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

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[1] Appointed July 10, 1995.

CONTENTS

	Page
Advisory of November 29, 1995, announcing the hearing	2

WITNESSES

Delaware Department of Health and Social Services, Carmen Nazario	6
Fond du Lac (Wisconsin) County Department of Social Services, Edward L. Schilling	32
Geter, Pier, Wilmington, DE	57
Haskins, Debora, Fond du Lac, WI	56
Manpower Demonstration Research Corp., Judith M. Gueron	62
Massachusetts Department of Transitional Assistance, Joseph Gallant	15
Mead, Lawrence M., Princeton University	66
Michigan Department of Social Services, Stephanie Comai-Page	13
New Hope Project, Sharon F. Schulz	72
Peterson, Nancy, Fremont, MI	55

SUBMISSION FOR THE RECORD

Cave, Pam, Chantilly, VA, statement and attachment	87

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'.

* * * * *

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.

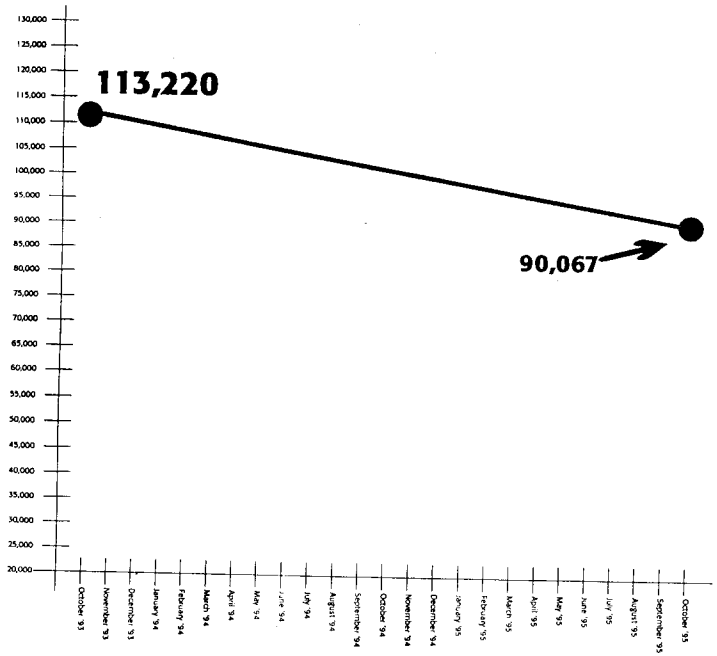
A Boston area hospital typifies the hope that springs from the community service. The director of volunteer services met with the heads of all departments and asked them to develop a wish list of job descriptions to be filled by TEMP–UP volunteers. As a result, new positions that managers felt were lacking 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.

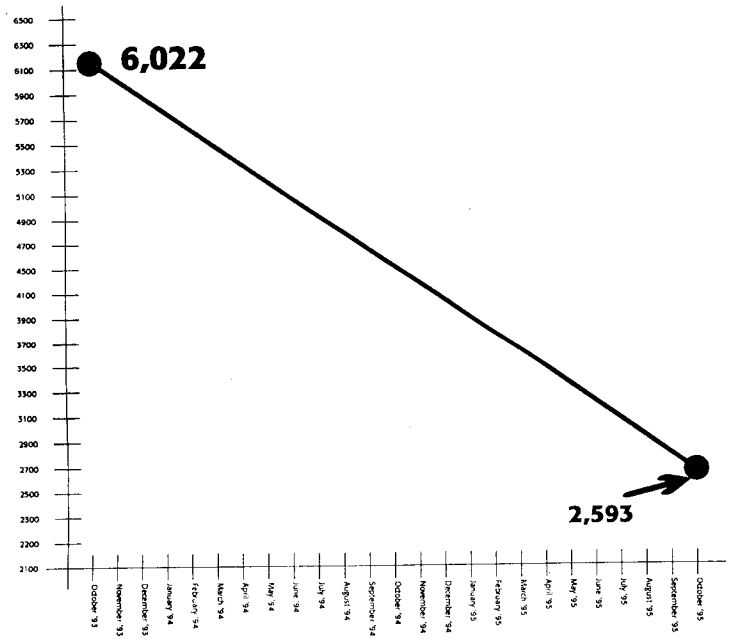
[The attachments follow:]



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)**

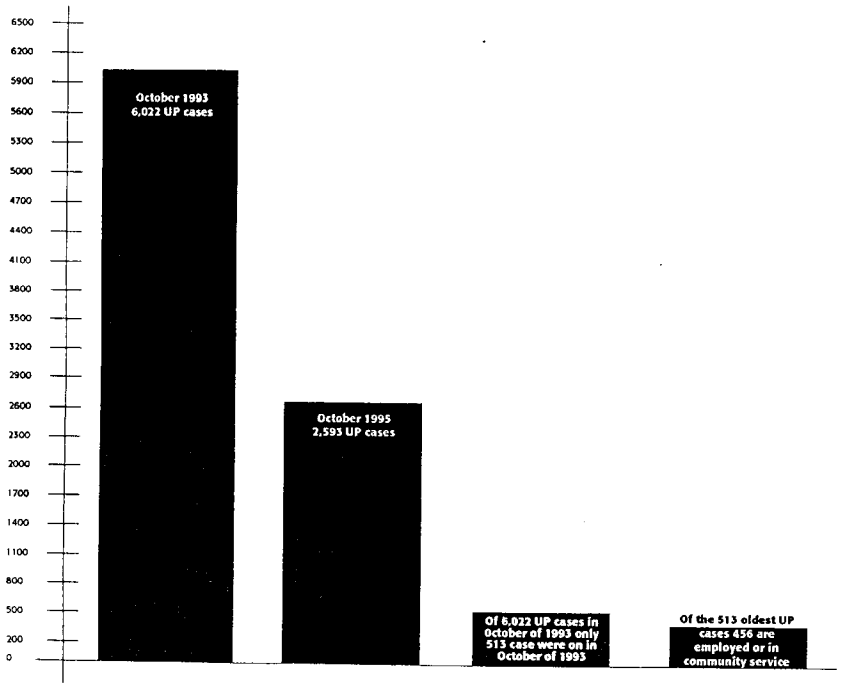
TEMP-UP The Massachusetts Experience with Community Service for Unemployed Parents



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

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