special safety equipment such as protective coverings for kitchen appliances, extraordinary wear-and-tear from wheelchairs)

o home modifications/adaptations including environmental control equipment (e.g. widen doorways, change doorknobs to levers, add ramps, modify controls & switches, install bathroom railings and special bathing and toileting equipment)

o service and repairs for assistive technology (e.g. power wheelchairs, prosthetics, hearing aids)

o adapted toys and learning materials (e.g. special tricycle for a child with a physical disability)

o assistive technology for school homework (e.g. computers with voice output, touch screen or modified keyboard)

o special telecommunication services/devices (e.g. TTY)

o co-payments and deductibles for routine medical visits, specialty consultations, medication, biological products, physical/speech/ occupational therapy, orthotic devices and wheelchairs customized for children not covered by Medicaid, private insurance or school districts

o over-the-counter items not customarily paid for by public or private insurance such as special creams for skin conditions, diapers for older children, wigs, special formulas for managed diets

o family support services

Many families use cash SSI benefits to partly offset their loss of income because a parent must remain unemployed or only work part-time to care for the child with a severe disability. Very often, families spend over $100 each week for the specialized goods and services that their children with severe disabilities require, readily absorbing the full SSI monthly payment.

5. WHY DID CHILDREN'S SSI APPLICATIONS INCREASE?

A number of events over the past seven years explain the increase in children's SSI applications. The recession of the early '90s increased the economic stress on families. More families whose children had severe disabilities lost income and their children became financially eligible for benefits. Also, the number of children living in poverty is among the highest in the last three decades.

Congress, in 1989, directed the Social Security Administration (SSA) to conduct outreach, for the first time, to potentially eligible families with children who have severe disabilities to encourage them to apply for benefits. The next year, SSA published and began to implement new rules for children with mental and emotional disabilities. The new rules were designed with help from a panel of experts convened by Social Security that included child development specialists, psychiatrists, educators, mental health advocates and agency staff. The old standards had not reflected current definitions and diagnoses of mental disorders. SSA's use of new and more realistic standards enabled more children with severe mental impairments to qualify for benefits.

The U.S. Supreme Court issued its decision in 1990 in the Zebley v. Sullivan case requiring SSA to change its childhood disability determination process to evaluate the child's level of functioning in addition to his or her medical condition. Members of the expert panel advising Social Security as the agency developed the new childhood disability process estimated that over 1 million children would meet financial and disability criteria. Part of the Zebley case required Social Security to notify 452,000 children who were illegally denied benefits between 1980 and 1990 that they had a right to have their cases reevaluated. The agency ultimately reinstated and paid back

benefits to 141,000 children who had been illegally found ineligible. SSA was instructed by court order to notify all class members and to do public service announcements and national outreach to potentially eligible children.

To augment Social Security's outreach efforts, several major foundations funded the Children's SSI Campaign coordinated by the Bazelon Center for Mental Health Law, a CCD member organization. The campaign worked with state agencies, advocates and professional groups across the country to notify potentially eligible families about changes in the SSI program and how to apply. Both Social Security and the Children's SSI Campaign publicized new financial eligibility rules, issued in November 1992, that calculate the financial eligibility of working families more equitably than before. Thousands of children whose parents are employed who were previously denied because they were over the income limits now quality for this means-tested program.

The combined effect of the public and private information and outreach efforts and new eligibility guidelines was to increase public awareness about the availability of benefits for low-income children with severe disabilities.

6. IS THERE EVIDENCE OF WIDESPREAD PROGRAM ABUSE?

There have been numerous allegations suggesting that children are qualifying who do not have severe disabilities. However, the General Accounting Office (GAO), in September 1994, reported that 70 percent of all awards went to children whose impairments were severe enough to qualify on the basis of the medical standards alone without any consideration of their functional limitations. Although the GAO later criticized the functional assessment (March 1995), the number of children qualifying through the IFA was still only one-third of the total beneficiaries. Furthermore, at the same time that GAO criticized the IFA, it reported that the childhood allowance rate had dropped "dramatically" during 1993 and 1994. In fact, the national award rate (the percentage of applications that are approved each year) in 1994 was only 32 percent -- lower than it was in the two years before the Zebley decision.

Allegations have also been made that parents coach their children to "fake" a mental disorder, do poorly on tests or misbehave in school to qualify for SSI benefits. The amount of attention, by the press and others, to this single issue has eroded public confidence in a program that is a lifeline for hundreds of thousands of families. In its report, NASI wrote that "evidence of such coaching or "gaming the system" is extraordinarily thin -- and appears to be based on anecdotes or perceptions of dubious benefit claims, which upon investigation are found to have been denied." (p. 25) NASI reported that studies by SSA, the Office of Inspector General of the Department of Health and Human Services and the General Accounting Office all found "scant evidence of coaching or malingering . . . In brief, allegations of widespread abuse or inappropriate allowances have not been substantiated."(p. 25) We believe it is time to stop the hysteria about the issue of low-income children faking disabilities to receive SSI benefits.

Social Security added safeguards to protect the program's integrity and improve public confidence in it. There is a toll-free telephone number for concerned professionals to make anonymous reports about families they suspect are coaching their children. There is also a procedure for state disability examiners to report any suspicions of coaching and staff at Social Security headquarters investigate all such allegations. The GAO recently reviewed these procedures and found "few cases of suspected coaching and very few of the children involved received SSI benefits... The DDS initiative identified 1,232 cases in which coaching was suspected or alleged. Only 77 of these cases resulted in awards." (March 1996, p. 2). Furthermore, the hotline initiative received 232 allegations about coaching, but only 119 of the accused children were even receiving benefits.

With appropriate enforcement and regular continuing disability reviews, the agency can reduce the possibility of fraudulent awards. It is irresponsible for the press

and public officials to recirculate old allegations of unsubstantiated abuse in light of multiple non-partisan studies indicating that no evidence of widespread fraud exists.

7. HOW WILL PENDING WELFARE REFORM PROPOSALS AFFECT FAMILIES RECEIVING SSI BENEFITS?

Today there are various welfare reform proposals pending that would dramatically change the children's SSI program. Essentially all of them would have a devastating effect on families because they would eliminate the individualized functional assessment (IFA). Despite evidence from various studies (GAO, HHS/IG, NASI, Commission on Childhood Disability) that allegations of widespread program abuses could not be substantiated, all the welfare reform proposals would severely tighten eligibility for the program - much more than disability and children's advocates believe is warranted. The Congressional Budget Office (CBO) estimates that benefits to 335,000 children would be dropped or denied over the next five years by eliminating the IFA. About 25 percent of children now qualify through the IFA and they would be dropped from SSI because only children whose impairments can meet restricted listings of medical conditions would qualify.

By eliminating the IFA, children who may no longer qualify will include those who had extreme difficulty qualifying before the IFA was implemented. They include children who have more than one impairment if each condition by itself is not enough to qualify through medical listings; those who have a disorder that narrowly misses the listings-level description; those who are too young to test for the listings; or those who have rare disorders that are not listed. SSA data from February 1995 shows how children with specific disabilities qualify for SSI benefits. The following percentages of children, by type of disability, will no longer receive benefits even though they have conditions that are qualifying impairments: 38.1% of children with pulmonary tuberculosis; 32.6% of children with mental retardation; 28.7% of children with developmental disabilities including autism; 28.7% of children with burns; 24.9% of children with intercranial injuries; 22.3% of children with arthritis and 18.5% of children with epilepsy.

Last year's welfare reform conference agreement, vetoed by the President, would have created a new payment scale with two levels of benefits depending on the child's disability. At this time, it is unclear whether Congress will revive this two-tiered benefit scale which would provide most children only 75 percent of the benefit they now receive based on family income. Only children who meet a new "personal care" standard would receive 100 percent of their benefit. CBO estimates that 65 percent of children would receive reduced benefits and only 35 percent would qualify for full payment. These changes would have applied, within three years, to children now eligible for benefits as well as all children who qualify in the future. The CBO estimates that 658,000 children would receive reduced payments by 2002. If Congress approves a bill that both eliminates the IFA and introduces a two-tiered benefit system , almost one million low-income children with severe disabilities would be denied access to SSI or receive greatly reduced benefits.

Within the two-tiered benefit system, only the need for "continual care to avoid harm to self or others" would apply to most children with mental illness. The "continual care" criterion sets a higher standard for one group of children compared to the regular, time-consuming but intermittent, care associated with activities of daily living. In addition, a two-tier system has an obvious disincentive because children who have struggled to achieve greater independence would be penalized by a 25 percent reduction in benefits they would have otherwise received.

The two-tiered proposal creates two categories of benefits which is both unwarranted and discriminatory by making false distinctions between children with severe disabilities based on the nature of their impairment. Since only children who meet the highly restrictive medical listings will qualify for benefits, all eligible children need the full assistance of the SSI program. The only rationale for different payment

levels for children who have proven they have severe impairments is the desire to cut program costs. There is no programmatic justification. Furthermore, the payment standard would not reflect a family's need for assistance. SSI is a means-tested program that only allows families with very limited income to qualify. But even among these families, the program adjusts benefit levels according to income. Establishing a two-tier system will harm families who depend on the assistance to offset income lost because a parent must remain unemployed or underemployed to provide care.

The two-tiered proposal would also create a more complex and costly disability determination process. Children would first have to prove that their condition meets the eligibility standard and then a second review would determine the size of their benefit. This would significantly increase Social Security's costs by adding an additional evaluation to determine the benefit level. As with other eligibility decisions, benefit levels will be appealable which also adds significant administrative costs. The Commission on Childhood Disability recognized significant problems with tiered cash benefits, including the absence of a mechanism to classify disabilities according to extra costs and the need for a more expensive eligibility process.

CONCLUSION

We recognize that every federal program rightfully needs regular monitoring and review to assess its usefulness and efficiency. We believe that with appropriate enforcement and a regular schedule of continuing disability reviews, Social Security can reduce the possibility of fraudulent awards to children who do not have qualifying severe disabilities. The agency has already taken action to do this as described earlier.

We support the existing requirement to redetermine eligibility for SSI recipients upon their 18th birthday and re-evaluate the child under the adult disability criteria. Social Security must review at least one-third of the children reaching age 18 in each of fiscal years 1996, 1997 and 1998 and then report to Congress. In addition to this requirement, there are some children under the age of 18 who do medically improve during the time of their eligibility. We believe it is appropriate to review periodically the continuing disability status of childhood recipients in cases where medical improvement is either possible or expected. We remember the human tragedy of the early 1980s when hundreds of thousands of adults with severe disabilities who were receiving SSI had their benefits illegally terminated. Consequently, we support establishing a realistic review process to avoid wholesale arbitrary reductions among childhood beneficiaries.

We believe that all of the pending welfare reform proposals, as well as the bills passed and vetoed last year, go too far in dropping over 300,000 children with severe disabilities. We oppose efforts to balance the budget at the expense of families who struggle to help their children achieve the greatest possible independence. Although it is claimed that other programs would provide assistance, families believe otherwise because they have found no alternative to SSI cash benefits. Many SSI children are not eligible for food stamps and the future of that program is unclear. Some SSI children would qualify for welfare, but assistance through that program is being drastically reduced. Congressional proposals to block grant Medicaid further threaten essential health care for children with disabilities. Special education provides certain "related" services, but excludes medical services needed by children with severe disabilities, especially pre-schoolers. Furthermore, school districts vary widely in their ability to meet current demand. If children with severe disabilities lose their SSI benefits, many families will be unable to care for them at home and states' costs to serve these youngsters will inevitably increase.

At this point, the bill passed by the Senate with bipartisan support - - prior to the addition of several problematic sections during the conference -- seemed to do the least long-term damage to children with severe disabilities. Any further changes to that Senate version are totally unacceptable to the disability community. We urge you to

remember that the children's SSI program is a lifeline for hundreds of thousands of families across the country.

For more information, contact Rhoda Schulzinger, Bazelon Center for Mental Health Law (202-467-5730) or Marty Ford, The Arc (202-785-3388), co-chairs of CCD's Social Security Task Force.

Testimony on the Child Care Provisions
of the
Personal Responsibility and Work Opportunity Act of 1996 (H.R. 3507)

Submitted to the
Committee on Ways and Means
U.S. House of Representatives

May 23, 1996

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Established in 1969, the Day Care Action Council of Illinois (DCAC) is a not-for-profit membership organization of parents, child care centers, family day care home providers, educators, and others who are dedicated to the promotion and expansion of quality child care services in Illinois. DCAC believes that child care should enhance family and community life. It is DCAC's mission to increase quality child care options and promote families' access to them and to advance standards of excellence in child care that are responsive to the needs of children, families, and community.

DCAC thanks the committee for the opportunity to submit comments on the Personal Responsibility and Work Opportunity Act of 1996 (H.R. 3507).

Welfare Reform and Federally Subsidized Child Care for the Working Poor

The purported aim of the Personal Responsibility and Work Opportunity Act of 1996 is move families from the welfare rolls to the workplace. However, by eliminating the entitlement to child care for families on welfare who are in school or working and for families just leaving welfare, successful transition from welfare to work is severely jeopardized. Moreover, H.R. 3507 does not provide sufficient child care resources to support families in making this transition permanent. **If the federal government were truly serious about welfare reform and supporting working families, subsidized child care would be an entitlement for all low-income families, regardless of their AFDC status or history.**

Within the last decade, the federal government has made laudable strides toward reaching this goal. The first substantial improvement for low-income families was included in the Family Support Act (FSA) of 1988 by way of a Child Care Guarantee for all working parents on or just off of AFDC through (Social Security Act) Title IV-A funds. These enhancements included the year-long Transitional Child Care entitlement, established specifically for those families who are leaving AFDC. In 1990, the IV-A "At-Risk" program was established for those families identified as being at risk of being on AFDC. Both programs require a minimum state match of 50 percent. Also in 1990, a non-matched discretionary child care subsidy for the working poor was established through the Child Care and Development Block Grant.

Despite these major gains, the federal child care subsidies still do not meet the current needs of working poor families. This insufficiency remains a huge barrier to welfare reform success. H.R. 3507 threatens to un-do much of the good that has been achieved through these programs and promises to exacerbate the problems of working poor families and offers no assurance that families on welfare will be better off than they are now.

Section I. Amended Child Care and Development Block Grant (CCDBG)

Since CCDBG was established in 1990, federal funds have been used to subsidize child care for working poor families and improve the quality of care for all families. While the basic goals of the CCDBG remain unchanged in H.R. 3507, several important provisions threaten the integrity of those goals and the quality of child care services for all families.

Quality Set-Aside

Through a significant quality set-aside (25%), CCDBG funds have been instrumental in the creation of state programs to improve the quality of child care, parental access to information, and provider training. Under current law, a portion of the set-aside must be used to provide before- and after- school programs and early childhood development services. These funds are distributed through grants and contracts, thus providing a stable base of resources for providers. Contracts are particularly beneficial for building capacity in otherwise underserved communities and among underserved populations (e.g., school-age and infants). Furthermore, using contracts, states can build in accountability mechanisms to ensure public funds are buying good quality care; with vouchers, this is not possible.

H.R. 3507 eliminates this 25% reserve provision, replacing it with a 3% quality set-aside for the entire block grant. The effect of this is a 50% reduction in funds specifically earmarked for quality initiatives. Stripped is the provision that a certain portion must be used for before- and after-school care and early childhood development. Coupled with the elimination of the Dependent Care Block Grant in the FY '96 budget, the incentive for a state to fund care for school-age children is severely limited. Even with these incentives, in Chicago there are 3,100 subsidized slots for 115,000 poor children between the ages of 6-14. The 3% set-aside also represents a drastically reduced commitment to provider training, consumer education, and resource and referral.

The drastic reductions in the quality set-aside sends a clear to message to states: increasing the quantity of slots is more important than efforts to improve quality.

In order to ensure the continuation of states' activities to improve the quality of child care and increase capacity for underserved groups, the current level of funding for the quality set-aside must be maintained.

Licensing/Health and Safety Requirements

Under current law, the receipt of CCDBG funds by child care providers is contingent upon meeting minimum health and safety standards. This provision applies even to those providers who are not required by their state to be licensed or registered. Requiring basic health and safety standards such as the prevention and control of infectious diseases, physical premises safety, and minimum health and safety training for providers is recognition that the protection of children is of paramount importance.

H.R. 3507 eliminates all requirements that child care providers receiving federal funds must meet minimal health and safety standards. **These basic health and safety protections for children and providers should be the floor beneath which no program should operate.** If this provision is enacted, the Federal Government will be subsidizing the harm of children. The requirements currently in the CCDBG are neither onerous nor costly; rather, they are in the best interest of the public.

Currently, a state must provide assurances that all providers receiving CCDBG funds are in compliance with state/local regulatory or licensing requirements. While providers receiving CCDBG funds must still meet local health and safety regulations (if they exist), under the new law CCDBG-assisted providers do not have to comply with local licensing requirements.

Health and safety protections should be reinstated as minimal standards for the receipt of CCDBG funds.

Payment Rates

When determining payment rates to CCDBG-assisted providers, states are required to account for the cost differential based on the type of care, age of child, and special needs. Requiring states to recognize variations in the cost of care in payment systems works to maintain the supply of care (in the case of infants and children with special needs). It also enhances parental choice. Generally, center-based care is more costly than family day care. Without a rate differential, centers would be less likely to accept subsidies, further constricting a parent's options.

Differentiated payment rates based on type of care, age of child, and presence of special needs must be maintained.

Section II: General Entitlement and Remainder Fund

Despite rhetoric that child care funding will be increased, H.R. 3507 could actually result in a net decrease in funds for some states. While a state match would be necessary to draw down a state's share of the "remainder" funds, a state would not have to put up any of its own resources to receive the General Entitlement. Basing the amount of the General Entitlement on FY 95, FY 94 or the FY 92-94 average is particularly harmful to Illinois. Due to the success of Illinois' Work Pays program, child care expenditures through Direct Pay Child Care increased by almost 300% from 1994 to 1995; in 1996, a 52% increase is projected. If the General Entitlement is based on 1995 expenditures, Illinois will lose approximately $14 million in federal funding. By not taking into account rising child care expenditures due to states' successful welfare reform efforts, the Federal Government risks un-doing the good that is being done on the state level.

The matching requirement for states in order to receive child care funds must be maintained.

Perhaps the most dangerous aspect of the Personal Responsibility and Work Opportunity Act of 1996 is the repeal of the child care entitlement for families on welfare who are working or in education/training and for those families in their first year off of cash assistance. The Family Support Act of 1988 established the entitlement in recognition that the transition from welfare to work is **nearly impossible** without a guarantee of child care assistance. Less than a decade later, the Personal Responsibility and Work Opportunity Act contradicts that rationale.

While it is probable that states will continue to offer child care assistance to families making the transition from welfare to work, the reverberations from the abolition of the entitlement will be felt through the ranks of the working poor. The stringent work requirements of the Temporary Assistance for Needy Families program will increase the number of families needing child care. Under H.R. 3507, half of a state's AFDC population must be working by 2002. For Illinois, this means a 300% increase in the earned income caseload in less than eight years. It stands to reason that the cost of continuing to provide welfare-to-work child care would more than triple. Although some of the costs would be offset by reductions in cash grants, child care assistance is generally more expensive than cash grants.

In order to meet the increased demand for child care that will accompany increased work participation, states will have to stretch scarce resources more thinly. Without the federal match, as child care expenditures increase states will bear the entire burden. Some states, like Illinois, will even lose federal child care money. It is likely that states, faced with losing more federal dollars by not meeting work requirements, will use CCDBG funds (currently used for working poor child care) to offset the costs of increased demand. Even with the additional resources states can receive from the Remainder Fund, it is likely that child care subsidies for working poor families will be substantially reduced.

It is equally as important to provide child care assistance to working poor families as a means of welfare prevention as it is to provide child care assistance to families on welfare as a means of moving them into the workplace. This fundamental premise is violated in the Personal Responsibility and Work Opportunity Act.

All very low-income families should be entitled to child care assistance.

Adding to the demand and cost of providing child care is the requirement that parents of infants and toddlers are not exempt from work requirements. Not only is it in the best interest of the child to have the benefit of a full-time parent during the most formative years, but the cost of infant/toddler care can be prohibitively expensive. While states will have the option of exempting parents with children under one year of age, the option of exempting parents with children under 3 has been eliminated. Across all income levels, the supply of infant and toddler care is extremely limited.

In order to act in the best interest of children, parents of very young children should be exempt from AFDC work requirements.

We are in agreement that changes need to be made to the welfare system. However, this cannot be done at the expense of children's health, safety, and development. Moreover, true reform cannot be achieved by drawing such harsh distinctions between the working poor and welfare recipients. In many instances, they are the same group.

We make the following recommendations:

♦ Maintain the current level of funding for the quality set-aside;

♦ Retain minimum health and safety standards;

♦ Maintain differentiated payment rates based on type of care, age of child, and presences of special needs;

♦ Increase the CCDBG by $200 million in FY '96 to absorb the loss of the Dependent Care Block Grant as well as to increase assistance to low-income working families;

♦ Give states the option to exempt parents with children under the age of three from work requirements;

♦ Maintain the state matching requirements and;

♦ Expand the child care entitlement to include all very low-income families, not just those with a history of AFDC.

KIDS FOREVER LEARNING CENTER, INC.

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June 3, 1996

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RE: May 22-23 Hearing

Dear Mr. Moseley,

I'm writing in regards to May 22-23 hearing. I'm concerned about the cuts on the fourth meal at Child Care Centers for the CACFP.

I serve 600-700 children every day, four meals per day. For most of these children, the only meals that they receive daily are from our center due to families incomes or just neglect of dysfunctional parents. Some of these children are at my center 12 to 14 hours per day and need this fourth meal to insure their nutritional needs are met.

What better place to put government funds then into good nutrition for children.

Sincerely,

Darlene Levitski
Owner

State of New Jersey
DEPARTMENT OF HUMAN SERVICES
DIVISION OF FAMILY DEVELOPMENT
CN-716
TRENTON NJ 08625-0716

CHRISTINE TODD WHITMAN
Governor

WILLIAM WALDMAN
Commissioner

KAREN HIGHSMITH
Acting Director

TEL (609) 588-2000

May 29, 1996

Philip D. Moseley
Chief of Staff
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.D. 20515

Dear Mr. Moseley:

Enclosed are six (6) copies of the State of New Jersey's Department of Human Services' testimony from the hearing held on Thursday, May 23, 1996.

Testimony was to be given by Karen D. Highsmith, Acting Director, Division of Family Development, 6 Quakerbridge Plaza, CN 716, Trenton, NJ 08625.

If you require additional information please contact my office at (609) 588-2401.

Thank you.

Sincerely,

Karen Highsmith

Karen Highsmith
Acting Director

KH:nw

Enclosures

c: Ray Castro

DOUBLE DIPPING IN NEW JERSEY

New Jersey's Department of Human Services has addressed the problem of duplicate assistance in ways that improve verification, prevention and detection.

First, our welfare computer system automatically checks all applicants for AFDC and Food Stamps to see if the individual's Social Security number is already on our system. All new Social Security numbers are also sent to SSA for verification. Additionally, our General Assistance (100% state funded) population routinely has it clientele's Social Security numbers run against each other to detect duplication.

Second, in order to detect duplicate assistance between New Jersey and our bordering states of New York, and Pennsylvania, we routinely exchange computer tapes of clients in all three programs, General Assistance, AFDC and Food Stamps. These matches have proven to be quite effective, resulting last year in 1,442 case closings which represents less than one-half of one percent of the General Assistance and AFDC caseloads and Food Stamp caseloads.

The above efforts rely on the Social Security number as the primary matching element, and until recently were our

only method of detecting duplicate assistance on a large scale, both inter and intra-state. While New Jersey believes that tape matches using Social Security numbers are good, we feel that we must constantly explore new technologies to improve our ability to prevent and detect fraud.

Though our verification process with SSA is effective, it is lengthy, often resulting in months of collecting two checks before the perpetrator is caught.

Realizing the shortcomings of this form of identification, New Jersey investigated the possibility of using a more reliable and updated form of identification. We believe we have found it in Fingerimaging.

Since last July we have been engaged in a Fingerimaging pilot project in 103 municipal, or General Assistance, offices in the Northern part of our state. In this project, clients and applicants have their two index fingers electronically "Fingerimaged". These fingerimages, along with a color photograph and the usual demographics are transmitted electronically to the data base in Trenton, where, in a matter of seconds, they are matched against all active clients and the results returned to the General Assistance office.

Approximately 18,000 clients are currently in the project area. The vendor, National Registry Inc., or NRI, reports that caseloads have dropped roughly 10% in our four largest municipalities. The actual number of "hits" or persons who have tried to enroll twice in the pilot area is less than a dozen to date; consequently, it would be accurate to say that future savings will almost entirely be in costs avoided. or in matches with other neighboring states such as New York.

This summer we will be matching our fingerimaging data base with that of New York States'. We expect that these matches will provide information on those cases that are revealed as double dipping - which will expedite their prosecution because we will have the fingerimage, a photo, and demographics of each suspect. This technology is proving itself to be a real enhancement to Social Security numbers.

Our investigative staff is delighted with fingerimaging. Since it is general knowledge that fingerimages are unique, those who may have intentions of defrauding the system are deterred due to the ability to verify information quickly and because of the reliability of the data.

With the various experiments in welfare reform, border states will have to form agreements with us that will allow them to also prevent and detect fraud using similar technologies, while still safeguarding the clients rights to privacy and due process.

In line with our efforts to combat fraud through exploration of new technologies, we are preparing to expand our Families First Electronic Benefits Transfer (EBT) system statewide.

We have found that although EBT does not eliminate fraud, it does expose fraud and aid in its detection. For example, several stores have been removed from participation in the Food Stamp Program for trafficking, that is, selling food stamp benefits for cash, based simply on investigators' review of the stores; electronic transaction histories. However, as we plan for statewide expansion, we recognize that it is critical for EBT systems to be exempt from Regulation E of the Electronic Funds Transfer Act. Regulation E creates a potential loophole for recipient fraud by claiming lost or stolen cards and then getting multiple payments of benefits in the same month. We are eager to see our EBT system expanded, but we must be able to continue to hold recipients responsible for their benefits.

As part of New Jersey's "Work First" welfare reform proposal we plan to go statewide with fingerimaging in AFDC, Food Stamps, and General Assistance in 1998. We are also considering New Hires" legislation that would provide more timely information on wages, which would be matched with the Child Support Program in addition to the programs mentioned above and the potential to match other state systems such as the Department of Labor.

In closing, New Jersey is very proud of its efforts to improve our methods of fraud prevention, detection and client verifications systems and procedures. We will continue to further our relationships with neighboring states to exchange information where appropriate while still safeguarding the clients rights to privacy and due process.

Phillip Moseley,
Chief of staff,
Committee on Ways and Means,
U.S. House of Representatives,
1102 Longworth House Office Building,
Washington, D.C. 20515

Dear Mr. Moseley:

I am writing to you regarding the May 22-23 hearings pertaining to the CACFP.
I understand that there is a plan being considered to drop the fourth meal served to children served regardless of income guidelines.

I can certainly understand the attempt of Congress to look carefully at all options in considering budget constraints but this is the one area where, if run properly, is truly a non-profit program. I have had some of the same concerns that there have been abuse in the family day care reimbursement with little or no accountability or income requirements. However, it is very troubling to see the "baby thrown out with the bath water."

I have served children for more than 31 years and this is one of the few programs where there are measurable results with few dollars. In 1980, I worked with Senator Barry Goldwater and Dennis Diconcini to open this program to follow the child rather than the institution. As we all know, the only real difference in profit and nonprofit is the cost of drawing of legal papers to change tax status. I have participated in and observed this program at work and still stand amazed that tax dollars can work such miracles in the lives of poor and low income families. I choose to serve this clientele. I have watched with pride when students work and struggle to become independent and finally achieve success to provide for their own.

Students, especially single parents, often live on grants and loans and work after school to provide for their children. This many times means 10, 12 and even 14 hour days.

How can we consider cutting out a dinner meal when often it is the only food available for these children. When I watched in awe where the House passed the National Defense Authorization Act (H.R. 3230) and appropriated $34.4 million to build 11 child care canters, many of those not even requested by the branches of service, it boggled my mind. I have seen state of the art centers built by the private sector for $500,000., serving the same number of children. Why?
Cannot the government utilize an existing system and pay for child care as the private sector does? There is no shortage in child care as many would have you believe. The only shortage is in infant care and sick child care. Availability, quality and affordability are an issue for all parents but evidently the military stands alone in their child care needs.

Something seems seriously wrong when the government takes actual food from the mouths of poor children and funds the military with multi million dollar facilities not even requested.
I think this might be an interesting topic to open up for debate on the air....The facts are there.

Please do not consider cutting the fourth meal from the CACFP.
The CCDBG and the CACFP are not broken...Please don't break them in the attempt to fix the problem.

Thank you for considering my testimony. I wish I could be there in person to speak to the Committee.

Barbara Nelson, Owner and Director

STATEMENT FOR THE SUBCOMMITTEE ON HUMAN RESOURCES COMMITTEE OF WAYS & MEANS, U.S. HOUSE OF REPRESENTATIVES

May 23, 1996

United Cerebral Palsy Associations (UCPA), based in Washington DC, unequivocally supports the continuation of the Supplemental Security Income (SSI) program as a cash assistance program for low income families with children with severe disabilities. Congressional proposals to alter the Children's SSI program by eliminating or cutting back cash benefits to some currently eligible families is detrimental to children with severe disabilities and their families.

UCPA believes that pending welfare reform proposals, as well as the bills passed and vetoed last year, go too far in dropping over 300,000 children with severe disabilities. The bill passed by the Senate with bipartisan support -- prior to the addition of several problematic sections during the conference -- seemed to do the least long-term damage to children with severe disabilities. Any further changes to that Senate version are totally unacceptable to United Cerebral Palsy Associations and to most of the disability community.

UCPA believes that if children lose the cash benefit, many families will simply not have the resources to be empowered and to accept the responsibility to care for them at home. They would turn to state and local governments for more assistance causing escalation of state costs and the expansion of intrusive state and local bureaucracy into the lives of families. Thus some of the proposed alterations could amount to a costly shift in financing from the federal government to state and local government agencies as the needs of children with severe disabilities do not go away when a program is cut back at the federal level. As an especially tragic consequence, some families would be compelled to surrender custody of their child, either to foster care or to state institutional systems, at a far greater price both in fiscal and human cost.

This would be an incorrect public policy direction, sending a strong and wrong message to families from days of past that government intends to supplant rather than support families and does not believe they are competent to and capable of raising a child with a disability. In simple terms, such a regressive policy direction would tell low-income families with children with disabilities that "family values" do not apply to them.

UCPA stresses that a cash program for children with disabilities is an essential and successful program that supports families. The flexibility for family-decisionmaking and the savings to state and federal public outlays (as a result of foregoing the enormous cost

of institutional care -- currently averaging $82,256 per child per year) that the cash benefit provides for parents makes it a cost-effective support system that takes into account the wide variety of disability-related expenses that families incur. These cash benefits -- averaging less than $6,000 per year -- often replace lost or foregone income for parents who must make financial sacrifices as their child's care and support becomes the top priority. UCPA also notes that federal overall expenditure for the Children's SSI program (approximately $5 billion annually) is less than 1 percent of overall mandatory spending by the federal government yet benefits almost a million families that have extraordinary needs as a result of having a dependent with disability.

Additionally, SSI eligibility is a critical gateway to Medicaid enrollment providing essential health care coverage for children with disabilities who would often not be covered by any other private or public health care financing mechanisms. Furthermore, the program serves a racially diverse group of children with a wide range of disabilities, many of whom are among the nation's poorest.

UCPA refutes criticism of the rapid growth and alleged abuse of the cash benefit program, pointing to an average denial rate of 65% as evidence of the thoroughness and complexity of the disability determination and approval process. UCPA believes that the growth of the program is the result of economic shifts and the overall increase of the number of children living in poverty as well as the number of children with disabilities. In addition, several federal outreach initiatives, as predicted, caused inevitable growth in the program, which should have been expected and anticipated.

Contrary to the recent media hype about abuses in this means-tested program that directly benefits children with severe disabilities, UCPA surmises there is relatively little documented abuse and fraud in the program. It is irresponsible for the press and some public officials to recirculate old allegations of unsubstantiated abuse in light of multiple non-partisan studies, indicating that no evidence of widespread fraud exists.
UCPA recognizes that every federal program rightfully needs regular monitoring and review to assess usefulness, efficiency and outcomes. It is UCPA's view that with appropriate enforcement and a regular schedule of continuing disability reviews, the Social Security Administration can reduce the possibility of fraudulent awards to children who do not have qualifying severe disabilities.

UCPA also takes issue with assertions that high levels of applications in certain jurisdictions for Children's Supplemental Security Income are indicators of fraud and abuse. A local high application rate certainly warrants investigation: however, it may indicate locally-based shifts in the economy, or unusually high levels of disability needing environmental or medical investigation, or it could indicate irresponsible action or

attitudes on behalf of program administrators or caused by other, as yet unexplord, factors. Application for a cash benefit by a low-income parent of a child with disabilities is not a fraudulent act in and of itself.

UCPA supports the existing requirement to redetermine eligibility for SSI recipients upon their 18th birthday and re-evaluate the child under the adult disability criteria. The Social Security Administration must review at least one-third of the children reaching age 18 in each of the fiscal years 1996, 1997, and 1998 and then report to Congress. In addition to this requirement, there are some children under the age of 18 who do improve medically during the time of their eligibility. UCPA finds appropriate periodic review of the continuing disability status of childhood recipients in cases where medical improvement is either possible or expected. UCPA is, however, very mindful of the tragedy in the early 1980's when hundreds of thousands of adults with severe disabilities receiving SSI benefits were illegally dropped from the SSA's rolls. UCPA therefore supports the establishment of a realistic review process rather than arbitrary steps undertaken to make wholesale reductions among childhood beneficiaries.

United Cerebral Palsy Associations is a nonprofit organization with a network of 155 state and local affiliates committed to positively affecting the quality of life for persons with cerebral palsy and other disabilities and their families through programs and services that work to advance the independence of people with disabilities. Many families with children with cerebral palsy and similar severe disabilities benefit from the Children's SSI program which is essentially the only federated 'family support' program that is available to lower income families and it must be retained, with the least amount of compromise, in order to maintain the integrity of these families.

STATEMENT OF UNITED STATES TELEPHONE ASSOCIATION

The United States Telephone Association (USTA) is pleased to provide its views to the Committee on Ways and Means, Subcommittee on Human Resources, on the subject of Welfare Reform with specific reference to child support enforcement efforts. USTA is the primary trade association of local telephone companies serving more than 98 percent of the access lines in the United States and represents over 1200 members from the smallest independents to the large regional Bell companies.

USTA supports the goals underlying provisions in draft legislation that attempt to enhance the ability of states to identify and secure support payments from those individuals who avoid or neglect their child support obligations. Our industry is frequently asked to support such efforts today and has a sterling record with regard to cooperating with state and local authorities.

While the goals of the draft legislation are unassailable, it is, in our view, important to note that private entities required to participate in the bill's support enforcement efforts must also operate within the constraints of existing laws designed to protect privacy. Unless adequate measures are added, the Act will put private entities such as telephone companies in a needlessly difficult situation. In addition, a balance must be struck between the desirable goals of child support enforcement and the burdens and costs associated with mandated private sector participation in this effort. Just as states and localities justly oppose "unfunded mandates," private companies, including public utilities, should be reimbursed for federally mandated support enforcement activities.

We understand that the drafters of this legislation have attempted to address our concerns. For USTA's member companies, however, serious issues remain regarding the adequacy of protection from lawsuits by customers and others about whom information is released to state authorities. The legislation appears to require only that state agencies "request" information about individuals from whom support payments are sought. How is the public utility company to know who the requestor is, whether that individual is authorized to receive the information, or, indeed, whether a legal basis exists for the request itself? Our opinion is that the current draft of legislation will not be sufficient to protect telephone companies, and others, from privacy-related lawsuits. In our view, the law should provide for an administrative subpoena -- a legal document imbued with implicit court approval -- removing any possibility of exposure for private entities merely trying to comply with the bill's requirements. The bill should set minimum standards clearly establishing when a state agency may issue an administrative subpoena. It should also immunize record keepers from any liability arising from good faith compliance, whether or not it is later determined that the subpoena was valid.

An administrative subpoena is not an onerous or time-consuming requirement for state agencies. In fact, in the states where it is currently used, the device actually streamlines the process of obtaining necessary information. Under an administrative subpoena, if pre-approved conditions and standards are met an agency has authority to issue a subpoena without having to submit individual cases for a court's approval. In some states, certain individuals within agencies have authority to issue a subpoena, including in some instances, caseworkers. This procedure is recognized by courts thus enabling agencies to quickly obtain needed information while affording private entities protection from suits based on unauthorized release of private information.

Unfortunately, even if the legislation were written to provide that a state agency "make a written request", such a procedure would not carry with it the authority of a subpoena, which, while also in written form, has been subjected to a form of judicial approval. A written request, by itself, may not be in a form approved by courts and may be prepared and sent without being subjected to acceptable standards for issuance. At a minimum such a procedure would have to be tested in each jurisdiction, a time-consuming prospect at cross-purposes with the aims of the Act. Since private entities trying to comply with the bill will be vulnerable to suit, their compliance, without the protections of an administrative subpoena, will be less automatic, defeating another aim of the legislation. To assure compliance, the bill should explicitly preempt state law and state public utility commissions or other regulatory agencies which may prohibit

release of information without a judicial review of each subpoena. This is especially necessary with regard to requests sought by out-of-state jurisdictions.

Interestingly, federal law (Section 2703 of Title 18 of the United States Code) today actually **prohibits** electronic service providers, such as telephone companies, from giving certain subscriber information to a government agency without a court order, warrant or administrative subpoena.[2] This well-understood statute underscores our industry's desire in any new legislation for a substantial legal mandate to release sensitive information. As indicated earlier, any requirement to release information should provide protection for those complying in good faith. Section 2703 provides for no cause of action against a provider disclosing information as long as such disclosure occurs in accordance with the privacy safeguards provided.[3]

Finally, while the telephone industry has consistently demonstrated its desire to assist child support enforcement efforts under proper conditions, it should not be forced to shoulder the financial burden of this essentially governmental function. It is not reasonable to impose manpower, technical and organizational requirements on private entities in this context without compensation. This is particularly true in the case of public utilities that are asked to respond to agency information requests on an ever increasing basis. Failure to reimburse these costs would be tantamount to perpetrating one unfairness in an effort to redress another. In addition, by leaving such costs in the public sector, where they belong, it is our view that a certain amount of pressure will remain on enforcement authorities to act efficiently, as well as responsibly.

In conclusion, our industry remains committed to acting as cooperatively as possible in attempts to attain greater compliance with child support laws. Our only request is that in providing new initiatives, Congress should recognize the vulnerabilities of those in the private sector that will be allies in these efforts.

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[1] Statement submitted by Roy Neel, President and CEO, United States Telephone Association. For further information, please contact Hance Haney, Director of Government Relations, United States Telephone Association, 1401 H Street, N.W., Suite 600, Washington, D.C. 20005. Telephone number: 202-326-7255.

[2] 18 U.S.C. § 2703(c)(1)(C).

[3] 18 U.S.C. § 2703(e).

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