WORKING TOWARD INDEPENDENCE: THE ADMINISTRATION'S PLAN TO BUILD UPON THE SUCCESSES OF WELFARE REFORM

HEARING

BEFORE THE

COMMITTEE ON EDUCATION AND THE WORKFORCE

HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTH CONGRESS

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HEARING ON WORKING TOWARD INDEPENDENCE: THE ADMINISTRATION'S PLAN TO BUILD UPON THE SUCCESSES OF WELFARE REFORM

TUESDAY, APRIL 9, 2002

U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON EDUCATION AND THE WORKFORCE

WASHINGTON, D.C.

The committee met, pursuant to notice, at 3:00 p.m., in Room 2175, Rayburn House Office Building, Hon. John A. Boehner, Chairman of the Committee, presiding.

Present: Representatives Boehner, Petri, Roukema, Ballenger, Hoekstra, McKeon, Castle, Johnson, Upton, Hilleary, Ehlers, Biggert, Tiberi, Osborne, Miller, Kildee, Owens, Mink, Roemer, Scott, Woolsey, Rivers, Hinojosa, Tierney, Kind, Kucinich, Holt, Solis, Davis, and McCollum.

Staff Present: Stephanie Milburn, Professional Staff Member; John Cline, Professional Staff Member; Kate Gorton, Professional Staff Member; Travis McCoy, Legislative Assistant; Paula Nowakowski, Staff Director; Sally Lovejoy, Director of Education and Human Resources Policy; Jo-Marie St. Martin, General Counsel; Scott Galupo, Communications Specialist; Patrick Lyden, Professional Staff Member; Deborah O. Samantar, Committee Clerk/Intern Coordinator; Charles Barone, Minority Deputy Staff Director; Mark Zuckerman, Minority General Counsel; Maria Cuprill, Minority Legislative Associate/Labor: Ruth Friedman, Minority Legislative Associate/Education; James Kvaal, Minority Legislative Associate/Education; Maggie McDow, Minority Legislative Associate/Education; Joe Novotny, Minority Staff Assistant/Education; Peter Rutledge, Minority Senior Legislative Associate/Labor: Michele Varnhagen, Minority Labor Counsel/Coordinator; Daniel Weiss, Minority Special Assistant to the Ranking Member.

OPENING STATEMENT OF CHAIRMAN JOHN BOEHNER, COMMITTEE ON EDUCATION AND THE WORKFORCE, U.S. HOUSE OF REPRESENTATIVES

Chairman Boehner. We are hearing testimony today on the administration's proposals for welfare reform.

Under committee rule 12 (b) opening statements are permitted by the chairman and the ranking minority member of the committee. Therefore, if other members have opening statements, they will be included in the hearing record. And with that, I ask that the hearing record remain open for 14 days to allow members' statements to be submitted for the hearing record. Without objection, so ordered.

Let me say good afternoon to you, Mr. Secretary. Thank you, Mr. Miller, and all my colleagues, and our audience. I extend a warm welcome to you. I want to thank you very much for being here to show your interest and assistance.

Many of us on this committee remember the heated debates Congress had over welfare reform in 1996. After President Clinton signed the bill into law, some predicted it would have disastrous results. One of our former Senate colleagues said, and I'll quote, “Those involved will take this disgrace to their graves."

Well, let's look at what has happened: Welfare caseloads have dropped 57 percent from their all-time high of 5.1 million families in March of 1994 to 2.1 million families in May of 2001, their lowest level since 1968 according to the U.S. Department of Heath and Human Services. Census figures also show that employment by mothers most likely to go on welfare rose by 40 percent between 1995 and 2000.

Moreover, since 1996, nearly 3 million children have been lifted from poverty. Census data show that child poverty is now in its longest period of sustained decline since the early 1970s, and the black child poverty rate is at its lowest point ever.

One of the myths that welfare reform opponents like to employ is that the reductions in welfare caseloads and child poverty during the late 1990s were a result of a healthy economy, not the welfare reform law. But history shows that this argument simply doesn't hold water; during other long economic booms in the 1960s and the 1980s, welfare caseloads actually rose. The fact is that the '96 reform law's work requirements made the crucial difference in maximizing opportunities for welfare recipients to participate in the workforce.

The success of the '96 welfare reform law is beyond dispute. Indeed, an editorial in yesterday's New York Times called it, and I'll quote, “an obvious success." The challenge for this Congress is to build on that success by putting more Americans on the path to self-reliance when

the law is reauthorized this year. While it is true that the '96 reforms significantly reduced welfare caseloads, we still have work to do. A majority of TANF recipients today are still not working for their benefits.

According to the Health and Human Services Department's Third Annual Report to Congress, 58 percent of TANF adult recipients are not participating in work activities as defined by federal law, which includes work and other various job training and education activities.

In addition to strengthening work requirements, we recognize how essential it is for welfare families to have access to appropriate childcare. The bill this committee will consider in the coming weeks will reauthorize and improve the Childcare and Development Block Grant.

President Bush recently released his blueprint for the second phase of welfare reform, which aims to help more welfare recipients achieve independence through work and strengthen families. Secretary Thompson is here today to testify about that proposal.

As this committee prepares to consider legislation to reauthorize the 1996 welfare reform law, which Subcommittee Chairman Buck McKeon and I will introduce today, I look forward to a spirited debate. We all share the same goal, and that is to help more people move into productive, independent, and self-sufficient lives.

With that, I yield to my friend and my colleague, our distinguished Congressman from California, Mr. Miller.

OPENING STATEMENT OF CHAIRMAN JOHN BOEHNER, COMMITTEE ON EDUCATION AND THE WORKFORCE, U.S. HOUSE OF REPRESENTATIVES, WASHINGTON, D.C. – SEE APPENDIX A

Mr. Miller. Thank you, Mr. Chairman. I'd like to welcome Mr. Secretary to the Committee this afternoon and I will be yielding my time to Congresswoman Patsy Mink, who is the ranking member of the subcommittee.

OPENING STATEMENT OF RANKING MINORITY MEMBER PATSY MINK OF THE SUBCOMMITTEE ON 21ST CENTURY COMPETITIVENESS, EDUCATION AND WORKFORCE COMMITTEE, U.S. HOUSE OF REPRESENTATIVES

Mrs. Mink. Thank you very much, Mr. Miller. On behalf of the ranking member of the full committee and certain members of my subcommittee on this side and all of the minority members of the committee, I, too, want to join in welcoming the Secretary for this opportunity to discuss with you the many pertinent issues that we feel are still very much under discussion when we take on the responsibility of reauthorizing the Temporary Assistance to Needy Families Program.

I would like to first of all, Mr. Secretary, call to your attention the bill, H.R. 3113, that I introduced last year. It now enjoys 88 co-sponsors in the House and it has been endorsed by more than 80 organizations all across the country. This represents not only the welfare community organizations but also well-known organizations like the BPW, YMCA, Communication Workers, and so on and so forth. I'd like to put on the record to include at this point the list of not only the co-sponsors but the list of organizations.

GROUPS THAT HAVE ENDORSED H.R. 3113, THE TANF REAUTHORIZATION ACT, SUBMITTED FOR THE RECORD BY REPRESENTATIVE PATSY MINK, COMMITTEE ON EDUCATION AND THE WORKFORCE, U.S. HOUSE OF REPRESENTATIVES, WASHINGTON, D.C. – SEE APENDIX B

Mrs. Mink. H.R. 3113, Mr. Secretary, was the product of grassroots recommendations and the product of many, many hearings all across the country in which these organizations took testimony, particularly from recipients and recipient families, with respect to what they felt needed to be improved in terms of the TANF legislation.

My bill seeks to make a real path from welfare to true self-sufficiency. As to the relevant matters before this committee, we feel strongly that education and training is the major way to provide economic security for families who are in this specialty category.

Therefore, Mr. Secretary, I'm quite dismayed that so many of the suggestions for reform by yourself and by the administration do not go to the central issue of how to improve the families and their future by emphasizing the importance of education to this responsibility.

The President took great initiative by promoting H.R. 1, Leave No Child Behind, where we worked together for over a year and produced legislation which you were all able to sign and support, and it seems to me that if we are going to advocate a notion of leave no child behind and doing that through education and accountability in educational systems, then we have to adopt that same principle with respect to families who are on welfare and who are still in need of support. Education is our primary difficulty with the current bill, because it only allows one year of educational training.

The legislation that we have submitted calls for the encouragement of persons on welfare to engage themselves in the full display of educational opportunities so that they can uplift themselves, their families, and their children to the full strength of economic security and opportunity which there is in America, and we feel that the TANF legislation ought to do this.

The first thing is to allow it as a work activity and then to stop the clock while that activity is in full progress, so that people can get nursing degrees, teaching degrees, become professionals and so forth. So we think that in this committee that's the major issue that we should be facing.

Now the proposal of the President and your administration is to go in the opposite direction by requiring 40 hours of work by the recipients, 16 of which could be in education and 24 in full work activity. We feel that this increase of the 40 hours is a gross mistake and to couple it with

acknowledgement that education is valuable we think misses the point entirely.

There are many other areas that go to the notion of what is important in America. We think that middle-class families, upper middle class, and the rich have always had a sense of pride when women have decided on their own, even though they have high-paying jobs and professional careers, to become mothers and have the responsibility of taking care of their children, to decide for themselves to stay home and to rear their young children until they are of school age.

We think that this is a philosophy that should be sustained when they deal with welfare recipients as well. Therefore, one of the major points that we make in our legislation is directed towards the responsibility to allow mothers to stay at home and care for their children. And certainly we think that is something that puts the child first and to allow the parents to nurture and raise their own children is a very important principle for welfare recipients.

The other areas have to do with drug treatment, to allow drug treatment to be a work activity that allows the clock to stop.

There are numerous other things, Mr. Chairman; I would like to add to the summary of my legislation at this point. I urge the administration to have an open mind in considering a number of these points that many of us feel are very, very important and go to the dignity and respect that we feel that these individuals who find themselves in misfortune have the right to expect their country to extend to them.

Thank you very much, Mr. Secretary.

Secretary Thompson. Thank you.

Chairman Boehner. I would like to yield to my colleague and vice chairman of the committee, Mr. Petri, for purposes of introducing us to the former governor and now the Secretary.

Mr. Petri. Thank you very much, Mr. Chairman. It's an honor for me to have an opportunity to present someone who I think you have all met a number of times already but the most distinguished constituent, former governor of Wisconsin, Secretary of Health and Human Services.

It is appropriate at this time that our nation has the leadership of Tommy Thompson in this important role because as governor of our state, he led the nation in reforming welfare through a bill that we called W2; Welfare to Work.

To do that, he had to not only reinvent the incentives of the program at the state level but also battle here in Washington for waivers so that he could do something different and innovative. I think it is particularly noteworthy that in the administration's proposal, which the Secretary will be presenting to us today, there is enhanced labor authority, so that our nation can benefit from using the states as laboratories of not just reform but also to deliver innovative and improved services to the people which provide increased opportunities.

Secretary Thompson has put his efforts into practice by providing more opportunities for people through helping them to get health care they would not have it otherwise and a number of other programs.

We look forward to your testimony today.

Chairman Boehner. Mr. Secretary, welcome. You may begin.

STATEMENT OF HON. TOMMY G. THOMPSON, SECRETARY, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Secretary Thompson. Thank you very much Mr. Chairman, Congressman Miller, my very good friend and colleague, Congressman Petri, Congressman Kind and other members of this wonderful Committee.

I'm very honored, Mr. Chairman, to appear before you today to discuss the next phase of welfare reform. Chairman Boehner, your bipartisan leadership of this committee rightly earns you high marks. And, Congressman Miller, thank you for your years of leadership. I'm confident that we will work together to find common ground on the next phase of welfare reform.

Over the past five years welfare reform, as the Chairman has indicated, has exceeded our most optimistic expectations. The 1996 law dramatically shifted national welfare policy by promoting work and encouraging personal responsibility, discouraging unwed pregnancy, and supporting marriages. States were given unprecedented flexibility in the design and implementation of their welfare programs. Families were given the help that they needed to transition from welfare to working.

And underlining all of these changes, we restored a central principle that has long been lost, that welfare assistance was designed to be temporary and help families in crisis and that dependence and poverty were not and should not be permanent conditions.

Welfare was fundamentally reformed, and as a result, nearly 7 million fewer individuals are on welfare today than in 1996. Two point eight million fewer children are in poverty. Minority children raised from poverty levels has increased dramatically. These things have occurred in large part because welfare has been transformed.

TANF has moved millions of individuals from welfare to work. Employment among single mothers has grown to unprecedented levels. Child poverty rates are at their lowest levels since 1979. Overall, child poverty rates have declined from 20 percent in 1996 to 16 percent in 2000. The poverty rate among African-American children declined from 40 percent to 30 percent, the lowest level on record, and the poverty rate among Hispanic children declined from 40 to 28 percent, the largest four-year drop on record.

Yet much remains to be done, and states still face many challenges. Our proposal seeks sixteen and a half billion dollars for block grants to the states and tribes, and an additional $319 million for supplemental grants in order for states that have experienced high population growth and had historically low funding levels to achieve parity.

At the same time, we will continue the current maintenance effort to retain state contribution assistance for children and families. We will reauthorize and improve the 2 billion dollar contingency fund and make major changes. We will also restore, for five years, the policy permitting the transfer of up to 10 percent of TANF funds to the Social Services Block Grant, and we will seek to maximize self-sufficiency through work.

First and foremost, states will be required to engage all TANF families headed by an adult in activities leading to self-sufficiency. In addition to the requirement for universal engagement, we will increase the direct work requirement. Our proposal requires welfare recipients to engage in a 40-hour-work week, at least 24 hours of which must be in direct work, including employment, on-the-job training, and/or supervised work experience. This is an important step, since 40 hours is a normal work period for all Americans, and we want the men and women who are transitioning from welfare to understand what will be demanded of them in the real world. A full 16 of these 40 hours can be used for training and education, the very things that will equip former welfare recipients for success in the future.

In addition, we will allow substance abuse treatment, rehabilitation, or work-related training for up to three months within any 24-month period, and we will also gradually increase minimum participation rate requirements of 5 percent per year. Our proposal embraces the needs of families by promoting child well-being and healthy marriages. To this end, we establish improving the well-being of children as the overarching purpose of TANF.

Child support is also an equally critical component of the federal and state effort to promote family self-sufficiency. For the low-income families who receive child support, it makes up more than a quarter of the family budget.

Welfare reform has made a dramatic difference in child support collections as well. The good news is that the number of paternities established or acknowledged over the past five years has now reached almost 1.6 million. In fiscal year 2001 a record of nearly $19 billion in child support was collected serving an estimated seventeen-and-a-half million child support cases. We are proposing to do even more.

Our proposals are to be targeted to increase collections to families by merely one-and-a-half-billion dollars over five years, beginning fiscal year 2004.

All of that said, I know this committee's deep commitment and passion to ensure an adequate level of childcare funding for children at risk. I appreciate the leadership of you, Mr. Chairman, and the other members of this committee that have shone in this area.

In 1999, 20 million families in the U.S. had one or more children under the age of 13 with an employed mother. Thirty-two percent of these families were in low income. For a number of

reasons, including the high cost of childcare, many of these individual families have difficulty funding and finding care arrangements that they all can afford.

I can tell you from my experience as governor of Wisconsin, access to childcare assistance can make a critical difference in helping low income families find and be able to retain jobs. Our proposal includes a total of $4.8 billion of the Childcare and Development Fund. When combined with TANF and other federal funding sources, nearly $9 billion is available for childcare and related services for children.

Funding available to our childcare programs and TANF transfers alone will provide childcare assistance to an estimated 2.2 million children in fiscal year 2003. This is a significant increase over the number served just a few years ago, when children served by the Social Services Block Grant and TANF direct spending for childcare are considered. An estimated one-half million additional children will be served in 2003.

Under the President's plan, states have significant flexibility to decide how childcare funds will be used and what will be emphasized in achieving the overall goals of improving access to care and the quality of care.

Along with state flexibility, parental choice is a key element of a successful childcare program. Families must be allowed to choose the care that best meets their needs, whether with a relative, neighbor, childcare center, faith-based program, or after-school program.

In addition, we established a new state programs integration waiver authority, as Congressman Petri indicated, to permit states to further integrate a broad range of public assistance and workforce development programs in order to improve the effectiveness of these programs. Broad flexibility to develop new strategies and approaches will be provided, enabling the states to design fully integrated welfare and workforce development systems that could revolutionize services delivered.

Of course, the purpose of these programs must continue to be met. States still will be required to identify the programs and the activities for which waivers are requested, and must describe how the program's proposals and purposes will be achieved, and show how the proposals will improve or enhance the achievement of these goals.

Mr. Chairman, the proposal I bring before you today contains several essential principles and proposals. What binds them together is the desire, as I know it is the Committee's desire, to improve the lives of the families protected by America's social safety net. I look forward to working with you, Mr. Chairman, and all the members of this committee in a bipartisan way to accomplish that ending.

Now, I'll be happy to answer any questions that you might have.

WRITTEN TESTIMONY OF HON. TOMMY G. THOMPSON, SECRETARY, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES –SEE APPENDIX C

Chairman Boehner. Mr. Secretary, thank you for your testimony, and again, thank you for your willingness to come up and talk to this committee about the administration's proposal.

As the development of welfare reform has been a big success in moving people from welfare to work, questions are raised as to what kind of work are former recipients receiving and if they are getting stuck in low-paying jobs. Do you see advancement, not just job placement, as an element of the TANF program?

Secretary Thompson. Absolutely, Mr. Chairman, and that's the reason for the new TANF proposal. Work has got to be an essential item but the training, the education, the 16 hours that are included in here, the 40 hours, are set up to accomplish that. You have to be able to get a job. You have to be able to continue to get a job and training in order to improve that and be able to go up the economic ladder.

And the second thing people say is that you could be better off by going back in the old system. That is absolutely incorrect, because you are going to be locked into poverty. By working, by getting the training, the education, the drug treatment, if necessary, and the alcohol rehabilitation that may be necessary, you are going to then have the opportunity to go up the economic ladder and improve your quality of life as well as the opportunity to improve the working conditions and the economic position that you are in.

Chairman Boehner. Mr. Secretary, you described for us how, as governor, you integrated welfare and workforce government programs in your home state of Wisconsin.

Secretary Thompson. Absolutely. I looked at all the workforce programs, Mr. Chairman, and I decided that you had to have an integrated program, so we set up counseling centers in every county in the State of Wisconsin and we brought in the cities, the counties, and the state work programs and put them into one counseling center, with counselors to talk about job prospects. We put all the jobs in the state on a computer base. We brought in the county and the city and the state counselors to meet with individuals. We had a day care center in every one of the counseling centers so an individual could walk in, have their children taken care of, fill out their application, go on the Internet and find any job that would meet their skills with a counselor there. We had vocational counselors there to help advise them and direct them.

It was the first integrated approach of any state that brought all of these things together at a particular site in every county in a particular state, and now we have expanded that beyond the counties, and it is working extremely well. I was just in Florida a couple of weeks ago in which the same concept is working and working extremely well, and is working in other states to the same degree.

Chairman Boehner. Yes, the administration's proposal phases out the caseload reduction credit. What changes do you believe that the administration should suggest encouraging states to continue

moving people off the rolls and into work?

Secretary Thompson. Well, under the old welfare reduction credit, every 1 percent reduction of the welfare cases reduced the requirement of having 50 percent of their individuals working at a particular time. As a result of that was a decline, a tremendous decline, in welfare cases.

Most states are down to around 5 percent. The average is 5 to 10 percent work requirements now. And my own state of Wisconsin has reduced it even more than that. We don't have any requirement whatsoever, even though we still require it, it is a state requirement but not a federal one.

So, we went the other way. We thought we should have an employment type of credit and require people to start at 50 percent, going back to 50 percent, increasing that up to 70 percent, 5 percent each year, and then encourage people on the employment side to get a job, and so we are putting back more requirements to keep people working. We are also putting in the requirement that every state has a full case file on every individual person on assistance and be able to follow that and put in a job plan as well as an education plan to keep them going in that direction.

Chairman Boehner. What do you think the states could do or accomplish with the labor authority that is part of the goal?

Secretary Thompson. Well, the federal laws are different as far as eligibility, you know, different eligibilities for HUD, different eligibilities for Labor, different eligibilities for some programs under TANF, different eligibility programs for the food stamp program, so I envision an enterprising governor to be able to take a program out of HUD, out of Labor, out of the food stamp program, out of TANF and be able to uniform the eligibility requirements as well as performance requirements so that you have one eligibility requirement, one performance requirement, and then have to apply for that waiver from the three or four departments that they would request.

The Secretaries would have to be on 90-day intervals if there are any applications for waivers and all of the Secretaries would have to either sign off or make comments and agree to the comments on that particular waiver for their department. And so it would be a uniform-packaged thing, to be able to bring together the performance, the eligibility requirements so there would be one standard that the states would follow, the welfare recipient would be able to follow, the counselors would be able follow, and make a uniform system and make it much easier to be able to place people into work.

Work, for instance, has many definitions in the federal code, and childcare has many definitions, and if you could put all of those together and make a uniform standard, you could then develop a very innovative program.

Chairman Boehner. Well, maybe we can put all that under the jurisdiction of our committee, and we'll solve that problem for you.

I will have to yield to my colleague from California, Mr. Miller.

Mr. Miller. Thank you. Thank you, Mr. Chairman. Mr. Secretary, thank you for your testimony.

Just to follow up on a point made by the Chairman, your argument in the new work requirement is that the states were able to offset that requirement through the use of the credit over the last five years; is that correct?

Secretary Thompson. That is correct.

Mr. Miller. So what would the actual increase be for a state that had a healthy credit for people leaving TANF in terms of this employment requirement?

Secretary Thompson. Let's take my own state of Wisconsin, which doesn't have any requirements only because they reduced the welfare care load before that. So the first year they get the hundred percent of that credit. In the first year after you enact the legislation, you would be able to use that credit.

The second year they would be able to use 50 percent of that credit, the second fiscal year, so it would be up to 25 percent. The third year they would have to go back to the hundred percent because of the two years intervening they would be at 60 percent. They would have 60 percent of the remaining caseload and some kind of work experience and would have to have a case file.

Mr. Miller. For a number of states, that would be a substantial jump.

Secretary Thompson. But it would be a phase-in over three years.

Mr. Miller. I understand that.

Secretary Thompson. Yeah.

Mr. Miller. Obviously, the credits were more successful than you anticipated.

Secretary Thompson. Absolutely.

Mr. Miller. In the beginning, but now you are talking about a hard number which is going to be a substantial real jump over the next couple of years for the states.

Secretary Thompson. That is correct.

Mr. Miller. The reason I asked that, it's just a point of clarification, is there has obviously been a concern raised that if you have this increase, and then you have this history of flat funding in childcare, and as you've said and many others have said, childcare is a real enabler.

Secretary Thompson. It is.

Mr. Miller. If you are going to work and stay in the workplace, I'm just not quite clear how you get that justification from those two facts.

Secretary Thompson. Let me try and explain it this way. First off, I'm a big advocate of childcare, and I have testified in Congress many times as a governor. There are four things, really, that make a successful welfare reform program, the first one childcare, health care, transportation, and training. You have to have those four essential ingredients in order to have a successful welfare program.

Secondly, in regards to childcare, we are putting $4.8 billion in, which is a level funding, but when you take a look at the numbers, when we started on welfare reform back in 1996, there were over 8 million children in this particular category. Today there are less than 4 million, so the money is still there, but under TANF there are less than half the number of children to be taken care of with childcare.

Number three, if we weren't doing homeland security and were not involved in a war on terrorism, there may be a lot better arguments in regards to putting money into childcare, not better arguments, because there is always a great argument for childcare, but there would be more money available. With the homeland security and the war on terrorism, we felt that this was a very adequate amount of money at this point in time.

Mr. Miller. Well, I guess I would just disagree with you. The purposes of this program and I think the intent of everyone is to see this program, and more importantly, the families in the program, succeed. And I just don't see that that kind of flexibility that you talk about in reading through your statement. The suggestion somehow is that there is plenty of money there. It's your statement, and you are welcome to it.

Secretary Thompson. Yes.

Mr. Miller. But I just don't quite see where the figures add up that that is the case.

Secretary Thompson. Well, I negotiated with Congress back in '95 the original TANF proposal. I was chairman of the National Governors Organization. We cut a very good deal with Congress. We were able as state governors to be able to pick the base year, fiscal or calendar year '93, calendar year '94, calendar year '95 or a combination of those three. As a result of that, we as governors picked the best year or a combination of years that would be advantageous to the states and the particular year when the TANF proposal came, there were over 8 million children under the TANF program at 4.8.

Mr. Miller. I don't disagree with that.

Secretary Thompson. We have half the children now and still the same amount of money.

Mr. Miller. Mr. Secretary, I don't disagree with that, but it is also fair that the intent of your new bill is to put additional requirements, pretty substantial work requirements, into place. We can talk like 1 to 5 percent, but these are real numbers that have to be placed without the credit. We've got

to make those gains.

And so the question that is being raised by the states and others is whether or not your package, the package that transfers money into childcare, now that you are going to have work requirements and greater work requirements under the existing system and maybe even to some extent more real work requirements than under the existing system, and so the notion that the same amount of money is going to be there to be able to transfer that into childcare I don't think necessarily holds up.

Secretary Thompson. But you have half of the numbers.

Mr. Miller. Well, I'm not sure that is quite correct. It also doesn't suggest the call upon the childcare, while people go out there in the workplace or are trying to stay in the workplace, where we have waiting lists in almost every state.

Secretary Thompson. Several states do not have waiting lists.

Mr. Miller. God bless them.

Secretary Thompson. One is my state, Mr. Miller.

Mr. Miller. Well, we'll take you the next time.

Secretary Thompson. Okay.

Mr. Miller. The fact is that many states, mine included, have very substantial waiting lists of people who are trying to stay in our economic system and need childcare to do so.

Secretary Thompson. Congressman, I want to work with you.

Mr. Miller. No, I'm just saying that there is a…

Secretary Thompson. Childcare is important.

Mr. Miller. With the expression of very little concern by the states and others about whether this, and I expect them to make their advocacy case but I also think that as we look at the numbers and we look at the need of this system, I'm not sure you combine these increased requirements with that flat funding. But that is what the legislative process is all about.

Secretary Thompson. Congressman, I was a proud governor and I know governors as well as anybody in the country and I have never seen a governor turn down extra money coming from the Federal Government, and they certainly will be here to request more money, sir.

Mr. Miller. I'm not about extra money. I'm about sufficient money to make sure that these kids get decent care so the parents can go to work.

Secretary Thompson. We both agree on that, Congressman.

Chairman Boehner. You are starting to sound like one of those governors.

The chair recognizes the gentleman from Wisconsin, Mr. Petri.

Mr. Petri. Thank you, Mr. Secretary. There has been some attention given in the press as this was being worked on and prior to its presentation, on the marriage promotion side of this proposal. I personally think one of the major problems is our government has set up very peculiar adverse incentives for individuals to not take out a marriage license. If you take out a marriage license, you'll lose all kinds of benefits if you provide two low-paying jobs rather than just having one on the forms. So apart from encouraging marriage, our national policy for the last 20 or 30 years has been to discourage people taking out a marriage license.

I think that it's a financial disincentive to marry for low-income people, and so it helps explain why the illegitimacy rate in our country is in some communities is 50, 60 percent or more. And this is a very dangerous situation for a healthy society, I'm sure.

Do you think that the increased waiver requirement enables states to come up with some innovative ways to kind of change these incentives so that people can take out a marriage license without losing five or $6,000 in after-tax income when their total earnings are only 20 or $25,000, which is the situation some people face today?

Secretary Thompson. I think you have answered your own question, Congressman, and I agree with you wholeheartedly and enthusiastically in supporting your premises in regards to this particular question.

I think that the federal laws did, in certain, instances discourage marriage, and what we are trying to do with the healthy marriage proposal is to allow states the innovation and the flexibility to set up programs on counseling as well as to assist people in regards to marriage. Not only encourage, we don't encourage marriages that are going to cause problems. But in the case of individuals who want to get married, to give them counseling so that they can make a very valid decision and hopefully have a positive and constructive marriage and be able to support healthy marriages, but at the same time, give the states the flexibility to do that.

And I have got a great deal of confidence in the ingenuity and the innovation of state governors across America to do that, and that is why the provision is in there for states to have that opportunity to do so.

Mr. Petri. And actually this is the Education and the Workforce Committee, and certainly having a stable and two-parenting household to provide a framework where the children have a better chance of succeeding in school as well. So there are lots of benefits for our society in trying to remove disincentives to people having stable family relationships.

Secretary Thompson. I agree with you, and I think that's what the TANF proposal by the administration is attempting to do, and I thank you for your support, Congressman.

Chairman Boehner. The Chair recognizes the young lady from California, Ms. Woolsey.

Ms. Woolsey. Thank you, Mr. Chairman. It's nice to see you, Mr. Secretary. I walked my walk. I don't know if you know it but 35 years ago, I was a welfare mom.

Secretary Thompson. I knew that.

Ms. Woolsey. No fault of mine, no fault of my children's. They had no dad all of a sudden, and that was bad enough. Going on welfare, I went to work, of course, and stayed working. Went on the Aid for Dependents to make ends meet, bad enough, but the worst part of the whole thing was the 13 different childcare situations in 12 months. That was the worst year of my children's life. It was almost impossible to get to work on time but I did, became an executive, but not until I had the childcare situation under control.

There is no way we can provide funds and increase the number of mothers that have to go to work and the number of recipients that have to be in the workforce and make it possible for moms to go to work and be successful. I'm telling you when you are working, you are thinking about your kids and if they are not taken care of, half your brain is worried about them. Luckily I had a good brain, I could work with half a brain. Not everybody can. Not everybody will go to work and leave their children in a situation that they are not comfortable with. And that was 35 years ago. It's not that much better now.

What we have to learn from what happened over the last five years is if we want moms to go from welfare to self-sufficiency, they have to have the support system in place. I'm not only talking about childcare. Certainly the education is equally important.

So I want to hear from you because you were a governor. Where as a governor are you going to find money in a state budget to make up for what the President is proposing? You know, insisting that more go to work, insisting that they work longer hours? There is not enough childcare. There is not enough childcare.

Secretary Thompson. Congresswoman, first let me congratulate you on what you have been able to accomplish. Secondly, I'm very proud of what you have been able to accomplish, and I congratulate you. Third, you seem to be fighting with me for no reason whatsoever on childcare, because I happen to be an individual passionate believer in childcare. I have argued in these halls as a governor that we can't put people to work without adequate childcare. That is still the law. It is the law in TANF and if there is not childcare available, nobody is going to require somebody to go into work.

The fourth thing is that our level of funding childcare is as far as the Childcare Block Grant and when you look at a budget, you've got homeland security, you've got the war on terrorists, and you have this amount of money appropriated.

I think we've done…

Ms. Woolsey. I'd like to take my time back, because we are not going to pay for homeland security and the war on terrorism on the backs of our children.

Secretary Thompson. But you also have to realize, Congresswoman, when we put this together five years ago; there were over 8 million children for $4.8 billion. Today, there are less than 4 million children for the same amount of money, so if you look at it in regards to the money, there is actually more money available.

When you put in the flexibility and allow 30 percent of the money to be diverted to childcare for the states where we have got half of the number of recipients on the FDC, that is a very, very positive package.

Ms. Woolsey. Then, Mr. Secretary, I ask you why the other governors around the country are telling us that they aren't going to be able to fund these programs.

Secretary Thompson. Well, listen. I don't want to argue with you, because I want to work with you. I want to come up with a solution, as you do, because this is a good program. We have a great opportunity to move to a national level of welfare reform in America. We want to have people move up the economic ladder. We want childcare. We want to increase child support.

The situation is, is that if I was the governor out there right now, I'd be doing the same thing. I know that you are going to be negotiating on this bill and I know that states are suffering right now through financial problems, and if I could get more money from the Federal Government I'm going to be doing that. You know, that has been the haven for governors and I would be doing the same thing if I was still the governor, but the situation is, when you look at the numbers and you look at the situation that we have right now, when we put TANF I together and I negotiated that as chairman of the National Governors, there were over 8 million children that would be eligible for welfare reform.

We wrote into the law that if there was not childcare money available, you could not require a mother to go to work. That still is going to be the proposal in this law. There are half the numbers of individuals on welfare; there is less than half the number of children, with the same amount of money. It seems to me that if states are doing it now, they should be able to continue to do it with a declining caseload and declining number of children.

Chairman Boehner. Mr. Secretary, your time has expired. The Chair recognizes the gentleman from North Carolina, Mr. Ballenger.

Mr. Ballenger. Mr. Secretary, let me pose you a situation, a real situation. Sixteen years ago in North Carolina, we were working to find a way, and everybody came up with a brilliant idea, we found out that you couldn't really ask a welfare mother to go to work if she didn't have day care. So we got together, we got the industry together, we got the United Fund together, and we all put in money. We took an old school, rebuilt it, and set up day care, basically in the black section of our

community.

We started off with CETA workers and we educated them, did all the necessary things and then along came Head Start and then along came Smart Start and I really don't have an argument because this day care center was certified by the state as being one of the best in the state, but I don't know. I would gather that it's probably location. We were actually taking care of the kids, giving them one meal and a snack a day for $40 a week, and some of the churches around town were, you know, a hundred and fifty dollars a week with nothing more.

Parental choice, which you said is mandated, and you know, probably the same way about the school system, but what happened is our day care center started losing children. Then they were going to other day care centers that cost twice as much, three times as much and were no less qualified, and we just don't know what to do in a situation like that when you have an absolute parental choice by the parents and nobody seems to care what it costs.

That's a good question. Do you have an answer?

Secretary Thompson. I don't have a good answer for you, Congressman. I mean, I'm a big advocate of parental choice and I believe that it works. I think that the parents should have the opportunity to choose the best day care service for their children, and whether it is with a relative or whether it is in a childcare center, whether it is in a Head Start Program, whatever is the case.

I think parents, as the Congresswoman from California had indicated, they are going to look out for the best interests of their children. I think they have to and I think they should and I think it's good and I think that is what the parental choice allows for.

Mr. Ballenger. The only thing that bothers me is I socially believe the same that you do but in reality, when you get right down to the nitty-gritty, you can take your child over to the nicest church in town and so forth and they charge you twice as much or two times as much as a certified, well-qualified, well-run operation that feeds probably more than the church operation does and because of federal law, ours is slowly but surely going out of business because it can't compete with the socially correct place to put your children.

Secretary Thompson. Well, I don't have an answer. I happen to be a strong believer in parental choice.

Mr. Ballenger. I'll back off.

Mr. McKeon. [presiding] Mrs. Mink?

Mrs. Mink. Thank you very much. Mr. Secretary, I applaud you with fervor with reference to the reform of childcare because without childcare there is no possibility that you can force anyone to go to work and that is a given. Now in the legislation that you are sponsoring, I am also as vehement with respect to stopping the clock on any recipient who is unable to find the quality childcare.

Secretary Thompson. I think it should be certainly considered. I'm not going to say I'm as passionate about it as I am about providing for childcare, but I think it…

Mrs. Mink. How can you be passionate about providing for childcare if it is determined that the parent is unable to provide and find such childcare and therefore can't work? How can you penalize her and have the clock keep running and ultimately in five years be out of any cash assistance?

Secretary Thompson. Well, you know, Congresswoman, that I am very passionate about childcare and when I was governor I started out with a budget that had $12 million dollars for childcare and increased that, using state dollars, mainly, up to a hundred and eighty-three million, the biggest percentage increase of any state in America, I might add, and I'm very proud of that.

In regards to this, you also know under the federal law that you cannot require a mother to go to work unless there is childcare available for that woman.

Mrs. Mink. But that has no meaning unless you stop the clock.

Secretary Thompson. Well, I think Congress can make that decision, but right now Congress made the decision that the five-year clock runs, and I support them.

Mrs. Mink. Now we are looking at the law and we are looking to ways to make it more humane, more in keeping with the policy that we set, and my question is, will your administration support the next step, which says we can't find it if the clock stops?

Secretary Thompson. And I indicated to you that I would certainly take that into consideration when we get down to negotiating the final bill, Congresswoman.

Mrs. Mink. Thank you very much. And the other aspect of childcare is the carryover of the federal responsibility for childcare after the recipient leaves welfare to find a job. That carryover support of childcare is part of the childcare development law.

Secretary Thompson. Yes, it is.

Mrs. Mink. The low-income families are entitled to receive childcare subsidies.

Secretary Thompson. Well, they have that under the Childcare Block Grant, and the states have also the opportunity for doing that under the Social Services Block Grant.

Mrs. Mink. Can they take the money out of TANF as well?

Secretary Thompson. Yes, they can.

Mrs. Mink. So it is a combination in which the carryover has responsibility until the recipient earns enough income to fall out of eligibility, is that correct?

Secretary Thompson. Well, the proposal allows for, and I don't know whether the bill is going to be reduced, but the proposal put out by the administration allowed for the diversion of the 30 percent of TANF to go into childcare block grants and it gives the states the flexibility, a lot of flexibility, to set up the requirements for how far the childcare could go and for the states to set up the childcare program in their respective states.

Mrs. Mink. Well, my next question is that we all appreciate the fact that many millions of children have gone off the welfare rolls as a result of the '96 law, but many of them are still being supported by the childcare subsidies of one kind or another, so that's notwithstanding the fact that there is a lot more. There are still beneficiaries of the childcare laws that are in existence, so unless you combine more money for childcare, you are not going to be able to take the 2 million that remain and put them into a childcare situation that will enable the plan to work.

That is why we are saying that it is not about money, because if you are spending the money allotted for those there are success stories because the parents have gone to work, but they need support, and so I want to join this chorus of pleas to increase the childcare funding to make your policies real, so that the families can continue to abide by the decision of working.

Secretary Thompson. And I go back to…

Mrs. Mink. That's a direct question.

Secretary Thompson. I know it's a direct question, and I go back and I applaud you for your passion and I go back to the situation, you know, that when TANF was set up, you had the TANF program. You had the caseload go down by 57 percent. You had the number of children who would be eligible for Childcare Block Grant go down, as far as the TANF program is concerned, under 4 million, and you still had the same amount of money.

It seems to me when you have the same amount of money with half the number or even less than half the number of children, you should be able to make ends meet, if you are an enterprising and innovative governor, and I happen to applaud the governors because I know they are enterprising and innovative.

Mrs. Mink. A lot of the criticism went to the quality of the childcare, and I notice that you have only set aside 4 percent of the funding for that. Is there any possibility that we could push the administration to double that amount of money so that the quality issue can be answered?

Secretary Thompson. As you know, the 4 percent level is in the existing TANF law and we just extended it, and we have made an assessment of what the states are doing as far as the money they are putting in, and right now with what the states are putting in and the money that they are diverting out of TANF is 7.2 percent of the money is being spent on quality. So it has almost achieved your 8 percent.

The floor is 4 percent, but what is actually being spent on quality improvements is 7.2 percent in the United States today, almost 8 percent, as you would require.

Mr. McKeon. Moving forward, we are going to have to at this point enforce the five-minute rule for questions.

Mr. Castle?

Mr. Castle. Thank you, Mr. Chairman. Let me say it was wonderful to work with the then-governor Thompson on these issues. He is indeed the guru of welfare reform. We appreciate all he has done.

Let me ask first about one of the areas of concern, the Transitional Medical Assistance. During the '96 reform, Congress made a strong bipartisan commitment for providing transitional health coverage for people moving from welfare to work. We believed the parents who did the right thing and went to work should not lose their health care for themselves and their children, and since '96 welfare recipients have gone to work more quickly in much greater numbers than any of us had anticipated, but there have been technical problems with TMA which have prevented many of the individuals from qualifying for and keeping their transitional coverage, with more than 50 percent of welfare leavers losing their health insurance within one year.

I was pleased that the President included $350 million in his fiscal year to be budgeted, keeping the temporary Medicaid benefits for another year, but the President's request does not include any simplification changes.

Would the administration consider putting provisions in the final welfare reform reauthorization package which would correct the administrative problems with current TMA law, extend it for longer than just one year, and make the program work as Congress originally intended?

Secretary Thompson. My simple answer is, absolutely and yes, and I couldn't agree more on what you are advocating, Congressman Castle. The only question is what are those changes that you would need and who you would need and who you would be bringing in. I'd like to tell you without a doubt, but I would like to take a look at them. I'd like to work with you. They need to be improved. They need to be streamlined, and I want to work with you to accomplish that, Congressman.

Mr. Castle. Good. I'm pleased with your answer. I won't ask any more questions about it now. We do need to go over the details, but it is an important area.

Secretary Thompson. It is.

Mr. Castle. Let me go on to another subject, and I need to take you back to the childcare, because you talked about it a lot today but I'm concerned about it from a little bit of a different point of view, and that is the view of quality of childcare. I'm a total believer that that first 60 months of life, as these kids get ready for kindergarten, is of vital importance to them. The kids on welfare, in particular, maybe from families who are illiterate to maybe not everyone is there, they don't get the same assistance that the families of a different circumstance might get with educated parents, et cetera. As a result, I think that we have to start to substitute for that in childcare. Particularly this

area is one of the key areas of which we need to do that.

I think it is totally evident that these kids learn practically from birth and I think we need to build the foundation for learning the A, B, C's, one, two, three, whatever it may be, to assure that they are a success.

Do we know now, Mr. Secretary, how states are using their current quality assessments in the Childcare and Development Block Grant program? And let me just go over this, and based on the academic level of the children, do we need to ensure that more or a greater portion of federal dollars are used for early learning? I mean, I propose we even go from 4 to 6 percent in solving quality issues.

We notice a numbers of areas, Head Start and others, have called for more licensing of teachers, and I realize it's very difficult to get day care providers and I realize that everything I'm saying in terms of better-educated day care providers, college graduates, et cetera can also be more expensive and that is obviously going to be a key issue as we go through the welfare reform reauthorization.

But I don't want to sort of kick out the whole idea of the quality issue simply because we are worried about just extending the couple; if you could help me believe that we are going to continue to work on the quality side of it as well, I would appreciate it.

Secretary Thompson. Congressman, once again, I applaud you. I applaud Congresswoman Mink on the same question. States are increasing the amount of money from 4 percent to 7.2 percent, and I want to work with you on that. I think it is vitally important.

I think that you know the formative years, the formative months, the first 60 months are so vital, and in order to make sure that child gets started properly and you know that. All the studies, you know, indicate that or most of the studies indicate that and I happen to be a passionate believer of that, and I want to work with you to do that.

Mr. Castle. Well, the states increased it from 4 to 7.2 percent. I would hope that we could increase our legislation from 4 to say, 6 percent.

Secretary Thompson. Well, the Federal Government has put in the floor at 4 percent and the states have exceeded that at the 7.2 percent.

Mr. Castle. I have just one final point. I've heard a lot of the editorials and all the comments about this and it seems to me that the President's plan in terms of the 40-hour workweek and the work provisions in general is not being represented accurately in the press. I'm not asking for a comment from you on that but I think that this is a very important subject and that the data must be fair and the facts must be fair and I'm starting to read information which I happen to believe is wrong. I'm not arguing for one side or the other. I just want to make sure that all of the reporting is fair and I would hope that, I mean, you are a believer of this so I would hope that your shop would watch that and make sure that that fair representation is being made.

Secretary Thompson. Well, there is no question that it has been misrepresented. What we are trying to do is we are trying to make sure that every welfare family has a case file and that the counselor sits down with that individual and helps that individual, first, get a job; second, plan for that job, and then also use the 16 hours to help that individual improve, whether it be helping with the family, going to the day care to help with the children, going to an education or job preparation or getting into alcohol or drug treatment kinds of programs. All of this is in that 16 hours and it is there to make sure that that counselor is working with the individual client to make sure that client can improve and help that client, and that is the reason for it.

Mr. McKeon. Mr. Andrews?

Mr. Andrews. Thank you, Mr. Chairman. Mr. Secretary, thank you for being here today. I share your sense of achievement that there were formerly fewer children on the TANF childcare rolls. How many non-TANF children are in the Childcare and Development Block Grant program?

Secretary Thompson. I don't have the number at hand, but I can get it for you.

Mr. Andrews. There are lots of them, right?

Secretary Thompson. Yes, sir.

Mr. Andrews. Well, I'm concerned we are sort of double counting here. Here is my concern. It's true that there are 4 million children in TANF families today and there were 8 million when we passed the law of 1996. It's also true that you are proposing the same amount of money, or at least authorizing the same amount of money that you did for the 8 million children. But the 4 million children whose parents worked their way off of welfare are still here and they still need some form of education. Many of them need pre-kindergarten education, right?

Secretary Thompson. Yes.

Mr. Andrews. Well, it seems to me that the problem here is that if there is a lot of them, you know, still not of school age, a lot of non-TANF families that are using the Childcare Block Grant, that the 4.8 billion may not be enough, isn't that right?

Secretary Thompson. You can certainly make that argument, Congressman. I can make the other argument that the money, there are less children in the TANF program. The TANF program is directed to both children at the TANF and there are less than about 3.9 million children on the TANF program, and that is what the TANF program is set up to do.

Mr. Andrews. Let me respond. I've heard you make that argument. I could also make a counter-argument there is lots of non-TANF children.

Secretary Thompson. Yes, you can.

Mr. Andrews. These children are going after the $2.7 billion worth of Childcare Block Grant money that's in the bill. I would like you to supplement the record and afterward tell us how many

of them there are.

Secretary Thompson. I certainly will.

Mr. Andrews. And tell us how many of those children will be able to serve under the administration's estimate, under the proposal.

Let me ask you a second question about the marriage initiative. First of all, I assume you inherited this term, and I'm not trying to be combative here but it really does pain me to read on page seven of your testimony the phrase, ``Illegitimacy Reduction Bonus." If I were a child…

Secretary Thompson. I agree with that. I don't like the word, either.

Mr. Andrews. I think we should make an agreement to stop using that phrase.

Secretary Thompson. Well, it is in the law; that is why it is there, Congressman.

Mr. Andrews. Well, maybe we can agree to change the law and stop using it. If I were a child…

Secretary Thompson. I would agree with you.

Mr. Andrews…. Whose mother and father were not married, I would be awfully hurt by reading that.

I guess what I wanted to know is what kinds of specific things are we going to do that will encourage mothers and fathers of welfare children to marry. I completely support the institution of marriage. I participate in it. I do it with enthusiasm.

Secretary Thompson. I'm glad about that, Congressman.

Mr. Andrews. I have human rights, civil rights, constitutional rights concerns about my government using my tax money to impose a choice. I want to know what exactly we are going to be paying for people who do the…

Secretary Thompson. Well, we are not paying people. What we are trying to do, Congressman, is that there was, in the TANF I law, there was $200 million for the Illegitimacy Bonus Reduction and it just didn't seem to work well, and so we decided to try something new.

Two hundred million dollars the government set aside for certain communities to set up counseling programs, to keep a couple together, maybe counsel them on alcoholism, maybe counsel them on their gambling problems if they have one, or drug problems if they have one, or also one of the problems of marriages splitting up is on money, how to counsel them. Also, counsel them on their children for nutrition.

Mr. Andrews. I wouldn't dispute any of that.

Secretary Thompson. Well, that is what the program is set up to do.

Mr. Andrews. I would like to know, and this is not a rhetorical question, what the data tell us about how many children on TANF are in families where the parents are not married, where the parents were married and broke up versus how many are in families where the parents never married in the first place.

Secretary Thompson. I think we can get that figure for you. I don't have it at this time.

Mr. Andrews. I think those are two very different social situations.

Secretary Thompson. I think they are, too.

Mr. Andrews. I frankly would be very enthusiastic about what used to be called Fatherhood Initiative, which is to encourage young men to take more responsibility for children that they have fathered, whether that is within the context of marriage, which I personally prefer, or whether it isn't. I know you have done work on this with Senator Bayh of Indiana and some other people, so I would encourage us to try to go down that road to encourage young men to take responsibility for their children.

Secretary Thompson. I couldn't agree with you more. There is nothing I can disagree with. I've been working with Senator Bayh on that, Dr. Wade Orm, who is the assistant secretary of my department, who is a national expert in this and is doing a lot of work on this and is working with me and with Senators to accomplish this. I would like to work with you as well.

Mr. Andrews. I would like to work with you as well. Thank you very much.

Mr. McKeon. Mr. Johnson?

Mr. Johnson. Thank you, Mr. Chairman. Mr. Secretary, thank you for being here. I don't want to talk about childcare.

I notice that the administration's proposal allows 16 hours to be used for any constructive activity provided by the state and consistent with an individual self-sufficiency plan. Could you tell me one example of a self-sufficiency plan?

Secretary Thompson. Sure. I certainly can. You are a welfare recipient on cash assistance. You go in to your caseworker and you are to sit down with that caseworker and develop a plan for you, Mr. Johnson. You would first get a job. What sort of assistance do you need in that job? Do you need some job preparation first before you can get the job, do you need some training, you may need some alcohol counseling, you may need some, not you, sir, but that individual, or drug rehabilitation and you would have them sit down with the counselor for the day and then you would sit down after you got the job working 24 hours, then you would set up the other 16 hours based upon the flexibility of the counselor and you; how you would develop that self-sufficiency; how would you use it in promoting your family; would you use it for job preparation; would you

use it for vocational training or education or any other types of things.

Mr. Johnson. Well, it is totally up to the states then?

Secretary Thompson. That's correct.

Mr. Johnson. Well, how does…

Secretary Thompson. The only requirement is that we are requiring that every one of the individual recipients have a sufficiency plan put together.

Mr. Johnson. But the states determine what the constructive activity is?

Secretary Thompson. Absolutely. Complete discretion.

Mr. Johnson. In your opinion, could the states or individuals abuse that term?

Secretary Thompson. They could, but I don't think they will.

Mr. Johnson. You don't?

Secretary Thompson. No, I have a lot of confidence in them. They will be innovative.

Mr. Johnson. Is this in the same way that you were innovative?

Secretary Thompson. Yeah.

Mr. Johnson. Thank you, sir. I don't have any further questions. Thank you.

Mr. McKeon. Mr. Tierney?

Mr. Tierney. Thank you, Mr. Chairman. Thank you, Mr. Secretary, for being with us today. The Secretary of Massachusetts, as you know, like Wisconsin, was one of the states that actually implemented welfare reform before the 1996 draft. They did it under a federal waiver as did your state.

Using the flexibility of the waiver, Massachusetts has focused mandatory work activities on families without major barriers, and if I can follow up on that, they have succeeded to move most of those families on to employment.

In current caseloads only half are people that really have serious barriers that would include disability, taking care of a family member, lack of parent in the house. The waiver gives Massachusetts the flexibility to design education or training and other services that help the families choose economic stability. We have shown some pretty clear successes in Massachusetts. The prospect of future successes was very encouraging.

Tell me why the administration would in this proposal propose eliminating that flexibility of TANF?

Secretary Thompson. Now you are talking about the elimination of the existing waivers in the states?

We discussed it and we debated it back and forth. The only reason was I think Massachusetts, and I'm not sure about this, I don't think Massachusetts has much more than a year left out of this waiver.

Mr. Tierney. No, it's got till 2005. It's a 10-year waiver.

Secretary Thompson. Okay. Most of the states, Congressman, most of the states that still have waivers outstanding were going to be finished up a by the year after the program and that is the reason being. There are very few states like Massachusetts that have longer than that.

Mr. Tierney. I know your friend Governor Dukakis speaks very highly of you.

Secretary Thompson. I think he's a wonderful guy.

Mr. Tierney. Okay, so you must like his state and so I know you wouldn't want to penalize it.

Secretary Thompson. I like Governor Dukakis. I love your state. I love all states.

Mr. Tierney. It seems incredibly unfair for a state that went through the whole process to achieve the waiver that was 10 years and anticipated being able to reap that waiver. To now have that ripped out from underneath them. Can we work on that? Can you do something?

Secretary Thompson. Congressman, it is not the main thing to me. If you want to work on that, we would love to have you work on it.

Mr. Tierney. Because I think about nine states it would be very important for.

Secretary Thompson. I think you are right.

Mr. Tierney. It seems to me that justice…

Secretary Thompson. Just keep the tenth somewhere.

Mr. Tierney. I would appreciate that. I think it is extremely important to Massachusetts. I think you will find a lot of support for much of what has been proposed here and I think that since it has been so successful, it may make an incredible difference on that.

That is really the only point I wanted to raise with you and I'm very pleased with your answer on that.

Secretary Thompson. For somebody who loves waivers and worked with the waiver system more than any of…

Mr. Tierney. Secretary, I don't want to bring that up because I didn't want to sound like a wise guy, but you did work the waiver system.

[Laughter.]

Mr. Tierney. And I still recognize it in Massachusetts.

Secretary Thompson. Thank you.

Mr. Tierney. Thank you. I yield back.

Mr. McKeon. Thank you. Mr. Hilleary?

Mr. Hilleary. Mr. Chairman. Mr. Secretary, I just want to follow up on my colleague's question. Tennessee has a waiver also. It is one of those nine states. It lasts till 2007.

Secretary Thompson. I think Tennessee has got the longest waiver of all.

Mr. Hilleary. I guess the question is did I understand you to say that you would be willing to work with us?

Secretary Thompson. Absolutely.

Mr. Hilleary. It's worked pretty well, too. We've had tremendous problems with adult illiteracy in a lot of our counties and one of the things that we are able to do is spend quite a few hours in adult literacy education and it has worked out pretty well. That whole program worked out pretty well in Tennessee.

Would you like to elaborate at all? I know you said some enterprising young governors could do some good things with this new program, would you care to speak more on that issue.

Secretary Thompson. Well, you know, there are so many wonderful things that you can come up with. If you have a waiver system in which you could pull together, such as a food stamp from agriculture; a TANF program from Department of Health and Human Services; an educational program from the Department of Education; a labor program on a Labor and a housing program on a HUD and be able to come together with a constructive, positive program that would use the waiver system to make sure you have uniform standards in all of them, the same standards, just simplify it and make it easier for all people involved.

But, I can see that you could integrate the Food Stamp Program nicely into a TANF program with a policy program that could be dynamite for any enterprising governor out there and five secretaries could then approve it or disapprove it or modify it and all the secretaries would have to sign off, so nobody would be giving up anything but the governor or the legislature would

be able to really try, hopefully, some things that work.

Mr. Hilleary. Well, I like the prospects. They are very exciting and I'm looking forward to that and I really appreciate you considering the waivers that are already in existence.

Secretary Thompson. Thank you. Good luck to you, Congressman.

Mr. McKeon. Mr. Roemer?

Mr. Roemer. Mr. Secretary, good to have you here. We worked very closely, a number of us, on the Democratic side to help President Clinton promote and ultimately pass the first welfare reform bill and certainly a couple of goals in that welfare reform were to help people leave welfare and help people get a decent job. I think one of the goals of this Welfare Reform II should also be to leave poverty.

We have a number of people that have elevated out of welfare, been to jobs and they are still in mild poverty.

What does this administration propose to try to achieve that important goal and shouldn't that be a goal that we state a little bit more emphatically in this legislation?

Secretary Thompson. Well, see, I don't disagree with that as one item, but I think there are many more items than just poverty. I think it is the well being of the children, the well being of the family; it's how are we going to be able to move that individual up the economic ladder and so that person can continue to improve the American dream.

I think some people on your side of the aisle, and I'm not being critical and I'm not being confrontational, just used the word ``poverty'' and I don't think that describes the whole thing we are trying to accomplish.

I think the second thing is the self-sufficiency plans are going to be very helpful to steer that individual for more education, more training and be able to help counsel her or him or the family.

The third item is marriage innovation. The counselor must be able to try and help individuals with healthy marriages be able to preserve those healthy marriages.

These are all things I think we can work together and come up with a plan, a bipartisan plan hopefully, that's going to be able to achieve this.

Mr. Roemer. I think a lot of us would like to have a bipartisan plan that achieves this and work with you, Mr. Secretary. I would only say that poverty is a big factor in the quality of life of our children, that you just mentioned, would then experience.

You are talking about a family of four that lives maybe under $18,000 with the benefits and income in this country. How would you get that quality of life under that kind of constant stress

and difficulty to provide for your children?

Secretary Thompson. That is what TANF did.

Mr. Roemer. Well, I think we had some success.

Secretary Thompson. And I agree with you.

Mr. Roemer. But the fact that you get a job doesn't mean that your children are going to have a better quality of life, and we want to ensure through education and training and childcare components that, yes, getting the job is indeed one of the important focuses that we should have in this bill but also trying to improve of the quality of the childcare that they go to, the education and training opportunities that these people have.

In the first effort to get people off of welfare we've got a lot of the easy casework done. We've got some of the people that had GEDs, that had difficulty finding jobs, we had 11th grade dropouts that needed another year. Now we have people that are eighth grade dropouts that have learning disabilities and English proficiency problems and that may take a bit more education and training.

Is the administration going to be bipartisan, as you said, and willing to work with Congress on the education and training component for this bill, maybe a ladder approach to how much education and training and work is required?

Secretary Thompson. Well, first off, I disagree with one thing you said and that is, and maybe you didn't say it, but let me restate what I think you said and what I think is the correct assumption.

I don't think you can get out of poverty without working. I think you need a job.

Mr. Roemer. I agree with that.
Secretary Thompson. And I think it is important that a child…

Mr. Roemer. Move forward on the work restrictions and the work requirements. I supported Welfare Reform I. We worked very close with the President to do that. No doubt about that, but also the quality of life for children, for families, if you are going to vote healthy marriages, it is awfully hard to have a healthy marriage if two of your children can't get an education and can't get childcare, and you know, that sometimes is a difficult time for two parents.

Secretary Thompson. Congressman, you know that I want the same thing as you want. I want to be able to have a TANF proposal. We may differ on how we get there, but I want the same conclusion. I want to be able to improve the quality of life for every family in America. Now, it may not be obtainable, but it certainly is a goal that we ascribe to.

Secondly, I want to make sure that the children get the best childcare possible; and third we have got a TANF proposal here that we may do that. The self-sufficiency plans are set up to do

that.

You know, under TANF I you had 20 hours, now you have got 24 hours of work but you have 16 hours that you have to use, hopefully, to improve your status and standard and be able to take the education and training, which is the goal. Now, you may differ with me in regards to that but the goal is the same, to be able to improve the economic conditions not only for the workers but also for the children and the overall families.

Mr. Roemer. I don't disagree, Mr. Secretary. I know my time has expired but I don't disagree on a goal. We need to move people into work. We need to do it through education and training and childcare for people, but we also have some of the most difficult cases out there. We have achieved some of the easy ones and education and training will be the determinant in many of these cases. As to whether they not only move off of welfare to work but the quality of that work and the quality of being able to move up the economic ladder.

Secretary Thompson. I don't disagree with that, but I think that 16 hours set aside requiring the people to stop looking and get their GED, because some of those individuals don't even have their high school education, so you have to put them on a plan to get their high school education. Maybe they need some counseling as far alcoholism. It's important during those 16 hours to do that and to set up a plan so they start getting the counseling necessary that they can improve their quality of life or drug rehab or vocational training, or job training. That is why 16 hours is set there, hopefully, to steer them on the state's innovation and flexibility to accomplish that.

Mr. Roemer. Thank you.

Mr. McKeon. Mr. Ehlers?

Mr. Ehlers. Thank you, Mr. Chairman. Mr. Secretary, we have known each other quite a while.

Secretary Thompson. Yes, sir.

Mr. Ehlers. I was a state senator and you were beginning as governor and I've always been impressed with you and your work. I really believe it is important to know that both you and I had considered this before; and I applaud you for your work that you did in Wisconsin because that personifies it. I'm just delighted to see you in the job that you have.

Secretary Thompson. Thank you.

Mr. Ehlers. I have several questions I would like to ask. You can respond as you wish.

I think the best example was when you took the federal regulations and determined that didn't make sense. We probably can make something better that does make sense. You did and it worked, didn't it? I remember the governor, John Engler, was also involved in that.

But what I hear from a few about the new administration's proposal is that it's returning more to the top down proposal, that there is less opportunity for experimentation. I just hope that is

not true.

Secretary Thompson. It isn't.

Mr. Ehlers. And I hope that you will keep that in mind as we proceed through that bill that we want to maximize the opportunity for flexibility for the governors.

Another comment. I think that this bill that you will be writing has tremendous opportunity to use the faith-based, community-based initiatives in a very direct way in a good program. I know from the church that my wife and I attended when we moved to Grand Rapids, Michigan, we literally chose a church in our city that was struggling. It's now a thriving church. Much of this work has been centered around, you know, the community. We have a drop-in center, for example, where parents who live in the neighborhood who get in a bind and have no place to leave their children can drop their kids off, no questions asked, and pick them up later in the day. It's all without charge.

We operate a Saturday food program where the typical family can buy their groceries at ten cents on the dollar, and so they can walk out of there with $10 worth of groceries, which will last them for a week. It's all volunteer work, but I think much of this under the faith-based initiative we could reach out much more and do much more than we have in the past.

So I hope there is ample opportunity and to be writing a bill to insert the specific faith-based, community-based opportunities and tie them with one of the major initiatives.

My final point deals with the education bill. We passed the President's education bill last year, we signed it, but we can also do more good in another way. I worked in elementary, secondary, and college teaching for over 30 years and in my experience the biggest single factor in the success of the student is to have at least one interested, involved parent. If you don't have that you may not have the ability to attend school.

The question is, can you try to incorporate into this program some aspect of interesting, involving parents in the child's schoolwork? And I know various experiments have been tried and I would hope that you would have some newer ones including perhaps having the parent go to school with the children and spend one day at school each week with their child, or any number of proposals, but I really ask that you try to work that out, because the President's education bill will work much better if it has good parental involvement.

Secretary Thompson. Congressman, let me answer one and three together and then I'll go back to the faith-based, number two.

In regards to flexibility, I talked to Governor John Engler this morning. He is absolutely excited about the potential of having the waiver in which he could pull together all of the diverse programs that have developed within the plan. I was talking as a former governor and I said I would have loved this opportunity.
javascript:playOn()
This is a huge new area of flexibility for governors, much more than they have ever had before to try something new and innovative. And in regards to the individual parent being

involved, you are absolutely correct. You've got to have the parents involved with the child's education, one or both, in order to improve the quality of education. I believe that and I agree with you.

But the proposal, going back to more flexibility, the 16 hours in which the self-sufficient plans are set up are completely flexible with the states but we also put out some guidelines and allow the states to qualify for that parent going to a pre-day school or to a kindergarten or to K through 4 for the parent to be involved with the child and that would qualify for part of the 16 hours. And so that is some more flexibility.

It is up to the state to set up the standards. We think if the parent wanted to spend five of the 16 hours going to school with their child, so be it, and that would qualify for part of the use of the 16 hours, that is more flexibility but it would also accomplish some things.

In regards to faith-based, I think it is important to allow faith-based organizations to be able to apply. It is something that the President is passionate about and this Congress has approved it in different forms but hopefully they will come up with a way. And also the House of Representatives passed a compassionate capital fund last year of $30 million in regards to faith-based initiatives and that is getting up and running in our department as we speak.

Mr. Ehlers. Well, I appreciate that, Mr. Secretary, and I think that there are specific areas that are covered in this bill that relate to that. For example, in our church there is also a tutoring program. We built an addition with about 15 tutoring rooms so individuals, not just from our church, that go to the private churches, can come in and tutor the students. It's about the best example I can find of a faith-based program that doesn't in any way infringe on the rights of recipients.

Secretary Thompson. You accomplished so much good, Congressman.

Mr. Ehlers. What many people don't understand is that this is simply an expression of the faith of people in the church to do what is right.

Secretary Thompson. Thank you for your passion, Congressman.

Mr. Ehlers. Thank you.

Mr. McKeon. I know you are scheduled to leave. I wonder if we can call on you to stay for two more questions?

Secretary Thompson. Absolutely.

Mr. McKeon. Mr. Scott.

Mr. Scott. Thank you, Mr. Chairman. Thank you, Mr. Secretary, for being here. I wanted to follow up on the faith-based questions. I know we covered it in TANF and H.R. 7, which we passed, is a version of a charitable choice, which specifically prohibited funding programs during

which there was participation for religious instruction.

As a part of TANF apparently you can do this as long as you don't get paid directly for it. You can have a religious program so long as TANF didn't pay for the religious part of it. That intertwining I think was part of the problem in Wisconsin and of course raised constitutional questions about Faith Works.

Now my question I guess is whether or not we should pay for programs during which there is participation in religious instruction or whether the H.R. 7 version is better, which specifically prohibits paying for a program during which there is participation for religious instruction.

Secretary Thompson. I don't know the answer to that, Congressman. I'd have to take a look at it and get back to you.

Mr. Scott. The other question is on direct funding. Traditional laws have always allowed faith-based organizations to get funding, Catholic charities, Jewish organizations, and the local organizations get federal funding but it is not directly to the church. It is to the 501(c)(3).

Do you support directly funding the church?

Secretary Thompson. Well, that's an impossible question to ask me. It depends upon the program. It depends, no, I'm not going to be funding a particular church but if the program is good, you know it's going to accomplish the overall good and improve the quality of life for children, which a lot of Head Start Programs do that are set up in churches or other programs, absolutely.

Mr. Scott. I would say the Head Start Program the money doesn't go directly to the church.

Secretary Thompson. No, but a lot of the Head Start Programs are in churches.

Mr. Scott. Funding goes to the 501(c)(3) organization. My question is whether or not funding is better to go to 501(c)(3) or directly to the church.

Secretary Thompson. And I don't think I can make, and I don't think you want me, to make a general statement. I would have to look at the application. I'd like to look at the program, and I'd have to look at the law. I'm not going to do anything that is going to violate the law or the constitution, but if it is a good program and it's going to accomplish the over-all good, I think then we should take a strong look at it.

Mr. Scott. The last question or I guess my next to the last question is on discrimination. In the Faith Works case the state of Wisconsin had a specific provision that prohibited discrimination with the federal money.

I remember speaking to you before when you expressed support for equal employment opportunity provisions and opposition to the idea that some Americans might be unqualified for federal jobs solely because they were the wrong religion.

Do you support provisions like the one in Wisconsin? Do you wish to prohibit discrimination based on religion with the Federal Government, not the church money, the federal money?

Secretary Thompson. I'm opposed to discrimination, period.

Mr. Scott. And so the provision prohibiting discrimination would be fine with you?

Secretary Thompson. It depends upon the context.

Mr. Scott. You are hiring somebody with money and someone…

Secretary Thompson. If you are using federal money to discriminate, that is wrong, period.

Mr. Scott. Well, you just answered the question. So if under SAMSA the language allows some difference in standards for religious-run drug counseling programs as other drug counseling programs, do you support that differentiation?

Secretary Thompson. Well, if it is in SAMSA and it's working, I would have to agree and support it. It's under my department.

Mr. Scott. Do you know if it is working or not?

Secretary Thompson. You'd have to give me specifics. I'll have to get back to you. I'd have to look at it. You are catching me cold on a subject that, you know, I'm not familiar with right now. I don't know the particular program you are talking about.

Mr. Scott. Under credentialed drug counselors, SAMSA requires an exemption under the credentials for drug counselors who are in the religious-based organizations as opposed to others.

Secretary Thompson. I know that and the program seems to be working and I support that.

Mr. Scott. Thank you, Mr. Secretary.

Mr. McKeon. Mrs. Roukema?

Mrs. Roukema. Thank you. Mr. Secretary Thompson, I'm going to defer to Ms. Biggert but I just want to take this observation and I'll submit it for your written responses.

I was one of the leaders of the tough-love approach that you made on the last welfare reform. I'm afraid that I want your explanation to specific questions I will submit to you in writing.

It sounds to me as though we are creating another whole new welfare program, and I don't have any understanding of what you mean by promoting marriages or doing the worker training if you force the requirements for work and training, et cetera, and the childcare. It seems like it is a very expensive program that is leaving little responsibility up to the individual welfare component,

that individual should be taking more responsibility for their self. I'll submit the questions with specificity to you and would like to work with you on this question.

Ms. Biggert.

Secretary Thompson. Thank you, Congresswoman. You have been a delight to work with and I'll be looking forward to it.

Mrs. Roukema. Thank you.

Secretary Thompson. I don't think your premise is correct, and I'd like to be able to respond to it.

Mrs. Biggert. I thank the gentlelady for yielding to me. I also would like to thank you for everything you did in Wisconsin. I was in the Illinois legislature working on welfare when you came down to speak to us at a meeting about what you had been doing in Wisconsin, and the person sitting next to me jabbed me in the ribs and said, ``Why isn't Illinois doing that?''

We are, but we just don't sell it as well, so you did a great job and it really put us to shame.

I have just one question. We want the welfare to work but we have to have the jobs to provide for these people. And, we did that by having a lot of companies that signed on and said they would provide those jobs and they would provide jobs not by taking away or trying to split a job on somebody else who was very close to the poverty line but to ensure that it was a real job.

And I think that that worked well, but I've been hearing from some of the employers from my district now that the people that are taking these jobs, there is a question about job retention and what happens. Some of the employees are not able to fulfill the jobs or that they haven't gotten enough of a skill that they need or they don't have the discipline to be able to keep the job.

What role will your plan have? I mean are you going to have mentoring, I know it is up to the states, but are you going to be helping the states provide once somebody has a job but is failing.

Secretary Thompson. Yes, one of the things that is in this law, Congresswoman Biggert, and I thank you for your comments, was to set aside some money for technical assistance to states and we will be very much involved in assisting states with their programs and helping to advise them but still giving the states complete flexibility to implement and carry out those programs. And I think it is the best way.

And your state of Illinois and Chicago, Ed Greenwald of United Airlines at that time was the co-chairman with me in getting employers to sign up for this and I just want to compliment that kind of private enterprise innovation that's been very helpful in hiring individuals off of welfare and giving them the opportunity to succeed.

Mrs. Biggert. Thank you very much for being here.

Secretary Thompson. Thank you, Congresswoman.

Mr. McKeon. Mr. Secretary, I'd like to thank you again for being here today and some of the members that didn't get the opportunity to ask questions if we can put them in the record and we can get them to you, I would appreciate that you would answer.

Secretary Thompson. I'd be more than happy to. Thank you very much, Congressman.

Mr. McKeon. Thank you very much.

Secretary Thompson. Thank you all for giving me this opportunity. It's been a privilege.

Mr. McKeon. We'll take just about a minute recess to get the second panel here.

[Recess.]

Mr. McKeon. I would like to welcome Dr. Primus, who is the Director of Income Security for the Center on Budget and Policy Priorities. He's also worked with the U.S. Department Health and Human Services and the Deputy Assistant Secretary for the Human Services Policy and the Office of the Assistant Secretary for Planning and Evaluations. Dr. Primus has received his PhD in economics from Iowa State University.

Next we will hear from Jason Turner, Visiting Fellow for Domestic Policy from the Heritage Foundation. Prior to his tenure as Visiting Fellow, Mr. Turner was commissioner of the New York City Human Services Administration. From 1993 to 1997, Mr. Turner was a member of the administration of Wisconsin governor, Tommy Thompson.

He began by managing the statewide jobs program and later was called upon by the governor to direct planning members to develop an alternative to AFDC. Mr. Turner is a graduate from Columbia University in New York.

Mr. Primus?

STATEMENT OF WENDELL PRIMUS, DIRECTOR OF INCOME SECURITY, CENTER ON BUDGET AND POLICY PRIORITIES

Mr. Primus. Thank you, Mr. Chairman and Members of the Committee, for the opportunity to testify before you today. As you consider legislation to reauthorize the TANF block grant, it is important to keep in mind the reasons for the welfare reform success over the last six years. There are a couple of reasons; one, a very strong economy; second, increases in the earned income tax

credit, plus what went on in the welfare office.

And what went on in the welfare office really worked because of two key ingredients. The first was the flexibility of the TANF block grant. States were able to use their federal funds to design programs that fit their local needs and were effective in steering welfare recipients into private sector jobs.

The second reason welfare reform was a success was that the states had the resources to invest in work supports like childcare and transportation that helped low-income people stay employed, off welfare. Childcare expenditures increased from $3 million in 1995 to $10 billion in 2001, and that is the key ingredient as to why we were able to move so many never-married mothers into the labor force.

There is one area, though, where we did not do as well. And that is even though there have been remarkable increases in the work effort of never-married mothers, their bottom-line take-home income didn't increase very much. Maybe the best way of illustrating that is if you think about the poverty gap, the amount of money it takes to move all families up to the poverty line. If you don't consider any government programs, that was reduced by 12 billion between '93 and '95 and by another 23 billion between 1995 and 2000. In that first period of time, after you take into account taxes and food stamps, et cetera, we reduced, after taxes and after transfers, the poverty gap by 7 billion. In the last five years, despite the fact that the work effort increased double, we only improved the poverty gap by a mere $3.6 billion, and one of the reasons for that was the cuts, particularly in immigrants and the food stamp cuts and the fact that many families don't get food stamps.

The question we now face is what should the next step be, specifically, how do we reward and continue the successes that states have achieved in moving people from welfare to work. And here is where I think again we have to remember what worked, state flexibility and funding, unfortunately, the administration's plan fails on both accounts.

I think, Congressman Ehlers, that you did hear correctly from your constituents. Yes, there is plenty of flexibility in the second 16 hours, but really what we have in the administration's plan is a Washington Knows Best copout form of success, and it is very apt that Dr. Turner is also with me on this panel, because really what the rules are going to force each state to do is adopt a New York City-style workfare program or jurisdictions and there is no evidence whatsoever that work experience programs work better than other welfare-to-work models.

For example, in Michigan it would require Governor Engler has set up an intensive six-month voc-ed program, vocational education, in some of your community colleges. It is up to six months. It's 30 hours a week. That program would have to be abandoned, and in fact perhaps the best evidence that maybe this program doesn't work is that the 39 out of 44 states that responded to the MDA survey indicated that they would have to change their programs dramatically in order to meet these requirements.

What would be the net effect? States would have to pull money out of childcare and transportation and all the other services they currently fund, which would lead to the unraveling of

welfare reform.

The other thing is it not only freezes the monies and we can't count on caseload reduction freeing up more resources for states to spend. I think caseload reduction has pretty well come to an end. There is actually a cut in the monies the administration has put on the table and in place of adjusted dollars, and because there is lack of flexibility and there is actually a cut in real resources under this plan, I don't think you could expect to see successes, and I think you are going to have to change those two ingredients substantially, and I hope this committee would consider this.

One other example of where Washington knows best. Consider a mother that has a seven-year-old and a two-year-old and she is working 30 hours a week today. The state of Michigan or the other states say that's good enough and that mother wants to be home when the children come home from school. Well, under this plan that doesn't work. The state has to find another 10 hours of something, it may be a very loosely defined activity, but it is going to require that the mother be out of the home and it will upset her activity and I think it is very important.

So where should you move? I think a better direction would be to give the states the flexibility they need, particularly in the counting of the first 24 hours. I'm not concerned, as the Secretary answered your question, about the second 16 hours nearly as much.

I think the 40 hours you should re-examine whether every mother should be engaged in activities equaling 40 hours each and every week. And then you need to make sure that the states have the resources, and I don't think they have unless you are willing to at least provide inflation increases in childcare and the TANF block grant. I would argue it ought to be a lot more than that, but even that would require about 10 billion.

The final thing, Mr. Chairman, because I know it violates my sense of gender politics to say mothers have to do 40 hours of something. I also think you should be concerned about the dads of these children on welfare and making sure they also get into the labor force. We need a lot more attention, and this committee is clearly the one that can give that question attention.

WRITTEN TESTIMONY OF WENDELL PRIMUS, DIRECTOR OF INCOME SECURITY, CENTER ON BUDGET AND POLICY PRIORITIES –SEE APPENDIX D

Mr. McKeon. Thank you. Dr. Turner?

STATEMENT OF JASON A. TURNER, VISITING FELLOW, THE HERITAGE FOUNDATION

Mr. Turner. Thank you. I appreciate the opportunity to be here and testify before this committee and I hope that some of the experiences as a program administrator we work through can be of use

as this committee deliberates over the bill.

After we describe some of the successes of welfare reform to date, I need to dwell on them. Dr. Primus has noted that poverty has gone down. It certainly has gone down quite significantly from the 13 1/2 percent in 1996 to 8.8 percent when you include food stamps and the earned income tax credit and other things.

The reason the poverty rate has gone down so much has been a tremendous explosion in the proportion of single moms who have children entering into the labor market. That is the group that is the most poverty-laden, and we need now, as in this next decision-making process over where to take the TANF program, to determine what we can do to help people that haven't been helped yet to get into the labor market.

And here I think there is something that may surprise this committee, and that is that of the people who are on welfare currently and not working while they are on welfare in a regular job, only one out of five of those individuals are doing anything, not just a work activity, but anything.

We really have a situation now where most states, and I know this from being a program administrator, most states have done very, very good jobs at meeting people at the front door when they come in for welfare and helping them find private sector employment, and many of those individuals haven't even needed to get on the welfare rolls, they have gone right to work. That is our biggest success. But now we have 50 percent, 60 percent of the caseload move off and into work, and the remaining portion of the people, we are really not working with those people.

In Dr. Primus' written testimony he accurately says that to get a 70 percent participation rate, which is what the administration proposes, you really have to work with everybody that comes in the door, because some people aren't going to be in an employment situation or doing something at any given time, and I think that is good and accurate. So we need to work with everybody, not just the people that are easy to serve but willing to work with the harder-to-serve now and states need to be obligated to work with everyone. The President's plan does that.

The second thing the President's plan does is it accurately replicates the conditions of private employment, that the moms who are going to go out into the labor force are going to be needed, that is most full-time jobs run around 40 hours a week.

I'll leave it at that and we can talk about that some more in a moment.

But the President's proposal really does what the research tends to show works best, which is it doesn't just focus on one program only. It focuses on work as a core for 24 hours and 16 hours of other kinds of activities, and that is what in New York City we have shown to be a very effective way in helping move people off.

For instance, somebody comes in who has never worked before. What we have learned is that people need to actually practice the work habits. What we take for granted because we've always been employed is that we get along with co-workers, we listen to our supervisors, and we take instruction. But actually for welfare recipients who have never been in the labor force, many

times what is needed more than classroom education is just practice showing up to work on time, practice where you have to take directions and the pride that comes from successfully mastering tasks on an actual job, and that is what the President's proposal does for a core piece of the week.

For the balance of the week any other kinds of activities which support moving into the labor force, including education, including training, including job search or substance abuse treatment can be made part of the week. And finally, for the first three months of any activity it can be counted towards the 24 hours.

So I think the President's plan offers a multitude of ability for states to move their program in the right direction and it should be supported.

Finally, I think that there is plenty of money available for childcare and in fact, in my judgment, the TANF program could take a 10 percent reduction in the overall block grant now. As a program administrator, I would know exactly how to accommodate a 10 percent reduction without worrying about affecting any of my core services.

In fact, the way states are currently spending money is such that because the amount of money that has gone into program benefits have been reduced from what states used to have to spend, 61 percent in 1998 of all the TANF money that would go to states was spent to pay benefits, is now only 38 percent, and that has freed up a lot of the money spent on other things.

But even when you take all the kinds of things related to TANF that states were spending money on, things like cash assistance, welfare-to-work programs, childcare, education training, state supplements for the earned income tax credit, transportation, systems, computers and administration, even after you pay for all of those, states still have and are using 23 percent of their money for things other than those basic TANF-related things. So some of what they are doing with that money, of course, is supplanting federal money, which is fine, but I think that this committee may decide that if it is necessary to take the 10 percent reduction, I believe the states can certainly accommodate that quite easily.

And I will save my other discussion, let me just say one final thing on childcare. We've discussed, during the course of this committee hearing, a need for childcare, and it is a very key element for families who need it to go to work, but I think oftentimes most of us working in the policy arena tend to think that the childcare programs that we are working with ourselves need to accommodate the entire program requirement.

In fact there are two systems. There is a direct subsidy system and there is the tax system, and the two systems work together. In the direct system, we have a high number of children who are under poverty being accommodated. HHS has found, I'm looking at the numbers, that for children under poverty within ages three to five, that is, kids that are not going to be infants at home and are not in school, in that critical group in there is fully 72 percent of all children who were eligible in that category are currently receiving direct subsidized childcare. The balance, of course, may be in informal arrangements.

In short, the direct subsidy system should be working with the tax system, and together there is ability for children all the way up the income scale, from the lowest to the highest, to obtain some help from the Federal Government in accommodating their childcare needs.

Thank you.

WRITTEN TESTIMONY OF JASON A. TURNER, VISITING FELLOW, THE HERITAGE FOUNDATION-SEE APPENDIX E

Mr. McKeon. Thank you.

Mr. Ehlers?

Mr. Ehlers. Mr. Chairman, they have said it so well I have very little questions. I do appreciate the comments. I also commend Mr. Primus for his work. He's been doing this for many years and is very compassionate, and I appreciate his testimony.

I think that's something I would pursue. We have to draw a fine line from the Federal Government to the states, between telling the states what to do and giving them the opportunity to experiment and find better ways.

Thank you very much.

Mr. McKeon. Ms. Davis?

Mrs. Davis. Thank you, Mr. Chairman. I know one of the things is that we do want to acknowledge, and thank you all very much for being here I appreciate you both for your testimony, is that the most significant factor of the welfare reform was its timing and the fact that it occurred during a expanding economy. Today we are not necessarily facing that to the extent that we have been, so that not only have we been able to encourage, able to motivate, to facilitate a number of people getting off of welfare, but we also had more jobs at the time, and I do think that is a unique situation.

I wonder if you could go over again and address the flexibility issue. What is the harm of states to not necessarily have the 24/16 match but having more flexibility from that. What would you see the harm of that? What if you were having flexibility in that area?

And I also would like you to address the 30 percent cap on the number of people in high school or vocational education that the state can count as engagement of work activity. It seems to me that what we are trying to do is to help people move into career ladders, and by having a cap on that, we discourage the capability to do that.

I would also ask one more thing in looking at the way that we have some cap on vocational educational programs. It may be true that we don't have large numbers of people who are going into nursing and into education, but I think that there are a number of people out there who do aspire

and would make excellent nurses or teachers and vocational rehab counselors, whatever that might be, and by saying that they can only be engaged in that for 12 months seems to me it puts an early restriction and in some cases may inhibit people's interests and desire to go into those areas, even if they need to have quite a number of months in preparation to get to the point of having that training.

Would you please address that? It is really the caps on the states, the greater flexibility, and whether or not we should allow for waivers for states and people to go into those highly needed vocations today.

Mr. Primus. I'd be happy to address those issues. I mean, we at the Center said that the states should be nudged to do a bit more. I mean, we have all supported getting rid of the caseload reduction credit, which is really worth about 60 percentage points, and we also said that ought to be replaced with employment credit. The state should only give credit for putting mothers into work, not for getting them off the rolls.

Now the effect of just those two things really raises the work requirement significantly, and I've listened to Governor Thompson for many years and he's always talked a lot about state flexibility, and frankly, I think a lot of others at the state level are baffled by this approach. In the first 24 hours you can basically only count mothers that are either combining work and welfare or work experience. Nothing else counts. So again, that example I used in Michigan, if they are in a voc-ed program, it doesn't count. If they are in substance abuse, it doesn't count. Now there is one three-month window. I don't want to mislead anybody. For three months the states do have complete flexibility, but once they are beyond that, a mother only counts toward meeting that 70 percent requirement if she is engaged in 24 hours of combining work and welfare or work experience. That is where I think states need a lot more flexibility.

One thing that I've learned after studying welfare for many, many years is participants are heterogeneous. They have different needs, and the state needs the flexibility to meet each one of those individuals where they are at, and so for some, maybe work experience is the right thing, but for others, eliminating barriers is the right thing. I think the rules that have been designed in this approach do not give the states enough flexibility. I think the cap should be removed.

I clearly think Jason's 10 percent doesn't work at all. I think if we are going to keep them, the fact that there are only 2 million children receiving TANF should give you a little pause. I think the most conservative definition of poverty suggests there are 10 to 12 million children that are poor, and those mothers need additional work support, so that when you combine work and food stamps and maybe a little bit of cash, you don't want to call that welfare, but those mothers need a little bit of monthly wage earning subsidies of some kind, that is what is going to get them out of poverty.

The last thing I'd say is an organization that I work with closely, the Center on Law and Social Policy, is going to put out a study in the next days and it is basically going to show you that these requirements are going to cost the states about $15 billion over a five-year period. I mean, they are basically somewhere between 20 and 40 and they have got to get to 70. You can ask all the staff behind Governor Thompson to do that study for you if you don't accept CLSP's study, and

that is some information that this committee should need as it makes its judgment about what is appropriate.

Mr. Turner. Let me say first as it relates to flexibility and why a core work element is important. First 28 percent of all welfare recipients, according to HHS figures, are currently already working part time while they are on welfare. This forms the base of people who are already working. We are not going to ask them to do anything else as it relates to the 24 hours. So, we are really talking about a difference between 28 percent and 70 percent. Those are people who are not working and frankly ought to be working as a part of their overall workweek.

We know there are members of this committee that I'm sure are familiar, as are their staffs, with the well-known study that was done with an experiment by Apt Associates which looked at 13 different programs across 10 states, found that when you compared people in the control group who didn't get straight education and training- type services with those who did, the employment results were negligible, were non-existent and for young men they actually performed the worst.

In short, we know that, not for everyone but generally speaking, unless you have something else in addition to the education and training for people at the low income level, that you were very unlikely to have a net impact. What the President's program does is it increases the level of activity and it provides for a mixture of activities that combines flexibility with what we think is an appropriate mix.

Mrs. Davis. Is it your belief, though, that the states, on their own, could not develop, could not put together that mix that would be most appropriate for them?

Mr. Turner. Yes, the states could under current law put together a program that combines work and welfare and many do, but as I mentioned before, as a group states really only focus on the front door and job searching. Six percent of people were in a job search. They need people at the front door and they do a good job with that, but they are not working with the bulk of the population, and we are at a point now where we can't afford to leave the rest of the population unserved. We really have to go out and meet them.

Mrs. Davis. Thank you, Mr. Chairman, if I might speak just very, very quickly on the question of nurses, teachers, and helping people to get to the point that they could do that. Would you be in support of a waiver for people who are identified so they don't have just 12-month application?

Mr. Turner. Well, in New York City back when I was commissioner, there were some very good narrow programs, ``narrow'' meaning short-term programs, that helped nurses and teachers' aides, and we found a way to accommodate them. But I would say that when we are talking for a period that is more than a year, we really should be asking for a combination of perhaps on-the-job training or work while going to school, just as many of our constituents do. I think one year is more than enough time to not be asked to participate in work, not be self-supporting as well.

Mr. McKeon. Mrs. Biggert?

Mrs. Biggert. Thank you, Mr. Chairman. Dr. Primus, you said that you didn't think that women with young children should have to work the 40 hours but to go back to the 30 hours. Would that be a legislation thing? You would prefer to see that or waivers by the state? The other question then is to look at the dads, too. Could there be some combination if there is a two-parent family, to work out the number of hours based on the two of them?

Mr. Primus. That is clearly a judgment that you at the committee are going to have to make. I guess I have looked at how much progress we made in trying to put these mothers with pretty severe employment barriers, some of them haven't completed high school, raising kids is a lot of work as you probably know, and I think the state should have some flexibility, and it turns out that only about a third of the mothers with young children work a full year full time in the United States.

So, you know, that is not the most representative case and I think you could explore ways that you combine the non-custodial dad's earnings or hours with the mother's and give some relief on the 30. I think it is also important to send a message to states, which isn't in this proposal, that says it is also important that we get dads to work. I think if you want strong communities, we shouldn't expect the females to do everything, parent the child and go to work. I think there is also an obligation on the male side of that equation.

Mrs. Biggert. And in looking at what you have been saying in your studies, but the average state the women are working for 30 hours? Is that what's on average?

Mr. Primus. No, I think if you look at the hours data that is recorded now at the HSS the average hours of participation for those who are working is on the order of 27 or 28 hours, and while the proposal would allow partial credit for those mothers, again, that is a judgment you are going to have to make, but I think for a lot of these mothers 30 hours are a lot.

Mrs. Biggert. Okay. Then, Mr. Turner, you said that the caseload has declined for TANF, which means that more people are working; are there any recipients that just kind of dropped out that we can't find, that didn't make it but didn't go back to get more help?

Mr. Turner. Well, that is always a question that comes up and the studies of the people that leave welfare and what happens to them finds that, typically in all states throughout the country, when you look maybe 60 percent that are employed at that point in time thereafter but what of the other 40 percent?

Well, in many instances there are a lot of different things. In New York we found 12 percent had applied for disability insurance, they had been accepted and were receiving disability insurance. In other instances we find moms who are either living with boyfriends, living with their parents while they are looking for work and are being supported in a number of ways, sometimes without jobs that are on the books is another typical way that we find them. When you look at indicators that might show you lots of distress as a result of people going off of welfare and not

working, most of the administrative data that you can find would indicate that.

For instance, nationally the proportion of children, and the number of children in foster care has been declining slightly. The number of families that are in poverty overall has been declining and the number of people that say that they are hungry has not gone up. So, for all of these different indicators it would seem to indicate that we are doing okay. Now, there are individual instances, of course.

Mrs. Biggert. Well, Mrs. Davis brought up a point about the unemployment that has gone up and yet the caseload continues to drop, even after this year with unemployment going up.

Mr. Turner. Yes, in New York City, where I worked for Mayor Giuliani, we were able to continue to increase the number of people going into employment even as the economy softened a little bit, so I think that is very encouraging news.

Let me say this also about the President's plan and why I think it is good when the recession eventually comes. You don't want to have people dropping out of the labor force, going on welfare, doing nothing, which is what a lot of people are currently doing on welfare, and losing their work habits or their work skills.

What you want to do is you want the welfare system to replicate what it is like being at work so that when you move off, it is like an accordion. It expands as needed, but all the time you are keeping people engaged in work-like activity so as soon as they are able to, they move right back into the workforce.

Mr. Primus. If I may, I might quibble just a little bit. My understanding of the latest caseload data is that in a majority of the states is that in the last six months or so caseloads are rising a bit, not very much, but I think over the last six months they have risen.

Mrs. Biggert. Okay. Thank you very much.

Thank you, Mr. Chairman.

Mr. McKeon. Mr. Owens?

Mr. Owens. Dr. Primus, you concur that the program has been successful, most of the time. You are receptive, in my opinion. But even as you say it's been successful, you mentioned before that there are about 10 million children out there who are in poverty and only 2 million are in the program, if I heard you correctly.

Mr. Primus. Ten million is a conservative number. I actually think it is higher.

Mr. Owens. Ten million is a conservative number. Thank you. That is 8 million not in the program. What are the indicators of success? The fact that people are off the rolls or the caseloads are down, that is an indicator which I question greatly because that just means that gatekeepers, the

people who are in charge of putting people on the rolls or who force them off, could be very hostile and trained to force people off.

This morning I heard on C-Span how mothers in Wisconsin were testifying that they were humiliated and reduced to tears because when they went to welfare, they got asked questions like when did you have your last sexual encounter. In New York, of course, I think Mayor Giuliani and company were masters at pushing people off the rolls and intimidating them. And so I question whether that is an indicator of our success in terms of helping children in poverty because that is the real goal, you are helping children. It's about helping poor children, the same poor children who have got to be the soldiers that go off and fight all the wars in America. These are the children who get killed in wars starting with World War I, World War II, and Korea. They now support the poor rural kids, the poor in big cities. They are the ones who fight the wars. So finding them is a matter of public policy, and yet I see a tremendous amount of hostility.

What are some of the other indicators that you mentioned briefly before, something about the number of children in poverty have gone down? My figures show it hasn't. The percentage of children in poverty is about the same and in many places higher. What about the percentage of low birth weight babies, mortality rate, have all these indicators indicated that this program has been a success?

And you know, you can answer both of these questions. Why is there such hostility toward the education and the training? Only 1 percent of TANF I money has been spent on education and training and most studies, including the study of the Health and Human Services itself, say that most recipients are taking low wage, low professional jobs. Why not give the states more flexibility and encouragement to place recipients in education and training?

As I read it, higher education is off limits. In the time that's allotted, you can't get involved in a university program. Nurses, and some of these other professions we have numerous data to show that the money they pay back as taxes more than compensates for whatever subsidies they got in getting an education. Yet there is great hostility here toward education and job training, and more of that is likely to happen as a result of the proposal that we laid down.

Why is it a success in your opinion, Dr. Primus?

Mr. Primus. Well, I think as Congresswoman Davis indicated and as I said in my testimony, we have a remarkably strong economy. The last census data we have is for the year 2000, so it doesn't include the recession, but our unemployment went from about 7 percent to 4 percent.

Mr. Owens. Was this the success of the program or of the economy?

Mr. Primus. I'm saying that there were many reasons why the data I think unequivocally, to liberal analysts and conservative analysts, do show that the employment rate of never-married mothers did go up, and I'm saying that was due to a strong economy, and we actually had real wage increases at the bottom of the wage distribution.

We also increased childcare expenditures from 3 to 10 over this period of time. We increased the earned income tax credit from about 75 cents an hour, $1500 roughly, up to 4000 today. Very important studies done at a university in Chicago indicate it really is the earned income tax credit that gets some of the credit for moving mothers into work.

Now having said that, the experiment I would have you go through, if we hadn't done the immigrant cuts in the '96 act, if we hadn't done the food stamp cuts, and if we hadn't done the time limits, we had done the block grant, we had given the states some flexibility, and everything else was left alone you would have seen the same employment increases, and you would have had much bigger reductions in child poverty. The reductions that we have seen and, yes, you would expect to see some reductions when the economy is strong.

Mr. Owens. Thank you, I want to get my second question in.

The question is to Mr. Turner. Mr. Turner, as successful as this program has been, are there any comparisons with other federal subsidy programs? For example, the farm subsidy program is a tax-funded safety net. Do you think that these participants, these programs to farmers, should be limited to five years of federal safety net assistance also? Do you think that they should be subject to that? Should we give the program to the states for that sup plantation which you talked about a few minutes ago?

That sup plantation systematically has pushed people off the rolls to save money and that money has been used somewhere else. Wisconsin, according to the reports that I have read, has saved more than anybody else, and they used that to fund other state projects.

Do you have that same thing happening in farm subsidy programs?

Mr. Turner. Well, I think that my point was that the 23 percent of the money that the states are using, because they have a fixed block grant even though the caseload has gone down, is going to other things and I'm not suggesting necessarily that all of the 23 percent is being misused.

Mr. Owens. You are suggesting that they cut the amount of money that you give them?

Mr. Turner. Right.

Mr. Owens. The cost to be successful in conjunction with the caseload program?

Mr. Turner. If we as a country are able to successfully reduce the number of people dependent on cash assistance by half. Well, I would say that in farm subsidy programs that if half of the people that you used to have receiving farm subsidy programs are no longer receiving them, you wouldn't, as a Congressman, want to fund it at the same level you did before.

Mr. Owens. We don't fund the bill up to five years and give the state a benefit of getting it all.

Mr. Turner. I ran the welfare program in New York City but I did not provide all of the education for everybody on welfare, nor should I. There are multiple incomes that go to funding community

colleges, multiple income for childcare. What I'm suggesting is that the main thing that used to be spent by TANF was cash assistance. Cash assistance isn't there anymore to the same extent, so some of that money may be available for other uses by Congress.

Mr. Owens. Mr. Chairman, can I make just one more comment?

Mr. McKeon. Your time is way over.

Mr. Owens. New York once had a program before TANF came together allowing people on welfare two years of college. They took that away in the TANF program. The Federal Government took it away.

Thank you.

Mr. McKeon. Mr. Kildee?

Mr. Kildee. Thank you, Mr. Chairman. Wendell, it is good to see you here today. We appreciate your expertise.

I want to make a comment on what we know about barriers through employment and what should be done to help families with multiple barriers.

Mr. Primus. That is a very good question, Congressman, and there actually has been some very interesting work in Michigan at the University of Michigan. Sheldon Danzinger and his colleagues have looked at, I think in Flint, some of the barriers that mothers face, and what we do know is that, as I said before, these mothers are heterogeneous, but if their number of barriers increase, they lack childcare, they have a substance abuse problem, they have a transportation problems, as the numbers increase the probability that they are making it into the labor force diminishes enormously.

And, you know, I think the state cannot have a one-size-fits-all for those kind of mothers and they've got to decide which barrier is the most important to address and go about it. And it requires individualized attention and resources to move those kinds of mothers into the labor force.

Mr. Kildee. You had mentioned Flint, Michigan, my hometown. I appreciate you remembering that. We have multiple barriers and it is a heterogeneous group who are suffering and in addition to the multiple barriers, there are certain areas where there are enough jobs available and the people are unable to relocate.

For example in Genesee County, at one time we had 80,000 people employed by General Motors. Now we have about 20,000 employed by General Motors. They are right now in the process of tearing down the assembly plant. So you have these multiple barriers, they go out to look for a job and the job is not there anymore.

Is there any way we can treat those items legislatively in some way the rest of us can have?

Mr. Primus. I don't know if I have a very good answer to that question, frankly. I think we've got to give resources to the State of Michigan so that they can use those resources differently across the state.

In other words, Grand Rapids is different than in Flint, you know; those are decisions that I think, frankly, have to be made at the state level, about where to put the resources and where they would be used the most effectively.

Also don't forget the issue of incentives, the earned income tax credit. I don't think Michigan has a state earned income tax credit. You do have a pretty good way of combining work and welfare; but fundamentally, if there is not work available in the private sector, then you know, these programs are going to fail, and relocation bonuses or whatever, I think you've got to try all of those things.

I'm not sure I answered that very worthwhile.

Mr. Kildee. I think you've been very helpful. In a place like Flint you find despair among people who really want to dedicate themselves, want to take care of their children. There is despair there. Very often under the Unemployment Compensation Act, we would see unemployment in a certain area with a certain percentage and they would give you an extension of unemployment benefits.

Maybe you could consider that for welfare. Maybe there could be some kind of a standard extension for welfare on certain items. You might think about those, but you have to go.

Thank you very much.

Mr. McKeon. Mr. Scott.

Mr. Scott. Thank you, Mr. Chairman, and as chairman I appreciate your indulgence and I just wanted to ask I guess one kind of open-ended question.

One of the focuses in welfare reform is making sure that work pays. There are number of issues that I think could help accomplish that, the earned income tax credit, child support enforcement to make sure you get full credit for child support and that you don't lose it by going to work, food stamps, childcare, or medical coverage.

Would you comment on whether or not those are sufficient at this point or what we can do to improve those.

Mr. Turner. Let me just ask Wendell the answer to that question because he is very familiar with the earned income tax credits since he was instrumental in many of the constructive changes to that.

My understanding is even right now if a mom with two children takes a full time job at a minimum wage, which almost no one does anymore, she is out of poverty.

Mr. Scott. This is because of the earned income tax credit?

Mr. Turner. Yes.

Mr. Primus. I think that is true, assuming she gets food stamps and assuming she also applies for childcare and her childcare expenses are taken care of.

But I want to go back to your question, if I may, and that is there one I think very important amendment that you could make. You passed in the House of Representatives by a vote of 405 to 18, most of you I think voted for it, a Nancy Johnson-Ben Hardin child support bill in late 2000. That would have done two things. It would have allowed states complete flexibility in how much child support actually gets through to the child.

Lots of time when the mother is on TANF and the dad is paying, it is a hundred percent tax credit. The dad must pay, as he should, but all of the proceeds go to government, none of it gets through to the child. Again, this bill, Johnson and Hardin, said the states have complete flexibility and they were given incentives to pass through.

There was another provision in that bill that said when we capture the refund of a non-custodial dad through the IRA system, when we collect a little over a billion dollars a year through that mechanism, if the mother is owed money and the state is owed money, the bill said it must go to the mother first. Well, the administration's bill is a mandate. It just says that it is up to the state and given their current budget crunches, I think you and I know the decision they are going to make.

So, I would argue, and this is actually Nancy Johnson's provision, it wasn't Ben Hardin's, to go back and do that, and that would help, among other things. And I think there is a whole series of things you could also do to help dads pay more child support, but that is really a whole other subject of conversation.

Mr. Turner. I'm going to take this opportunity just to suggest that I believe there is plenty of money in the system currently, that the earned income credit is doing the job, and I would suggest that it's time to consider ways that we can as administrators manage our programs more effectively than we have been.

We have learned in New York that the level of success that we have been able to have is attributed to the three elements in running a program effectively, the policies, budget, and management. We tend to focus on policy and we tend to focus on budget. Really the next major improvements in helping people move from welfare to work will come as state and local administrators learn how to better manage their existing funding sources and their programs.

Mr. Primus. Can I add just one thing and that is also a policy that I think is also in Congresswoman Mink's bill as well as in the Ben Hardin bill that says that there is a conflict today between time limits and work and if a mother is working steadily at 30 hours a week and combining work and welfare, why shouldn't the clock stop so that welfare there is acting as a waiver subsidy. It is supplementing her earnings and helping her move out of poverty. I think that

that is an important provision that Congress should consider, and it would help both I think reward work, which you all want to do, as well as help that mother and children get out of poverty.

Mr. Turner. I think the answer to that might be that you have got moms working and you know for sure that she is the most employable of all the people you have to work with. She should be encouraged to raise her number of hours and her wages so that she closes her case and we can focus on the rest.

Mr. Primus. But that comes back to Congressman Kildee's point, because a lot of times there aren't the jobs available at a high enough wage, and that is why I think you want to supplement those kind of jobs.

Mr. Scott. Thank you. Mr. Chairman, I'd hoped we could add on the medical care to make sure that the people who are involved in this don't lose the medical coverage by going to work.

Thank you for your indulgence, Mr. Chairman.

Mr. McKeon. This is a very difficult subject. I feel ever since I've been in Congress there were times when we are grappling with issues and the rest of the country is going on. This is one that I know hurts, but we have law. We have a reauthorization coming up and it is our obligation to do a bill and we will do the best job we can. According to Mr. Primus, we have work to do but I think Mr. Ehlers was right. The real solutions to these problems are coming at the grassroots level.

I visited a program last week in my district and there was a mother that in 1995 was going through her second divorce and she was kind grappling with all these issues and having a lot of problems. Finally she ran a little ad in the Pennysaver newspaper and asked if there were any other women going through these same problems and if they would like to get together. Eight women came to her home.

And they were able to share their problems, and that little effort has grown now to where she is now on a full-time support basis for about 678 women. Now, she has a budget and she is out raising money, and in her office, the little storefront that she is renting, the back room is filled with food. Another back room office is filled with clothing and gifts for children, and then in another room she has computers that people donated and a copy machine where she can help women.

There was another lady who was divorced and left in a situation where, after 16 years of marriage, one day their business collapsed. She was helping her husband run it. She had nothing. She had no education. She had nothing to turn to. She was in a useless situation and she finally left with her eight-month-old child and a shirt on her back. Now, he is eight years old. She is just finishing a nursing program to become an LPN. And she had another lady there that was on her board that had gone through similar problems.

One lady was doing fine. One morning she woke up and her 36-year-old husband died, she was left with two children and had totally different problems to face. But we cannot solve all the problems. We are trying to sit here and solve problems by the thousands and the millions. I hope when we go through the process we just don't make things worse. I hope that we are able to give

them flexibility to solve these problems.

A lot of what really bothers me is the attitude. Discussions become based on party. You know, where we come from is where we are and we kind of attack these issues. We want to get people off of welfare and it is because we want to save money. You know, we are unhappy with these people being on welfare because it means we have to give them tax money.

You know, I just think, what is the real purpose, why do we really want to get these people off of welfare? And to me, I've heard enough people that have been on welfare that have gotten off of welfare that have told their stories and how much better they feel about themselves and how good they feel after they have gotten off welfare.

I wish we could just sort of change our whole frame of reference. I'm in total agreement with you, Bobby, on that. I think I've seen enough single women trying to support their families and the struggles that they go through. I know the struggles I have with a wife, full time. The struggles we have had just to make ends meet, and we didn't have to do it by ourselves.

I really feel for these people that do it on their own. I think when they go to work they shouldn't end up getting less than they were when they were on welfare. They should have these other benefits until they are totally able to do it on their own. I think this is instrumental on how we do this, but I appreciate you being here.

Mr. Scott. Mr. Chairman?

Mr. McKeon. There is a lot that you bring to the table, and I appreciate your coming.

Mr. Scott. Can I ask a question just to Primus? Does EITC have a marriage penalty? If you have two single people with EITC, if they get married, do they get busted?

Mr. Primus. In some instances it is a marriage penalty and in other instances it is actually a marriage bonus, so it really depends upon the situation.

I'll be sexist. With the guys earning 15,000 and the mothers at two, it actually acts as a marriage bonus. If you have two individuals at about 15,000 and they get married, it is a big marriage penalty, so it depends.

Mr. Scott. I am asking about the earned income tax credit, not just in general.

Mr. Primus. No, that's right. That is what I'm talking about. Again, if you have a mother that is earning very little and a dad at 10,000, then they are actually better off, I think, the point is there are marriage bonuses. If they are both at about 15 and they get together, then they are 30 and they lose all of their EITC, so it depends upon the situation.

Mr. McKeon. Well, we can sit here and talk some more, I'm sure, but I appreciate you being here. I appreciate the members being here with their questions and I think it's been very productive and I hope that it helps with the process. I hope you will continue to be involved. This is on a pretty fast

track. We want to get this to the floor, hopefully, and passed. That is on the House side. The Senate, who knows, but I appreciate your comments. We will leave the record open in case you think of other things you would like to put in and other members have other things they would like to add.

If there is no further business, then that will conclude the session. The hearing is adjourned.

[Whereupon, at 5:40 p.m., the committee was adjourned.]

APPENDIX A -- OPENING STATEMENT OF CHAIRMAN JOHN BOEHNER, COMMITTEE ON EDUCATION AND THE WORKFORCE, U.S. HOUSE OF REPRESENTATIVES, WASHINGTON, D.C.

OPENING STATEMENT OF REP. JOHN BOEHNER (R-OH), CHAIRMAN COMMITTEE ON EDUCATION AND THE WORKFORCE

HEARING ON WORKING TOWARD INDEPENDENCE: BUILDING ON THE SUCCESS OF WELFARE REFORM

TUESDAY, APRIL 9, 2002

Good afternoon. Let me extend a warm welcome to all of you, to Health & Human Services Secretary Tommy Thompson, to Mr. Miller, the ranking member, to my colleagues, and to our other witnesses. Thank you very much for being here.

Many of us on this Committee remember well the heated debates Congress had over welfare reform in 1996. After President Clinton signed the bill into law, some predicted it would have disastrous results. Former Senator Pat Moynihan said, and I quote, "Those involved will take this disgrace to their graves."

Let's look at what happened: welfare caseloads have dropped 57 percent from their all-time high of 5.1 million families in March 1994 to 2.1 million in May 2001 – their lowest level since 1968, according to the U.S. Department of Health & Human Services. Census figures also show that employment by mothers most likely to go on welfare rose by 40 percent between 1995 and 2000.

Moreover, since 1996, nearly three million children have been lifted from poverty. Census data shows that child poverty is now in its longest period of sustained decline since the early 1970s – and the black child poverty rate is at its lowest point ever.

One of the myths that welfare reform opponents like to employ is that the reductions in welfare caseloads and child poverty during the late 1990s were the result of a healthy economy, not the welfare reform law. But history shows that this argument simply doesn't hold water: during other long economic booms in the 1960s and '80s, welfare caseloads actually *rose*. The fact is that the '96 reform law's work requirements made the crucial difference in maximizing opportunities for welfare recipients to participate in the workforce.

The success of the 1996 welfare reform law is beyond dispute. Indeed, an editorial in yesterday's *New York Times* called it an "obvious success." The challenge for this Congress is to build on that success -- by putting even more Americans on the path to self-reliance -- when the law is reauthorized this year. While it's true that the '96 reforms significantly reduced welfare caseloads, we still have work to do: a majority of TANF recipients today are still not working for their benefits.

According to the Health & Human Services Department's Third Annual Report to Congress, 58 percent of TANF adult recipients are not participating in work activities as defined by federal law, which includes work and various other job training and education activities.

In addition to strengthening work requirements, we recognize how essential it is for welfare families to have access to appropriate child care. The bill this committee will consider in the coming weeks will reauthorize and improve the Child Care and Development Block Grant.

President Bush recently released his blueprint for the second phase of welfare reform – which aims to help more welfare recipients achieve independence through work and strengthen families – and Secretary Thompson is here today to testify about that proposal.

As this Committee prepares to consider legislation to reauthorize the 1996 welfare reform law – which Subcommittee Chairman Buck McKeon and I will introduce today – I look forward to a spirited debate. We all share the same goal: and that is to help more people move into productive, independent, and self-sufficient lives.

With that, I yield to my friend and Ranking Member, Congressman George Miller for any statement he may have.

Now, I'd like to yield to my friend from Wisconsin, Mr. Petri, to introduce Secretary Thompson.

APENDIX B –GROUPS THAT HAVE ENDORSED H.R. 3113, THE TANF REAUTHORIZATION ACT, SUBMITTED FOR THE RECORD BY REPRESENTATIVE PATSY MINK, COMMITTEE ON EDUCATION AND THE WORKFORCE, U.S. HOUSE OF REPRESENTATIVES, WASHINGTON, D.C.

MINORITY WHIP-AT-LARGE

DEMOCRATIC CAUCUS
EDUCATION TASK FORCE
CO-CHAIR

COMMITTEES:
EDUCATION AND THE WORKFORCE

SUBCOMMITTEES:
21ST CENTURY COMPETITIVENESS
RANKING MEMBER

WORKFORCE PROTECTION

GOVERNMENT REFORM

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Groups That Have Endorsed HR 3113, The TANF Reauthorization Act
(as of 4/5/2002)

1. Acercamiento Hispano/Hispanic Outreach
2. African American Women's Clergy Assn.
3. American Association of Collegiate Registrars and Admissions Officers
4. American Association of Community Colleges
5. American Association of State Colleges and Universities
6. American Civil Liberties Union
7. American Council on Education
8. Americans for Democratic Action
9. American Friends Service Committee
10. Arizona Coalition Against Domestic Violence
11. Association of Community College Trustees
12. Association of Jesuit Colleges and Universities
13. Ayuda Inc.
14. Business and Professional Women/USA
15. California Food Policy Advocates
16. California Welfare Justice Coalition
17. Campaign for America's Future
18. Center for Battered Women's Legal Services at Sanctuary for Families
19. Center for Community Change
20. Center for Third World Organizing
21. Center for Women Policy Studies
22. The Center for Women and Families
23. Center on Fathers, Families and Public Policy
24. Central Conference of American Rabbis
25. Chicago Women in Trades
26. Child Care Action Campaign
27. Child Care Law Center
28. Choice USA
29. Church Women United
30. College Opportunity to Prepare for Employment (COPE)
31. Communication Workers of America
32. Council for Opportunity in Education
33. Covenant House Washington
34. Family Violence Prevention Fund
35. Florida CHAIN (Communications Health Information Action Network)
36. Friends Committee on National Legislation (Quaker)
37. (GROWL) Grass Roots Organizing for Welfare Leadership
38. Harbor Communities Overcoming Violence (HarborCOV)
39. Harlem Fight Back
40. HELP USA
41. Human Services Coalition of Dade County, Inc
42. Hunger Action Network of NYS

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43. Jewish Family Services
44. Jewish Women International
45. Los Angeles Coalition to End Hunger & Homelessness
46. Mothers on the Move Committee of the Philadelphia Unemployment Project
47. National Association of College and University Business Officers
48. National Association of Commissions for Women
49. National Association of Service and Conservation Corps
50. National Association of State Universities and Land-Grant Colleges
51. National Center on Poverty Law
52. National Coalition Against Domestic Violence
53. National Coalition of 100 Black Women, Metropolitan Atlanta Chapter
54. National Council of La Raza
55. National Employment Law Project
56. National League of Women Voters of the U.S.
57. National Organization for Women
58. National Urban League
59. National Welfare Rights Union
60. NETWORK, A National Catholic Social Justice Lobby
61. New Directions Center
62. New Mexico Center on Law & Poverty
63. Nontraditional Employment for Women
64. NOW Legal Defense and Education Fund
65. North Carolina Coalition Against Domestic Violence
66. Ohio Domestic Violence Network
67. Oregon Law Center
68. Public Justice Center
69. Research Institute for Independent Living
70. RESULTS
71. Rural Law Center of NY, Inc.
72. Safe Horizon
73. Southeast Asia Resource Action Center
74. State Public Interest Research Groups
75. The Miles Foundation
76. The Union of American Hebrew Congregations
77. Unitarian Universalist Association of Congregations
78. United States Student Association
79. Welfare Made A Difference Campaign
80. Welfare Rights Organizing Coalition
81. Welfare-to-work Advocacy Project
82. Wider Opportunities for Women
83. Wisconsin Council on Children and Families
84. Women and Poverty Public Education Initiative
85. Women's Committee of 100
86. Women Employed
87. Women Empowered Against Violence, Inc. (WEAVE)
88. Women's Housing and Economic Development Corporation (WHEDCO)
89. Workforce Alliance
90. YWCA of the USA

APPENDIX C -- WRITTEN TESTIMONY OF HON. TOMMY G. THOMPSON, SECRETARY, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

STATEMENT BY
TOMMY G. THOMPSON
SECRETARY
DEPARTMENT OF HEALTH AND HUMAN SERVICES
BEFORE THE
COMMITTEE ON EDUCATION AND THE WORKFORCE
UNITED STATES HOUSE OF REPRESENTATIVES

APRIL 9, 2002

Mr. Chairman, Mr. Miller, and members of the Committee, I am honored to appear before you today to discuss the next phase of welfare reform in the areas of work and child care. Together our work has had a profound impact on our nation's most vulnerable families. We have exceeded the most optimistic expectations by assisting millions of families in moving from dependence on welfare to the independence of work; and we have provided a strong commitment to child care to ensure parents can go to work without worrying about the safety and well-being of their children. I am confident that together our work in reauthorizing the Temporary Assistance for Needy Families (TANF) program and the Child Care and Development Block Grant and Child Care Entitlement programs will lead to even greater achievements in the future.

President Bush has laid out a clear path for reviewing all of the programs impacted by the historic, comprehensive Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). The President made a commitment to pursue four important goals to continue transforming welfare in the lives of those that it helped: strengthen work, promote strong families, give States more flexibility and show compassion to those in need. These goals formed the guideposts in shaping the Administration's proposals for TANF and child care.

I would like to spend my time today sharing with you the important progress we have made in strengthening families under these two critical programs and the President's agenda for reauthorization. I will begin with TANF, the cornerstone of our welfare reform efforts.

Temporary Assistance for Needy Families

As a former governor, I can tell you that the Temporary Assistance for Needy Families program – or TANF – has been a remarkable example of a successful Federal-State partnership. States were given tremendous flexibility to reform their welfare programs and as a result, millions of families have been able to end their dependency on welfare and achieve self-sufficiency.

Since August 1996, welfare dependence has plummeted. As of September 2001, the

number of families receiving assistance, which represents the welfare caseload, was 2,103,000 and the number of individuals receiving assistance was 5,343,000. This means the welfare caseload and the number of individuals receiving cash assistance declined 52 percent and 56 percent, respectively, since the enactment of TANF. Between January and September of last year national caseloads actually declined about two percent, and

while the July to September statistics indicate a slight increase, the figures are still well below the previous year's caseload levels. The general trend suggests the national caseloads are not rising but, instead, have stabilized.

In New York City, where we are understandably most concerned about job opportunities, the city achieved more than 53,000 job placements for welfare recipients from September through December 2001. While the number of TANF recipients increased briefly as a direct result of the tragedy of September 11, by January there were about 18,000 fewer TANF recipients on the rolls than there were in August. Indeed, in December New York City had its lowest number of persons on welfare since 1965.

Some other positive outcomes we have seen since the law's passage include:

> Employment among single mothers has grown to unprecedented levels.
>
> Child poverty rates are at their lowest level since 1979. Overall child poverty rates declined from 20.5 percent in 1996 to 16.1 percent in 2000. The poverty rate among African American children declined from 39.9 percent to 30.6 percent – the lowest level on record. The poverty rate among Hispanic children declined from 40.3 percent to 28.0 percent – the largest four-year drop on record.
>
> The rate of births to unwed mothers has stabilized.

But even with this notable progress, much remains to be done, and States still face many challenges. Last year, my Department held eight listening sessions throughout the country to discuss the TANF program and understand the new challenges ahead. The States overwhelmingly support this program. States, administrators, recipients, employers, and advocates have provided valuable insight into how we could make the program even more responsive to the needs of families, while keeping the basic structure and purpose of the program.

The Administration's proposal to reauthorize TANF would build upon our stunning success by:

> strengthening the Federal-State partnership;

asking States to help every family they serve achieve the greatest degree of self-sufficiency possible through a creative mix of work and additional constructive activities;

helping States find effective ways to promote healthy marriages and reduce out-of-wedlock childbearing;

improving the management and, therefore, the quality of programs and services made available to families; and

allowing States to integrate the various welfare and workforce assistance programs operating in their States.

I would like to offer some detail on each of these elements.

Strengthen the Federal-State Partnership

Our proposal seeks to strengthen the Federal-State partnership by maintaining the Federal financial commitment to the program and by making some key policy changes to increase State flexibility. We provide $16.5 billion each year for block grants to States and Tribes and an additional $319 million for annual Supplemental Grants to States that have experienced high population growth and had historically low funding levels. We will also reauthorize and improve the $2 billion Contingency Fund. Authorization for both the Supplemental Grant program and the Contingency Fund expired in 2001, but one year extensions for both were recently enacted into law as part of the economic stimulus package signed by President Bush last month. We continue the current maintenance of effort (MOE) requirement to retain States' contribution to assistance for children and families. Finally, we will restore over five years the policy permitting the transfer of up to 10 percent of TANF funds to the Social Services Block Grant.

In addition to these basic funding provisions, we propose a number of policy changes on the use of funds that will provide States increased flexibility in managing their programs.

We ease limitations on services for the unemployed by clarifying the definition of "assistance" so that rules tied to such spending would not apply to child care and other non-cash support services.

We allow States to designate "rainy day funds" and clarify that such funds would be reserved by States for future TANF use.

Further, we revise current restrictions on carried-over funds by allowing such funds to be spent on any service or benefit that achieves a TANF purpose.

Maximize Self-Sufficiency Through Work

The second element of our reauthorization proposal is to maximize self-sufficiency through work. States would be required to engage all TANF families with an adult in self-sufficiency activities. States must approve activities as part of self-sufficiency plans and regularly review case progress.

And in addition to the requirement for universal engagement, we will increase the direct work requirement. In order for a case to be counted as participating, our proposal requires welfare recipients to participate for a full 40 hours per week in monitored activities to simulate a full work week. Cases counted as participating would be required to average at least 24 hours per week (of their total required 40 hours) in direct work, including employment, on the job training, and/or supervised work experience. States will have the flexibility to decide which activities should make up the remaining 16 hours. These could include a variety of services the States determine are needed by the family.

On a temporary basis, certain cases could be counted as participating even if they did not average 24 hours per week in direct work. These cases would still be fully participating – defined as 40 hours per week – but could be in work-related training, short term substance abuse treatment, or rehabilitation for up to three months within any 24-month period. When calculating participation rates States will be allowed to exclude parents with children under 12 months of age. As in current law, teen parents who are heads of households and maintain satisfactory school attendance will be deemed as meeting all participation requirements.

We will also gradually increase minimum participation rate requirements. In FY 2003, at least 50 percent of all TANF cases headed by a parent will be required to participate in combined work and other activities designed to help them achieve self-sufficiency. This percentage will increase five percentage points each year until reaching 70 percent in 2007. Calculation methods will be improved to recognize practical challenges States face in keeping recipients involved and participating in the program. There will be no separate standard for work participation for two-parent cases.

The current penalty structure will apply when a State fails to meet either, or both, of the universal engagement or participation rate requirements. Potential penalties will be limited to a maximum of five percent of a State's TANF grant, as under current law. States subject to a penalty will have the opportunity to develop a corrective compliance plan and no penalty will be assessed as long as they are making progress toward meeting the requirements. The current caseload reduction credit will be phased out so that States still receive full credit against participation targets in the first year, 50 percent of credit in the second year and no credit thereafter. The five-year cumulative lifetime limit for TANF cash assistance will be retained. States may also continue to exempt up to 20 percent of their cases from this limit.

Finally, understanding the significant barriers that tribes face to self-sufficiency, HHS will undertake a major new technical assistance effort for tribal organizations to help them build and administer effective Tribal TANF programs.

Promote Child Well-Being and Healthy Marriages

Our proposal embraces the needs of families by promoting child well-being and healthy marriages. To this end, we establish improving the well-being of children as the overarching purpose of TANF. This change recognizes that the four current goals of TANF are important strategies for achieving this purpose. Similarly, we clarify and underscore that the fourth goal of TANF is to encourage the formation and maintenance of healthy, two-parent, married families and responsible fatherhood.

In addition, we will target $100 million from the discontinued Illegitimacy Reduction Bonus for broad research, evaluation, demonstration and technical assistance, focused primarily on healthy marriage and family formation activities. Funds previously used for the Illegitimacy Reduction Bonus could be spent far more effectively on developing innovative approaches to support family formation and healthy marriages. Strong and stable families are good for children and must be a central goal of our next steps in welfare reform.

Research shows that both adults and children are better off in two-parent families. It is no criticism of single parents to acknowledge the better outcomes for children of married-couple families. Rather the research findings support the underlying principles that impel us to redirect our policies so as to encourage healthy marriages, especially when children are involved. Our approach to promoting healthy marriage is to provide financial incentives for States, often working together with private and faith-based organizations, to develop and implement innovative programs to support family formation and healthy marriages. Those demonstration programs will be carefully evaluated and information about successful programs will be broadly disseminated.

Along those lines, we also redirect $100 million from the current-law High Performance Bonus to establish a competitive matching grant program for States and Tribes to develop innovative approaches to promoting healthy marriages and reducing out-of-wedlock births. State expenditures will be matched dollar for dollar and TANF funds may be used by States to meet their matching requirement.

We require States to discuss in their State plans the efforts they will make to accomplish the family formation goals of the TANF program, including the promotion of healthy marriages, and their efforts to provide equitable treatment for two-parent married families.

And finally within the context of our goals to strengthen family formation and reduce illegitimacy, we will reauthorize the Abstinence Education grant program to States and territories at $50 million per year.

Improve Program Performance

Our fourth reauthorization element focuses on improving program performance. We

will replace the current High Performance Bonus with a $100 million Bonus to Reward Employment Achievement for meeting the employment goals of TANF. We also will require States to establish and report on performance goals related to each of the four major goals of TANF and to describe in their State plans how they are addressing each. Likewise, States will be required to describe particular strategies and programs they are employing to address critical TANF challenges. We will research the best ways to construct performance measures that relate to the TANF goals, collaborate with States to identify key performance measures, and build uniform data support and reporting methodologies.

Program Integration

For any organization to succeed, it must never stop asking how it can do things better. Using the flexibility under programs such as TANF and the One-Stop Career Center system, States have made great strides towards transforming and integrating their public assistance programs into innovative and comprehensive workforce assistance programs. But, with greater flexibility even more can be accomplished.

In the final key element of our proposal, we establish new State program integration waiver authority to permit States to further integrate a broad range of public assistance and workforce development programs in order to improve the effectiveness of these programs. Broad flexibility to develop new strategies and approaches will be provided, enabling States to design fully integrated welfare and workforce development systems that could revolutionize service delivery. Of course, the purposes of these programs must continue to be met. States will be required to identify the programs and activities for which waivers are requested, describe how the program purposes will be achieved, and show how the proposal will improve or enhance the achievement of such goals.

I would like to turn now to another program that offers a vital connection to a family's ability to work and achieve self-sufficiency -- child care.

Child Care

In 1999, 20 million families in the United States had one or more children under the age of 13 with an employed mother. Thirty-two percent of these families were low-income. For a number of reasons, including the high cost of child care, many of these families have difficulty finding care arrangements that they can afford. I can tell you from my experience as Governor of Wisconsin, access to child care assistance can make a critical difference in helping low income families find and retain jobs.

Further, studies measuring the impact of child care subsidies on employment in several communities and States across the country show that receipt of subsidies substantially increases the likelihood of employment. Eighty-three percent of all families who received child care subsidies in 1999 did so because the parents were employed (with most of the other parents receiving subsidies while in training or

education).

As we approach reauthorization of our child care authorities, the Administration is committed to preserving the key aspects of the program: parental choice; administrative flexibility for States and Tribes; support for work and job training; inclusion of faith-based and community-based organizations; and healthy development and literacy skills for children in care. The major restructuring of the Federally funded child care programs under PRWORA remains an effective and efficient method for distributing child care funds to States. States were given flexibility to determine the best use of those funds to meet the varying needs of their low-income populations. Therefore, our proposed reauthorization of the discretionary Child Care and Development Block Grant (CCDBG) and mandatory Child Care Entitlement programs, does not seek any changes to the underlying structure and financing of these essential programs. Rather, we enthusiastically support maintaining the historically high level of funding for child care.

Our proposal includes $2.1 billion for the Child Care and Development Block Grant and $2.7 billion for Child Care Entitlement -- a total of $4.8 billion for what is referred to as the Child Care and Development Fund or CCDF. But these funds are only part of the picture. Funding for child care also is available through the Temporary Assistance for Needy Families program, or TANF block grant, the Social Services Block Grant, or SSBG, and other sources. Looking at recently available historical data on State and Federal dollars associated with CCDF, TANF and SSBG, we estimate that about $11 billion will be invested in child care through these three block grants alone. The Head Start program provides another $6.5 billion for early childhood education in FY 2002.

Under our proposal, States continue to have flexibility to use Temporary Assistance for Needy Families (TANF) funds for child care both by transferring up to 30 percent of TANF funds to CCDF and by spending additional TANF money directly for child care. In recent years, States have used significant amounts of TANF funds for child care, including $2.3 billion for transfers to CCDF and $1.4 billion in direct spending in FY 2000. In addition to CCDF and TANF, other programs in my Department also fund early childhood care and education, including the Social Services Block Grant and Head Start. And the Administration's education bill, recently passed by the Congress and signed by President Bush, includes additional flexibility and funding for school age care and literacy programs. Taken together, all of these funding opportunities have substantially increased the amount of resources available for quality child care and related programs.

Funding available through our child care programs and TANF transfers alone will provide child care assistance to an estimated 2.2 million children in FY 2003. This is a significant increase over the number served just a few years ago (in 1998 about 1.5 million children received subsidized care) and does not take into account additional children who will be served by the Social Services Block Grant and TANF direct spending for child care. When children by the Social Services Block Grant and TANF direct spending for child care are considered, it is estimated that

approximately one-half million additional children will be served in 2003.

The overall goal of TANF reauthorization is child well-being. Child care supports this goal as well as being a vital work support. Our child care reauthorization proposals complement our expectation that all families will be fully engaged in work and other meaningful activities by ensuring that resources are available to support safe, affordable child care when necessary.

Promoting Child Development and Literacy through Child Care

In addition to supporting working parents, quality child care promotes early childhood development and literacy skills. To improve quality and support the child development component of child care, States support a range of strategies and the Department manages a broad portfolio of training and technical assistance activities to support their efforts. According to the latest plans submitted by States, the most common approaches include grants and loans to providers for specific quality improvements, training and technical assistance for providers and staff, monitoring of compliance with regulatory requirements, strategies to improve retention and compensation of child care providers, and a special focus on improving the quality of care for infants and toddlers.

The President's budget maintains funding for quality child care. A minimum of four percent of the CCDF must be spent on activities to promote quality. In addition, the budget proposes to retain set-asides for infant and toddler care, school-age care and resource and referral services, additional quality expenditures, and ongoing research to identify and promote effective child care practices. My Department is providing technical assistance to equip States to make the best use of their quality funds, including activities that promote literacy. At the same time, we are promoting systemic partnerships between child care, Head Start, family literacy, and other school readiness and reading programs. In addition, last week the President announced his Good Start Grow Smart Initiative which will have a very positive impact on strengthening the early literacy component of child care and Head Start.

State Flexibility

States have significant flexibility to decide how child care funds will be used and what will be emphasized in achieving the overall goals of improving access to care and the quality of care. For example, within basic Federal requirements, States determine eligibility criteria and co-payments for families as well as provider reimbursement rates.

The Department convenes State child care officials and other experts to assess needs within the child care system and to plan remedies where they are needed and improvements where they are possible. Further, to add to this dialog, this year we are funding the first federally sponsored child care policy demonstrations that will be rigorously evaluated.

Promoting Parental Choice

Along with State flexibility, parental choice is a key element of a successful child care program. Families must be allowed to choose the care that best meets their needs, whether with a relative, neighbor, child care center, faith-based program, or after-school program. In FY 2000, over 78 percent of CCDF subsidy payments were made using certificates or vouchers. Using these vouchers and other child care payments, 56 percent of children were cared for in a child care center, while 31 percent were in family child care homes, four percent were in group homes, and nine percent were in the child's home.

To help parents make these critical child care decisions, CCDF funds parent education and outreach. Nationally, my Department funds the Child Care Aware web-site and toll-free hotline to link parents to information about child care in their local communities.

We are on the right track with CCDF and we must maintain a high level of Federal funding commitment to ensure our child care resources continue to meet the needs of working families.

Conclusion

Mr. Chairman, the proposal I bring before you today contains many different elements. What binds these fundamental elements together is the desire to improve the lives of the people and families protected by America's social safety net. As noted by the President, "We've made progress, there's no question the doors of opportunity that were shut and sealed have now been opened.... Yet there is no acceptable level of despair and hopelessness in America. We will not leave people in need to their own struggle, and we will not leave them to their own fate." The President has publicly stated his commitment to the next phase of welfare reform; and this committee demonstrated its desire to succeed when you made the hard choices on the original precedent-setting PRWORA legislation and in your on-going interest in the impact of these changes. It is time to take the next steps in welfare reform and the President and I stand ready to work with you to achieve even greater successes for America's neediest families.

I would be happy to answer any questions you have.

APPENDIX D -- WRITTEN TESTIMONY OF WENDELL PRIMUS, DIRECTOR OF INCOME SECURITY, CENTER ON BUDGET AND POLICY PRIORITIES

TESTIMONY OF WENDELL PRIMUS

Director of Income Security, Center on Budget and Policy Priorities before the Committee on Education and the Workforce U.S. House of Representatives

April 9, 2002

Thank you, Mr. Chairman, and members of the Committee, for the opportunity to testify before you today. I am Wendell Primus, Director of Income Security for the Center on Budget and Policy Priorities. The Center is a non-profit institute that conducts research and analysis on policy issues affecting low- and moderate-income families at both the state and federal levels. We receive no government funding.

My testimony will briefly review the experience of welfare reform over the last six years, then analyze the Administration's TANF reauthorization proposal in light of what research and state experience have shown to be effective in moving families from welfare to work. Finally, I will outline a work-focused alternative to the Administration's plan that would allow states to address some of the remaining challenges of welfare reform by building on current successful state-based approaches.

The Experience of the First Six Years of Welfare Reform

Nearly six years ago, Congress passed legislation that dramatically altered the basic safety net for low-income families with children. The Aid to Families with Dependent Children (AFDC) program, which had existed for 60 years, was dismantled, and a new block grant — Temporary Assistance for Needy Families (TANF) — was put in its place.

States used their block funds to design programs that capitalized on the strong economy and moved welfare recipients into private-sector jobs. As cash assistance caseloads tumbled and the economy surged, employment rates among single mothers rose significantly, continuing a upward trend that began in 1993. While clearly playing a role, the law's work requirements were not the only factor in this increase. States were able to use TANF funds to create an expanded system of supports for low-income working families. In addition to helping families leave welfare, these supports, including child care, transportation assistance, and state earned income tax credits, have helped low-wage workers avoid going on to welfare in the first place. Besides TANF, other federal programs, including Medicaid, the Earned Income Tax Credit, and the Child Care and Development Block Grant (CCDBG) — all expanded in the 1990s — are part of this work support system.

The extent to which TANF has been transformed into a work support system is reflected in state spending patterns and the number of families served in TANF that do not receive welfare. Fewer than 4 out of every 10 TANF dollars are now spent on cash assistance. The largest share of the remaining dollars is spent on child care and other work supports. It is important to note that the work support system funded by TANF extends beyond welfare recipients to low-income families who have left welfare and those who have never received welfare. Unfortunately, there is no official count of the number of families who receive TANF-funded work supports outside of the welfare system. However, recent GAO data suggest that at least 1 million non-welfare families — and quite likely many more — receive work supports funded in part with TANF. Thus, the number of non-welfare families receiving TANF-funded work supports is likely as large, if not substantially larger, than the number of families receiving cash assistance who are subject to TANF work requirements.

While states have made substantial progress on the employment front in the last few years, the reduction in poverty has been much more modest than the reduction in TANF caseloads or the increase in families with earnings. Trends in the "child poverty gap" provide strong evidence that this is due in part to the large reductions in the amount of cash assistance and food stamp received by eligible families. (The child poverty gap, which many analysts consider the single best measure of child poverty, is the total amount by which the incomes of all poor children fall below the poverty line.)

Before counting means-tested programs, the child poverty gap declined substantially between 1995 and 2000, just as it had between 1993 and 1995. The drop in the child poverty gap, as measured before means-tested benefits are counted, primarily reflects the effect of the economy in reducing child poverty through increases in employment and earnings among parents. But when the benefits of means-tested programs (and federal tax policy) are taken into account, the picture changes.

Child Poverty Gap Statistics
(in billions of 2000 dollars)

	1993	**1995**	**2000**	**Change 1993-1995**	**Change 1995-2000**
Before Means-Tested Benefits and Taxes	$87.9	$75.5	$52.4	$-12.4	$-23.1
After Means-Tested Benefits and Taxes	$33.1	$25.7	$22.1	**$-7.4**	**$-3.6**

While the gap still shrunk — by $3.6 billion between 1995 and 2000 — this was much more modest than the $7.4 billion drop that occurred between 1993 and 1995, even though pre-transfer poverty fell nearly twice as much during the later time period. These data strongly support the conclusion that poverty could have fallen at a faster rate between 1995 and 2000 if declines in the numbers of children receiving means-tested benefits had not been as sharp.

There appears to be broad bipartisan consensus in Washington and among states that an important goal of the next five years of welfare reform is to enhance child well-being, which includes reducing the extent and depth of poverty among families with children. Meeting this goal will require moving beyond welfare reform's initial focus on caseload decline — a move that many states are already in the process of making. In addition, most agree that further progress on this goal will require addressing the following challenges:

- *Helping TANF Recipients Who Have Severe "Barriers" to Employment that Impede Their Progress in Moving toward Self-sufficiency*: While there are significantly fewer families on welfare, a recent General Accounting Office study found that 38 percent of them have a severe physical or mental health impairment. Studies have found that these and other barriers — including domestic violence, lack of stable housing, and having a disabled child — significantly reduce the likelihood of working. In order to make these families part of welfare reform's success, we need to be realistic about what it is going to take to get them from where they are today to where they need to be, and ensure that states have the resources and flexibility to work with them intensively towards that goal.

- *Doing More to Help Recipients Find Better-paying and More Secure Jobs that Can Support a Family:* TANF recipients typically end up in low-paying jobs — most earn less than $8.00 an hour and many earn significantly less than that. Data from studies of parents who left welfare for work show that median quarterly earnings for families that left TANF and were working were typically between $2,000 and $2,500, roughly 33 percent below the poverty level for a family of three. Earnings do grow after leaving welfare, but they still remain quite low even years later. A Wisconsin study that tracked welfare leavers in that state found that nearly 60 percent had below-

poverty-level incomes even three years after leaving welfare.

States have begun to fine-tune their TANF programs to address these issues, but much more could be done to improve outcomes for families in these areas. TANF reauthorization should address these challenges by building on current effective state strategies to help families overcome barriers to employment and find better jobs. There are other important challenges that need to be addressed, including how to strengthen families and promote family formation. Given the Committee's jurisdiction, this testimony will focus on TANF provisions related to work and the importance of ensuring an adequate funding base so that states can meet the work goals of TANF.

The Work Provisions in the Administration's Proposal

The Administration is proposing a far-reaching set of changes to the work provisions in the TANF law. The most significant changes are to TANF's participation rate structure under which states must place a certain percentage of families in federally-authorized work activities or face fiscal penalties. The Administration's plan makes the following changes to the participation rate structure.

- States would have to place 70 percent of TANF families in specified work activities by fiscal year 2007, up from 50 percent in the current fiscal year. The caseload reduction credit would be eliminated. States would be able to count families that have left welfare and are working as part of their rate, but only for up to three months.

- To count fully toward the rate, families with children age 1 or older would have to participate in work activities for 40 hours a week. This change would double the number of hours required for parents with children under age 6 and increase by 10 hours a week the number of hours required for other families.

- The work activities that count toward the first 24 hours of the work requirement would be narrowed to paid work (unsubsidized and subsidized employment, and on-the-job training) and unpaid work (work experience programs and supervised community service). States would be able to count families placed in substance abuse, mental health counseling, and rehabilitative activities, but for no more than three consecutive months in any 24 month

period.

Instead of addressing the remaining challenges by building on current state strategies to help families overcome barriers to employment and find better jobs, the Administration's plan would curtail state flexibility and effectively "federalize" state welfare-to-work program rules. States would be forced to restructure their current programs and abandon many of the successful strategies they currently use to help parents prepare for, find, and retain employment in favor of more costly programs. Such a change might be warranted if states had clearly failed to implement effective welfare-to-work programs over the past few years, or if there were research evidence showing that the Administration's proposed approach was more effective at addressing current welfare reform challenges than existing state approaches. However, there is no evidence to support either of these conclusions; indeed, there is evidence to suggest that the Administration's approach would be *less* effective than other state-based approaches.

The Administration's Plan Would Limit State Flexibility

Under the Administration's proposals, states would be required to place a substantially increased proportion of their caseloads in a very narrow set of work activities or be subject to fiscal penalties. Two activities, job search and vocational education, that currently count toward the rate would not count at all toward the 24 hour requirement. For recipients who do not already have an unsubsidized job, they could only be counted toward a state's work participation rate if they worked in a subsidized job or participated in work experience, supervised community service, or on-the-job training programs for 24 hours each week. Families would have to be placed in one of these activities even if the state does not believe this would be the best approach to helping them succeed in the labor market.

Some may argue that because the work participation rates remain below 100 percent, states will continue to have the flexibility to structure different activities for a significant share of its TANF recipients. This is untrue. While the participation rate that states will be required to meet is less than 100 percent, to achieve a participation rate in the 60 to 70 percent range, they will need to impose the federally-mandated work requirements on nearly 100 percent of families. This is the case for two reasons. First, some parents will not be able to meet the hourly requirements every week because of personal family circumstances, including illness or having to care for an ill child. Second, even in well-run programs, a significant number of recipients are not in activities at any given time because they are waiting for a program to begin a new session, are between work activities or assignments, or they cannot begin a work activity until child care is in place. Researchers have recognized that in order to attain any given participation rate, a state must actively seek to attain participation for a considerably larger group of families.

The Administration has argued that its plan would actually give states greater flexibility because it would allow states to count families placed in substance abuse,

mental health counseling, and rehabilitative activities for three consecutive months in any 24 month period, and because it would allow states to define what counts toward work for the final 16 hours of the 40 hour work requirement. As a practical matter, however, these provisions provide almost no new flexibility for states.

Under current law, states actually have considerable flexibility to place participants in the types of "barrier removal" activities that the Administration proposal would limit to three months. While these activities do not currently count toward the work participation rates (except in several states with waivers that the Administration's plan would rescind), states have generally achieved actual participation rates that are substantially higher than the required federal standard. This is due in large part to the caseload reduction credit which has lowered the rates that states must meet. As a result, states have been able to place recipients in activities that do not count toward the federal rate without having to be concerned that they would fail to meet the required standard. Many states have used this flexibility to place participants in barrier-removal activities that have not necessarily been limited to three months, while maintaining their otherwise vigorous and intensive efforts to move recipients to work. By eliminating the caseload reduction credit reduction and increasing the overall rates, the Administration plan would eliminate this flexibility that currently exists.

Similarly, allowing states to define work activities that count toward the final 16 hours of a 40-hour requirement is not an enhancement to the flexibility states have under the current rates. For families with children under 6, the federally-mandated work requirement is limited to 20 hours. Since the Administration plan would require an additional 20 hours of work for these families, it can only be characterized as limiting state flexibility for these families, regardless of whether states are able to define allowable work activities for 16 of the new hours.

For families with school-age children who are currently subject to a 30-hour requirement, the Administration's plan would allow states to count a broader range of activities toward hours 25 through 30 of the work requirement than is currently allowed. However, this is a very limited enhancement of flexibility given that the plan would also narrow what counts toward the first 24 hours of the work requirement. In addition to not allowing vocational education, job readiness, and job search to count toward the first 24 hours, the plan would not allow other educational activities and job skills training (which currently count toward the work requirement after the first 20 hours) to count for hours 20 to 24.

Moreover, regardless of the child's age, in order to meet the 24-hour requirement, states will likely have to place families in the narrower set of paid and unpaid work activities for more than 24 hours. This is because a state gets no credit for an individual participating in the work activities prescribed by the Administration for 23 hours or less, even if they are in other activities for 16 hours. To avoid the potential risk of not getting any credit for a family, states will typically schedule participants in the narrower set of activities for significantly more than 24 hours.

The Administration's plan does include a so-called "superwaiver" provision that appears to allow the Executive Branch to waive a broad array of statutory provisions and rules in a wide range of federal programs, including programs within the jurisdiction of this committee such as the Workforce Investment Act and the Wagner-Peyser Act. Without further details, it is difficult to know precisely how this proposal would affect programs within this committee's jurisdiction, but there is reason for caution in this area. If the Executive Branch can waive program rules in an unlimited number of states and outside of carefully-constructed demonstration research projects, Congress's ability to establish national standards or program rules could be reduced substantially.

It also is unclear whether states would be able to seek waivers of the participation rate provisions in the TANF program — and even if they are able to seek participation rate waivers, there is no guarantee that the Administration would grant such waivers. Notably, the Administration is proposing to *discontinue* current TANF program waivers - most of these waivers provide states with greater flexibility on countable work activities - including those waivers that were not scheduled to expire before 2003. Some 20 states are still operating under waiver rules and in 10 states the waivers were not scheduled to expire until 2003 or later.

States would be Forced to Abandon their Own Successful Approaches

Under the Administration's proposal, all states would face sharply increased work participation rate requirements that would require them to focus on meeting these requirements to avoid fiscal penalties. Families that are not able to find unsubsidized employment, would have to be placed in subsidized work, work experience, supervised community service, and on-the-job training.

To meet the heightened work rates states would have to increase dramatically the percentage of recipients participating in subsidized work, work experience, supervised community service, and on-the-job training. Nationally, only about 7 percent of TANF recipients who are not working at unsubsidized jobs participate in the remaining narrow set of activities that the Administration's plan would allow to count toward the first 24 hours of the work rates. Most states would have to reconstruct their work programs, jettisoning current preferred employment initiatives in favor of the narrow set of activities that would meet the more prescriptive requirements.

Only a few states and localities have placed substantial numbers of parents in the types of work experience programs that would be mandated on a large scale by the Administration's plan. A few states and cities operate wage-based transitional jobs programs which would be allowable under the Administration's plan. While these programs have shown considerable promise for recipients with barriers to employment, they are expensive programs and, thus, generally have been and operated on a limited scale and carefully targeted to the recipients with the greatest barriers to employment

While research studies that cover all 50 states and compare the effectiveness of various work program approaches are not available, data from states that have adopted varying approaches strongly suggest that states using strategies different from the narrow set of programs the Administration would mandate have been successful in helping large numbers of parents move from welfare to work.

Over the past six years, states have adopted a variety of approaches to help parents find jobs. Most states utilize intensive job search programs in conjunction with "soft-skills" training and other job readiness activities. These programs are focused on placing participants in private-sector employment. They typically help parents learn how to look for work successfully and often connect them directly to employers. In keeping with recent research findings discussed below, some states have opted for a so-called "mixed strategy" combining an overall work emphasis with opportunities for pre-employment training and increasingly vocational education. States increasingly have focused on identifying parents with disabilities or other barriers to employment and have tailored work activities — such as substance abuse treatment, vocational rehabilitation services, or mental health counseling — to ensure that parents with such barriers get the help they need so they can find and retain employment.

There is some evidence to suggest that the Administration's plan could be *less* effective than other state approaches. Washington State's recent decision to discontinue its work experience program is instructive on this point. The state's decision was based in part on results from a recent evaluation of the state's TANF program which found that work experience had no positive impact on participant earnings, while other activities — including jobs skills training, a paid transitional jobs program, and pre-employment training — all had positive impacts on earnings. The pre-employment training program had the strongest earnings impacts, increasing quarterly earnings by $864. (The work experience program did appear to increase employment rates somewhat, but it was only slightly more effective than the less costly job search workshop.)

Of the programs evaluated in Washington State, only the work experience program and the paid transitional jobs program would appear to count toward the first 24 hours the Administration's proposed work rates. Since the paid transitional jobs program is too expensive to operate on the large scale that would be required to meet the proposed rates, Washington State would have little choice but to resurrect a work experience program that it had previously chosen to discontinue because of poor results.

The Administration's Plan Would Mandate an Approach that Runs Counter to Two Decades of Welfare Reform Research

The Administration would mandate its particular approach despite a lack of research evidence indicating that such a program will be more effective than state-developed work programs at helping parents with varying skill levels and barriers to employment to meet the law's employment goals. The clearest finding from this

extensive body of research is that providing a range of employment and training services is the most effective welfare-to-work strategy, rather than the one-size-fits-all model that the Administration proposes. The single most effective program in the recently completed 11-program National Evaluation of Welfare-to-Work Strategies (NEWWS) — a program that operated in Portland, Oregon in the mid-1990s — did not have a large-scale work experience component. Instead, the Portland program emphasized moving participants quickly into private sector jobs, while allowing for varied initial activities and establishing performance standards that encouraging case managers to help participants find jobs that paid well above the minimum wage and offered better long-term career opportunities. Participants were more likely to find better-paying jobs that were full-time and provided employer-based health insurance than welfare participants in a control group.

Similarly, none of the programs that have been shown to measurably increase child well-being included work experience as a significant program component. Perhaps the most notable example is the Minnesota Family Investment Program (MFIP) demonstration, which increased child well-being (as measured by school performance and behavior), in addition to having strong positive impacts on employment, poverty, and marriage rates. MFIP achieved these outcomes despite placing fewer participants in work experience than in any other program component. Minnesota has since adopted a statewide TANF program modeled on this demonstration program. Program administrators have said that the Administration's plan would force them to shift away from this program model in spite of its unprecedented success.

The Fiscal Implications of the Administration's Plan

Despite requiring states to place substantially more parents in subsidized jobs or work experience programs, the Administration proposes to freeze both TANF and child care funding for five years at the FY 2002 level. Even without the Administration's proposal to impose far more costly work participation requirements on states, freezing TANF and child care funding for five years would itself mean that most states would be unable to maintain their current welfare reform efforts.

The 1996 law based each state's block grant level on its historical AFDC spending. Funding was not indexed for inflation. Data from the Treasury Department show that in FY 2001, states spent $18.5 billion a year on TANF — *$2 billion more* than the annual block grant level. States have been able to do this because they can tap unspent funds from the early years of the TANF program. Those funds, however, are dwindling quickly. Many states either have few remaining reserves of unspent funds from prior years or will be without any significant reserves

at some point in the next couple of years. If funding remains frozen, many states will have to cut TANF services significantly, including supports for working poor families with children. Adding to this problem, the $16.5 billion will purchase less in services and benefits with each passing year, due to inflation. Since 1997, the

block grant has lost 11.5 percent of its value — five more years of funding at the current level would mean that it would fall 22 percent below its value in 1997.

Under the Administration's proposal, states would face a five-year freeze on TANF and child care block grant funding at the same time that the new federally-mandated work program structure substantially increased their work program and child care costs. Furthermore, states would face this combination of decreased "real" funding for TANF and child care and increased work program and child care costs at the very time their reserves of unspent TANF funds from the program's early years were running out. Taken together, these factors would likely force most states to cut spending on TANF-funded programs that support low-income working families who do not receive cash assistance, since the bulk of state TANF spending outside of the traditional welfare system is dedicated to providing supports to these families.

If states are forced to scale back supports such as child care for low-income working families, programs designed to help welfare recipients find and retain jobs may be much less successful. If a parent finds a job and leaves welfare but does not have access to child care, transportation or wage supplements — supports that states now fund with TANF and child care block grant funds — the parent is less likely to retain the job and remain off welfare.

The fiscal implications of the Administration plan would be especially problematic in the large number of states with very low TANF block grant allocations relative to their needy populations. In fiscal year 2001, eight states received less than $600 in block grant funding per-poor child — the national average is about $1200 per-poor child — and another 13 states received less than $900 per-poor child. (These figures include additional TANF funds provided in "supplemental grants" — designed in part to provide additional funding for underfunded states). These underfunded states would likely have even greater difficulty than most states in summoning the resources necessary to create large subsidized job or work experience programs.

A Work-Focused Alternative to the Administration's Plan

There is a better alternative to mandating a top-down approach that would force states to replace their current work programs with more costly and less effective programs that could, in some cases, become "make-work" programs. A better and equally work-focused alternative plan would push states to address the remaining challenges of welfare reform by drawing on lessons from the extensive base of welfare reform research and building on current successful state-based approaches.

Reward States for Putting Parents in Jobs: The Administration proposal to eliminate the caseload reduction credit is well-founded and should be included in any work-focused approach. States with large declines in their caseload see their work participation rates fall substantially through the caseload reduction credit mechanism, regardless of whether large numbers of the families that have left are working. The caseload credit wrongly rewards states for caseload decline, even if it

is achieved in the absence of work.

The Administration is also on right track in proposing that the caseload reduction credit be replaced with a mechanism that gives states credit toward the work rates when a family leaves welfare for work. This approach sends a far more positive signal to states — it recognizes that states should be rewarded for their programs' successes, namely, the families that have left welfare for work. There are two modifications that would improve the Administration's proposed employment credit. The Administration's credit would only allow states to count families that had left welfare and are working for three months. A credit that allowed states to count families for six to 12 months would provide a better incentive for states to ensure that participants are working continuously after leaving welfare. It is also merited given that states typically extend TANF-funded work supports, including child care and job retention services, for more than the first three months after a family leaves welfare. The Adminstration's credit could also be improved by providing "extra credit" for placing families in higher-paying jobs.

Increase States' Ability to Focus on Helping Parents Find Better-Paying, More Secure Jobs: Additional steps need to be taken to help families get better jobs. States should be given broader flexibility to allow parents to participate in vocational educational programs that could help recipients improve their skills and secure more stable employment. In addition to the NEWWS evaluation findings, there is growing evidence that carefully designed educational programs can have a substantial impact on earnings. Maine's Parents-as-Scholars program, which allows participation in vocational education, including post-secondary education, for more than 12 months, is one example. Wage rates for Parents-as-Scholars participants jumped by nearly 50 percent — from about $8.00 an hour prior to entering to program to nearly $12.00 an hour after program completion. In spite of its proven success, Maine is not able to use federal TANF dollars to operate the Parents-as-Scholars program because participants would not count toward TANF work rates given the current 12-month limitation on vocational education.

Help Parents with Work Barriers Succeed in the Labor Market: States need more flexibility and support in working with families with barriers to employment. States should be encouraged — not discouraged — to identify parents that have significant barriers to employment and work with those parents to overcome those conditions and move toward employment. At the very least, states should be allowed to count families that they place in barrier-removal activities toward the work participation requirements without any arbitrary limits. As noted above, the Administration's proposal to allow certain barrier removal activities to count for three consecutive months in any 24-month period is not a significant improvement on current policy.

Families with barriers would also be helped by improvements in sanction policies. A growing number of rigorous studies conducted by or for states have found that sanctioned families are more likely to have serious barriers to employment than families that leave for other reasons. A pre-sanction review process — in which families are contacted *prior* to the sanction, screened and assessed for barriers that

may have hindered families ability to meet work requirements, and provided with services to address any barriers identified — would help improve compliance with work rules and ensure that participants are receiving the right types of employment services.

Provide Additional State Flexibility to Make Work Pay: One of the most important research findings from the past few years pertains to the importance of earnings supplement policies in "making work pay." Since the early 1990's, nearly all states have adopted policies that allow families to keep a share of their welfare benefits as a wage supplement. These supplements remain quite modest — in the most states they are eliminated before a family's earnings reach 75 percent of the poverty line — but help ensure that a family is actually better off by working. Unfortunately, such supplements count against the federal time limit even though families must be working to receive them. This helps explain an unanticipated finding from states that have studied the effects of their time limit policies — that a majority of families who are terminated due to time limits are working prior to their termination. The families terminated due to time limits in these states tend to have lower wages, educational levels, and higher poverty rates than families leaving welfare for other reasons. States that decide to provide wage supplements to working families like these should be able to do so without applying the federal time limit.

Extend Work-Based Reforms to Low-Income Fathers: While TANF has helped boost employment rates for single mothers, more needs to be done to improve employment outcomes for disadvantaged fathers. The employment rates and labor force participation of young black men with a high school degree or less actually fell in the 1990s, even as employment outcomes for young black women improved. The federal government should provide states with incentives to extend employment services and other necessary services to low-income fathers. States can currently serve low-income non-custodial parents with TANF funds, but existing programs are limited. States should be allowed to count low-income fathers of TANF children toward their TANF work rates if the fathers are receiving TANF-funded employment services. This would provide states with an incentive to extend TANF-funded employment services to more low-income fathers. States also should be given one-time federal grants to develop programmatic recommendations to extend employment services to low-income fathers and enhance program coordination among programs that work with low-income fathers, including child support, employment, and criminal justice programs.

Allow States to Bring Legal Immigrant Families into their TANF Work Programs: States should also be allowed to bring recent legal immigrant families into their federally-funded TANF work programs. About one in four low-wage workers with children is a immigrant and most of the children in these families are U.S. citizens. A significant share of these low-wage legal immigrant workers are excluded from the federally-funded TANF program because they have lived in the United States for less than five years. In fact, recent legal immigrants are the only significant group of low-wage workers that states are prohibited from serving (aside from families that have received welfare for more than 60 months, but states have

flexibility to provide hardship exemptions to families after 60 months).

Legal immigrant families are not only ineligible for TANF-funded cash assistance, but also for TANF-funded work supports and services such as child care, transportation, job training, and English-language instruction. The Administration claims that a five-year eligibility ban is needed to prevent welfare dependency among legal immigrants. However, TANF already provides ample safeguards against welfare dependency, including mandatory work requirements and a five-year limit on assistance. These restrictions apply regardless of immigration status. It isn't clear why a complete eligibility ban — a drastic additional protection against dependency that does not apply to long-term immigrants or to citizens — is necessary for legal immigrants during their first five years in the United States. The Administration also suggests that an eligibility ban is necessary because benefits may induce legal immigrant to migrate to the United States for welfare benefits — the so-called "magnet effect" — even though recent social science research finds no evidence to support the magnet effect hypothesis *Locational Choices*, Federal Reserve Bank of Atlanta, Working Paper 98-3 (1998). and some of the staunchest proponents of immigrant restrictions agree there is no magnet effect.

Provide Adequate Funding for States to Operate Effective Work Programs: Finally, if states are to maintain their existing work support system, expand services to more low-income fathers, and make further progress on the challenges that remain, they will need to have an adequate long-term funding base. The TANF block grant should be adjusted to keep pace with inflation. Funding for the Child Care and Development Block Grant also should be increased so states can provide subsidies to a greater portion of eligible families.

Two final issues that arise from the current-law funding structure also need to be addressed. As discussed above, large number of states have very low TANF block grant allocations relative to their needy populations. Reauthorization legislation should allocate additional funding beyond the level currently provided in the supplemental grants — and in the Administration's plan which would freeze the supplemental grants at their current level — to increase funding levels in these underfunded states. The TANF program also lacks an adequate mechanism for providing states with additional resources for recessions. The Administration has proposed reauthorizing the current contingency fund, but far more substantial modifications are needed than the Administration is proposing to ensure that states have adequate resources during a downturn.

* * *

Thank you for inviting me to testify today. TANF reauthorization represents an opportunity to build on the successes of the last six years to ensure that poor families with children can succeed in the labor market. Reauthorization legislation should take a work-focused approach that recognizes both the strengths of current state welfare-to-work efforts, addresses those areas in which more could be done to help parents overcome barriers and find jobs that can support their families, and

provides the resources necessary for states to operate effective programs.

APPENDIX E -- WRITTEN TESTIMONY OF JASON A. TURNER, VISITING FELLOW, THE HERITAGE FOUNDATION

Testimony Before
The Education and the Workforce Committee
Effective Work Programs

April 9, 2002

Jason A. Turner
Visiting Fellow, Domestic Policy
The Heritage Foundation

Greetings to Members of the Committee:

Thank you for this opportunity to testify, specifically on the subjects of the TANF work requirements and the child care provisions. Let me first state that my testimony before this committee represents my personal views on this issue, and should not be construed as representing any official position of The Heritage Foundation.

As deliberations begin, it is worth reflecting on the enormous contribution the Congress has made to American families and our society through its enactment of the PRWORA reform which created the TANF program. The Heritage Foundation has compiled figures delineating some of the most significant achievements which have resulted:

Poverty has been reduced dramatically over a short period of time

Since the enactment of welfare reform in 1996, the conventional poverty rate fell from 13.7% in 1996 to 11.8% in 1999. There are 4.2 million fewer people living in poverty today than there were when the welfare reform law was enacted. Moreover when the EITC and non-cash welfare benefits such as Food Stamps and public housing are counted in determining poverty, the poverty rate in 1999 was even lower, at 8.8%.

Poverty among single mothers is at its lowest point in U.S. history. The rate has fallen from 44% in the mid-1990's to 35.7% in 1999, and to 25.7% when the EITC and non-cash benefits are included.

Child poverty has fallen from 20.5% in 1996 to 16.9% in 1999, and to 11.2% when the EITC and non-cash welfare benefits are counted as income. Child poverty declines have been greatest among African-American children. The conventional black child poverty rate has fallen by one-third, from around 43.8% in the mid-1990's to 33.1% in 1999, and when the EITC and non-cash benefits are included it

is 21.6%. And the number of children living in "deep poverty" (incomes less than half the poverty level) declined from 6.3 million children in 1996 to 4.9 million just three years later in 1999.

Employment among single mothers is way up

The employment effects of PWRORA have been felt most strongly among the least employment-ready single parents. Since the mid-1990's the employment of never-married mothers has increased almost fifty percent, that of single mothers who are high school dropouts by two-thirds, and that of young single mothers aged 18-24 by a doubling.

Welfare dependency has plummeted

The national welfare caseload has declined by over 56%, dropping from 4.4 million cases in August of 1996 to 2.1 million in September of 2001. Moreover dependence has fallen most sharply among young never-married mothers with young children who have low levels of education, demonstrating that the reforms have affected the entire caseload, not merely the most employable.

There has been a halt in the rise of out-of-wedlock childbearing and an early and small shift toward marriage

Overall out-of-wedlock births rose from 7.7% of all births in 1965 to an astonishing 32.6% in 1994. Thankfully, the relentless 30 year rise has at last taken a pause, and among African-Americans the out-of-wedlock birthrate has actually fallen slightly from 70.4% in 1994 to 68.8% in 1999. In addition the share of children living with married couples among blacks rose from 34.8% to 38.9%. While these changes are small overall, they represent the first hope that the decline in family stability experienced since the 1960's may be subject to reversal.

SUMMARY POINTS OF TESTIMONY

In the discussion below I will make two arguments as follows:

· The reauthorized bill should include strengthened work requirements. These requirements are essential to transforming the meaning of welfare away from a cash entitlement, and to maximizing the rate of movement into and up within the private labor force. The work requirement rates in current law are obsolete and have been overtaken by events.

· The budget for the reauthorized TANF program can be reduced by ten percent without adversely affecting any essential aspect of the program, including the provision of child care for working families, and would in many

respects result in improvements in the effectiveness of the service delivery system.

WORK REQUIREMENTS NEED TO BE STRENGTHENED

The TANF program has been extraordinarily successful at reducing the caseload and moving individuals into employment, as we have seen above. State programs have achieved this by instituting good up-front job search programs in what is termed as a "Work First" approach. Experimental research over the past decade and a half, influential among the drafters of the current law, had revealed that education and training alone is less effective at helping individuals succeed in the private labor market than early entry into employment if feasible, where on-the-job learning can help individuals move up the employment ladder faster than holding them out of the labor market for classroom instruction. Most often actual work can be combined with education and training in a more effective combination than either one alone.

From this "Work First" orientation, our experience has shown further that for those unable to find immediate private employment, either full or part time, the next best alternative usually includes some work experience as a core part, although not the only part, of an overall schedule and effort resulting in employment. This is especially true for those without extensive prior work history.

There are two key components which together influence the effectiveness of welfare-to-work programs under TANF. One component is the number of hours of activity required of a participant, which is a measure of his or her effort. The second is the overall proportion of individuals engaged in such activities, which is a measure of the breadth and reach of the program. Both components, the intensity and the breadth of program participation, are important to the overall effectiveness of the program. The authors of the current TANF program clearly intended that both program intensity and program breadth be the focus, and they did so by setting meaningful levels of weekly work requirements (measured in hours), and participation rates (measured by the proportion of adults actually engaged in the activity).

Surprisingly, given the goals of TANF, the proportion of adults engaged in constructive activities leading to employment, is quite low, once those who are already employed while on welfare are excluded. Although over 40 percent of the adult caseload in the average state is involved in some required activity, nearly 70 percent of these are in unsubsidized employment; i.e., they are collecting welfare while working at a regular job. This is, of course, good as far as it goes. But for the remainder, i.e. those not working and still receiving benefits, current law has done little to encourage states to constructively engage this group.

In order for the TANF program to make significant continued progress at helping adult recipients achieve financial independence, it will have to find ways to get states to engage a far larger proportion of the adult population than is being served

under the current program. A major management commitment is necessary to mount a large and ongoing program for a high proportion of recipients, and although the policy makers who drafted the TANF program may have anticipated that most recipients would be involved in welfare to work activities, implementation by states has simply not produced this result.

The President's TANF reauthorization proposal, *Working Toward Independence,* moves us in the right direction toward the next level of reform by focusing state programs on increasing the level of effort made by individuals in the program, and by increasing the program's breadth and reach. It does this while retaining the state operational flexibility inherent in the TANF program.

The President's plan sets a 40 hour week as the standard for welfare-to-work activity, which is an increase from 30 hours per week under current law (or 20 for single parents of children under 6). The 40 hour week is comparable to the time commitment necessary in a full-time job. Unlike current law, however, which measures only participant time spent in work-like activities such as subsidized employment and work experience, the President's plan divides required activity into two parts - - work-like activity for 24 hours per week (i.e. three-day equivalent) and state-flexible activity for the other 16 hours. This is intended to give states the flexibility they need to blend other program components into the week to maximize its effectiveness, such as education, training, substance abuse treatment, and job search.

In addition to moving to a higher level of participant weekly commitment, the President's plan also intends to increase the proportion of individuals actually engaged in welfare-to-work activities by gradually increasing the state required participation rate to 70%, from its current 50%, while making certain adjustments to the rate calculation to make it easier for states to achieve.

However, in our judgment the President's plan is in error by permitting states to count as participating those who have exited the program by reason of employment for up to three months. Although it appears to reward success, this provision inadvertently credits welfare programs with high benefit levels over those with lower benefits. Programs with high benefit levels tend to keep individuals in the welfare system while they are working (especially if they also have high income disregards). A better approach is to significantly increase the caseload reduction credit, thereby rewarding states which are able to find employment for their participants and reduce dependency at the same time.

Are the state work requirements as outlined in the President's plan realistic and achievable for the majority of states? Absolutely!

States have already shown from the current legislation that they are capable of designing programs to meet federal performance targets when challenged to do so. The President's plan sets important targets, but leaves the bulk of the operational decision-making to state policy makers.

Both former Governor Thompson of Wisconsin and Mayor Giuliani of New York City have designed and operated large-scale welfare-to-work programs as originally envisioned by the authors of PWRORA, and as likely to be achieved in practice under the President's bill (with certain suggested modifications). Both Wisconsin and New York share the aspiration to run full-week programs with high levels of required participation. Some of the practical fundamentals of operating such programs are outlined below:

Welfare-to-work programs should constitute genuine practice for private employment.

The program should operate on a standard full-time workweek which conforms to the expectations of private employment. This allows participants to practice organizing their lives around a realistic work schedule of eight hour work days organizing their lives around a realistic work schedule of eight hour work days and five day work weeks; Real work should be made part of the weekly activity. The pride and satisfaction of successfully mastering work tasks often results in a big psychological lift and translates into confidence in the search for private employment; Work assignments must include close supervision and regular feedback. Those who lack work histories are often not familiar with workplace norms of professionalism and conduct, and frequently find it difficult to submit to supervisory authority or get along with co-workers. Good supervisors who agree to make part of their task the acculturation of participants play a large role in the success of their charges; There must be swift consequences for non-attendance without cause. The notion of such consequences can be a new and ultimately constructive experience for those used to being involved in a bureaucratic welfare system in which not much changes. Thus, the importance of reliability must be taught, and for this to occur benefits must be closely tied to attendance..

High levels of required and ongoing participation best allows for the goal of replacing cash assistance with work.

Welfare-to-work activities which become part of an ongoing obligation as a condition of receipt of welfare, allow for an ever-present option for those rotating in and out of the labor market. It can operate much like an accordion, expanding and contracting to accommodate those out of the labor force, while keeping work habits and skills in good repair.

Required ongoing participant activity probably exerts its greatest net caseload impact at the time of enrollment.

Where participation in welfare-to-work programs has been required of applicants who do not find private employment within a certain period of time, the number of actual slots used by participants is almost always far fewer than anticipated. Fewer slots are necessary because individuals who know they must engage in work in exchange for benefits frequently elect not to enroll in the program in the first place. Instead, they find immediate employ mentor increase their hours in existing part-

time employment.

Universal work programs require work slots for individuals of all capabilities.

In NewYork City, after excluding child-only cases in which there is no adult, fully 87 percent of the TANF caseload is deemed "engageable," meaning that they are ready for some kind of welfare-to-work assignment. Having a near-universal expectation of work helps change the culture of the system and channels the energy of recipients in a constructive direction away from attempting to qualify for exemptions.

Sanction policies play a large role in achieving high levels of participation. High non-participation rates are a feature of most mandatory programs. In Wisconsin, where the W-2 program pays cash benefits only to those who first participate in work activities, compliance by definition is high. However, in states like New York that do not use a version of full-check sanction for non-participation, a large proportion of families may accept a lower TANF payment rather than engage in work.

High turnover rates present management problems but lower the number of required work slots.

The high turnover rate has at least two causes. One cause is that those who reliably participate in their work assignments, even for short periods, find they can obtain private employment. Fully half of all individuals who participated in New York's work experience program for any period during the first quarter of 2000 found employment the same calendar year. In addition, normal caseload dynamics in which recipients leave the rolls further increases turnover. The high work experience turnover rate means that far fewer actual slots are needed to run a universal program than would otherwise be required.

In conclusion, managing a large-scale welfare-to-work program is both practical and necessary to achieving true welfare reform. The President's plan, with modifications, sets us in the right direction.

A ten percent reduction in the budget allocated to the TANF block grant can easily be accommodated with constraining the program's effectiveness.

There is far more money available for welfare-to-work expenditures than ever before because about half of the prior expenditures on benefits are no longer required as a result of caseload reductions. This of course is a good development overall, and accommodates increased spending per remaining adult recipient, as well as permitting more funds to be dedicated to child care for working families, and other such supports.

However, we may be reaching a point where the plentiful availability of resources may begin to be counterproductive. The excess liquidity in the TANF system can

result in programs being less efficient and effective than they otherwise might be if careful use of resources remains a budget necessity. For example, in New York City we now spend about ten times the amount per remaining recipient on welfare-to-work services (of all kinds, including child care and substance abuse treatment) as compared to prior to the passage of TANF, even though caseloads are about 60% lower (not ten times lower). This anomaly occurs because benefit payments represented the overwhelming proportion of total welfare spending in the pre-TANF era.

The significant increase in available funds has resulted in enormous pressure for states to find ways to spend or obligate funds. In a ten-state study published about six months ago, the General Accounting Office found that of ten states studied, five had used between fifteen and twenty five percent of their TANF funds to supplant state spending. Moreover, even with the pressure to expend funds, as recently as the first half of fiscal 2001 states as a group were spending at a rate equal to only 91% of their available block and supplemental TANF grants (states have now caught up and are spending at a rate slightly higher than that available through annual grants).

Another way to see the increase in available resources as a result of the caseload decline is to consider that from FY 1998 to FY2001, spending on cash assistance declined from 61% of total TANF expenditures to 38%. As a result, significant amounts of funds have been freed up for other uses. However, even counting all the 2001 spending on cash assistance - - for child care for welfare and working families, for education and training, for state supplements to the EITC, and for all other direct work supports - - there still remained 23% of the TANF block grant which was available and re-programmed for other uses, according to calculations made by the Center for Budget and Policy Priorities.

The result of excess liquidity in the TANF program means, for a state and local administrator, pressure to spend money in ways they might not otherwise deem wise. Some state and local administrators have had difficulty extracting the best value from employment and training vendors.

As of the end of the last fiscal year 7.4 billion dollars in federal funds remained as unobligated or unliquidated from the TANF block grant, or an accumulation rate of about 1.5 billion per year (unliquidated funds be committed, see footnote). A ten percent reduction would take out about 1.7 billion dollars per year the amount of federal funds otherwise available, or an amount not much greater than the excess which has accumulated each year.

Nor is there a shortage of child care funding. For FY 2002 the total federal share of child care funds through the CCDF, TANF and SSBG equals a very generous $8.7 billion. To this add the state shares under TANF and CCDF for a combined total of $11.7 billion. This amount does not account for children being cared for while participating in Head Start (another $6.5 billion).

But even these figures underestimate the amount of federal resources devoted to

supporting children in care arrangements. The dependent care tax credit subsidizes child care in an amount in excess of $2.6 billion (1998) per year. Moreover the two largest tax programs which help support children, the Earned Income Tax Credit and the Child Tax Credit, dwarf all other programs combined. The refundable EITC, originally conceived as one way to help low-income working families better manage the expenses of working (including the expense of child care), contributes over $50 billion to families per year. Finally, the child tax credit contributes over $20 billion to families.

The two systems, the direct subsidy system and the tax system, work together, with welfare parents and entry level employed adults relying more on direct subsidies, and low and middle income working families utilizing the tax subsidies to a greater extent.

Thirty-two states have no waiting lists for CCDF child care. Of those remaining that do, these states tend to have state criteria which extends eligibility way up into the middle class (e.g. California with a maximum income limit of $35,100, New Jersey at $36,570 and No. Carolina at $34,224). For those well into the middle class, states may wish to assure parents are utilizing the tax subsidy system while reserving its direct subsidies for its lower income families.

Finally, experience shows that child care waiting lists, particularly in large cities, are not always accurate. Maintaining lists is often complicated and bureaucratic. When New York City carefully went through its extensive waiting list, it found far fewer families actually needing child care than was implied by the size of the list. Reasons for this included the following:

Many families receiving child care subsidies no longer needed them because the child was no longer living with the family.

· Some previously eligible for care for reasons of work or program participation were no longer engaged in the activity which provided their eligibility.

· Some families were receiving one kind of child care subsidy, but were looking for another kind of care, e.g. a particular center.

· Some families had placed their names several times on one or more lists.

In conclusion, the tremendous success of PWRORA at helping families achieve self-sufficiency has reduced the level of state and local funds necessary to provide benefit payments. The federal taxpayer should participate in at least some of this success in the form of reduced contributions to the TANF block grant.

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APPENDIX F – SUBMITTED FOR THE RECORD, QUESTIONS FROM MINORITY MEMBERS FOR OF HON. TOMMY G. THOMPSON, SECRETARY, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, SUBMITTED BY RANKING MINORITY MEMBER GEORGE MILLER, COMMITTEE ON EDUCATION AND THE WORKFORCE, U.S. HOUSE OF REPRESENTATIVES, WASHINGTON, D.C

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April 15, 2002

Dear Secretary Thompson;

Thank you for testifying before the Education and Workforce Committee on April 9, 2002. We appreciate you taking the time to come speak with us about President Bush's proposal for the reauthorization of the TANF and child care block grants and your willingness to answer questions.

Because of the hearing's time constraints, many of the Democratic Members who attended the hearing were not able to ask their questions. Enclosed is a compilation of Members' questions we are submitting for your response. Because welfare and child care are scheduled for consideration in our committee the week of April 15th and April 22nd, we would greatly appreciate receiving responses from your office by April 19th so that Members may incorporate what they learn into their consideration during Committee mark-up. Your timely response would be greatly appreciated. Response to this letter can be faxed to Ruth Friedman at 225-3614.

Sincerely,

George Miller

George Miller
Senior Democrat
Education & the Workforce

From Rep. Susan Davis

(1) By flat funding the Child Care Development Block Grant, I am concerned that we will not have enough money to ensure working parents on welfare have access to high quality childcare for their kids. Taking into consideration the rising cost of provider salaries (since we are trying to recruit well trained workers) and inflation, shouldn't we increase funding levels?

(2) During the hearing, you discussed the importance of increasing the quality of childcare in this country. In my opinion, one of the most effective ways of accomplishing this goal is to increase the salaries of childcare providers. Do you agree with this method, and if so, how can we accomplish it through TANF reauthorization?

(3) Currently there is a 12 month cap on vocational training programs that count as work under TANF. Under the President's proposal, welfare recipients would only be eligible for 3 months of vocational training before they would be required to work 24 hours a week. There are numerous professions in need, such as nursing, that require a minimum of 24 months of training. Under the current and proposed training structure, welfare recipients would likely be unable to go into these professions. Would you consider supporting an extension of the time limits on vocational training programs for persons working towards a degree in a profession in need?

From Rep. Ruben Hinojosa

My concern has to do with a lack of resources and training opportunities for adults who are Limited-English-Proficient. The President's plan, "Working Towards Independence" does not address this issue other than in an indirect manner.

His plan indicates that states may request administrative waivers regarding special populations, such as the individuals I mentioned. At the same time the proposals for accommodating the special populations must be cost neutral.

The federal government appears to be requiring the states to manage the problem with limited resources. Next week, I am going to testify before the Appropriations Committee and will be highlighting one program, relevant to this discussion, that is in dire need of additional resources – the Adult Education Program, administered by the Department of Education.

I would strongly urge your Department and the Department of Education to target the adult Limited-English-Proficient population. Without programs or adequate resources there will only be limited welfare reform. Would you please comment on my concern?

From Rep. Dennis Kucinich

As you know, there have been a number of questions raised about language in the Administration's welfare reauthorization plan indicating that TANF payments for participating in work experience or supervised community service programs would not be considered compensation for work. Specifically, the plan states: "TANF payments to families participating in supervised work experience or supervised community service *are not considered compensation for work performed.* Thus, *these payments do not entitle an individual to a salary or to benefits* provided under any other provision of law."

This is consistent with past workfare experiments. The largest workfare program, the Work Experience Program in New York City, displaced 30,000 municipal jobs with workfare jobs. At least 86 percent of WEP workers that were surveyed reported doing the same work as municipal employees[1]. While workfare participants were doing the exact same work as previous municipal employees, who also received benefits, workfare participants were not considered workers, and did not receive the minimum wage and other work protections.

That language raised immediate questions about this Administration's commitment to ensuring that workfare participants who work in jobs are paid the minimum wage and protected by important labor laws, for example, against sexual harassment and racial discrimination. After public attention was drawn to the language in the plan, you issued a statement indicating that there would be no change to current law and that welfare recipients would receive the minimum wage under the plan.

1. It is my understanding that the calculation of minimum wage would include all TANF and other program benefits. Can you guarantee that every TANF recipient would receive at least minimum wage compensation under workfare program? Would compensation include TANF and other benefits?

2. If so, what benefits would be included? Would food stamps be included? Would childcare be included? Would the parents of larger families, who presumably receive more benefits, be required to work more hours?

3. Would local living wage laws that are enforced by a number of cities across the nation, like Santa Monica, also apply to workfare participants?

4. Although you have stated that welfare clients will receive the minimum wage for hours worked, including hours worked in community service jobs, you did not address other employment laws, such as the Occupational Safety and Health Act (OSHA), which governs workplace health and safety, or Title VII, which prohibits discrimination in the workplace based on gender, race, color, national origin, and religion.

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[1] *WEP Work Experience Program: New York City's Public Sector Sweat Shop Economy,* Community Voices Heard (2000).

- Does the Administration's plan propose to change whether employment protections, such as OSHA or Title VII, apply to welfare clients working in workfare, work experience, or community service jobs?

- What is the Administration's position with respect to the application of other employment protections laws like Title VII and OSHA to welfare clients working in workfare or other community service jobs?

- How do you reconcile the language in the Administration's plan with the position the Administration has taken in New York City? As you know, the Department of Justice, specifically the US Attorney in NY, sued NYC in May 2001 on behalf of workfare participants who had been sexually harassed. In bringing that litigation, the DOJ has taken the position in court that Title VII, one of the main federal employment laws, covers these women. Does HHS have a different view about the applicability of this law or other employment laws?

5. As you know, three different agencies – the Department of Labor, the Equal Employment Opportunity Commission, and your own Department of Health and Human Services – have issued guidance stating, in part, that the full range of employment laws and their relevant legal standards should be applied to workfare participants just as they would be applied to other workers. Do you anticipate any changes to these positions? If so, could you please explain what changes are anticipated?

From Rep. Donald Payne

1. Given the fact that TANF does not recognize any difference among recipients with regard to physical or mental impairment, what is the Administrations proposal for work requirements for the 40% of their caseloads that have family members who fall into these categories?

2. In my state of New Jersey, California, and in most other states, child-only cases are becoming an increasingly large portion of our state's caseload. In New Jersey it is now about a third. These cases represent a diverse set of welfare families, including those headed typically a grandparent, and those headed by parents who are ineligible for TANF because of their SSI or immigration status. We know far too little about the characteristics and potential needs of this large and growing group. But studies do show that these children are more likely to be delinquent in school, and suffer mental health problems. How do you propose we address the needs of child only cases?

3. Even with flexibility that has allowed states to transfer TANF funds to childcare, most states are straining to provide childcare assistance to families that need it. Your proposal creates new work participation requirements. Since more workforce participation means an even greater need for childcare, why isn't the Administration proposing more childcare funding?

4. 4. Many welfare recipients have significant barriers to work, such as domestic violence and substance abuse. Under the current program, New Jersey has been able to meet federal guidelines while sending some welfare recipients to treatment programs. The Administration's plan would severely limit the state's flexibility in this area. Can you address this concern?

From Rep. Tim Roemer

(1) As you said earlier, the Administration's reauthorization does not seek any changes to the underlying structure and financing of child care entitlement programs. You, Mr. Secretary, justified this because of the funding within these programs would be accompanied by funding from TANF, CCDF, and SSBG, of which there is no guarantee that these funds going to programs or is ambiguous because they are under state discretion. How we can we be sure that there is enough funding for child care--since it will be up to the state-- and it won't go to other state priorities?

(2) Other concerns for the lack of additional child care funding are the effects on our nation's adolescents. Adolescents take adult roles in their families--which will erode willingness to continue accepting the authority of adults such as parents or teachers--and care for their younger siblings requiring them to work 20 hours a week. These responsibilities interfere with schoolwork, therefore negative effects on school achievement. The lack of success in school leads to the unlikelihood of further education, this will perpetuate poverty as adolescents will become the future recipients of poverty. How does the Administration plan to address this issue?

(3) You mentioned the redirection of $100 million from the current law High Performance Bonus to establish a competitive matching grant program for States and Tribes to develop innovative approaches to promoting healthy marriages and reducing out of wedlock births. What are your current criteria that qualify a state for the high performance bonus?

From Rep. David Wu

Secretary Thompson, as you may be aware, my state of Oregon operates its welfare program under federal waiver known as the "Oregon Option." This program has been highly successful and Oregon has exceeded the national average in welfare caseload reduction. I am concerned that proposed TANF reauthorization legislation, which would put an end to federal waivers such as the "Oregon Option", would be very disruptive and costly to a program that has been very successful over the past six years. When you were governor, Wisconsin also operated under a federal waiver. What is you opinion of these waivers? Do you think they should continue, and if so, would you be willing to work with Members, as the reauthorization process progresses, to ensure that states, such as Oregon, will continue to be able to operate their welfare plans under waivers?

From Rep. Hilda Solis

Education and Training
1. Forty-four percent of adults receiving TANF cash assistance in 1999 lacked a high school diploma or GED. Clearly these people need a lot of educational opportunities before they can qualify for a high-quality, high-paying job. I'm curious why the Administration hasn't embraced the idea the idea of allowing education to count as a work activity?

2. In Los Angeles County, 41 percent of the TANF caseload has limited proficiency in English. Without English skills, TANF beneficiaries really can't get quality jobs. What do you think of allowing English as a Second Language courses to count towards federal work participation?

Immigrant Benefits
1. Why has the Administration come out in favor of restoring food stamp benefits to legal immigrants, but not TANF cash assistance? Legal immigrants pay taxes, work hard, and serve in the military. Why won't the Bush Administration allow them to have a safety net for their family?

Child Care
1. The Administration's proposal to increase work participation is going to further increase the need for child care, yet the Administration isn't proposing an increase in funding for the Child Care and Development Block Grant. This could affect the state of California by as much as $400 million per year. Why isn't the Administration proposing more CCDBG funds?

DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of the Assistant Secretary
for Legislation

Washington, DC 20201

JUN 18 2002

The Honorable John Boehner
Chairman
House Education and the Workforce Committee
United States House of Representatives
Washington, DC 20515

Dear Chairman Boehner:

Attached are Secretary Thompson's responses to Representatives' questions for the record, following the April 9, 2002 Education and the Workforce Committee hearing on the President's welfare reauthorization proposal.

If you have any problems or questions, please feel free to contact me.

Sincerely,

A. Scott Whitaker
Assistant Secretary for Legislation

Committee on Education and Workforce
April 9, 2002 hearing on Welfare Reform Reauthorization
Questions for Record

From Rep. Susan Davis

1. By flat funding the Child Care and Development Block Grant, I am concerned that we will not have enough money to ensure working parents on welfare have access to high quality childcare for their kids. Taking into consideration the rising cost of provider salaries (since we are trying to recruit well trained workers) and inflation, shouldn't we increase funding levels?

ANSWER:

We agree that helping low-income working families access good child care is important. The President's budget maintains the historically high level of funding for the Child Care and Development Fund (CCDF), which has more than tripled the amount specifically appropriated for child care in the last ten years. In addition, the number of funding streams that support child care has also continued to grow. TANF is now a major source of child care funding. With CCDF and TANF, coupled with child care expenditures made under the Social Services Block Grant, we are serving more children than ever before - an estimated 2.7 million in fiscal year 2002.

Under CCDF, States are required to take certain steps to give parents who receive subsidies access to the child care market in their local areas. States are required to do market rate surveys every two years and to specify in the State CCDF plans how they are setting reimbursement rates to give parents access to the child care market. Many States are also using their reimbursement rates to improve quality and supply by paying more for higher quality child care or for care that is in short supply (e.g., odd-hour care, care for infants and toddlers.)

In addition, each State is required to provide child care consumer education to help parents make wise choices in the market by selecting care that meets the specific needs of their families. On the national level, we support parents with consumer education through the Child Care Aware hotline and web site that directs parents to their local child care resource and referral agencies. Local resource and referral agencies not only help parents find child care, but also link them with public and private sources of financial aid for child care, including private scholarship programs and tax credits.

To maximize services to children and families who need full-day, full-year care, the Administration for Children and Families (ACF) promotes collaboration between child care and other early childhood programs. Child Care and Head Start have been working in partnership for a number of years to ensure that children receive the comprehensive

benefits of the Head Start programs and the full-day, full-year services that parents need in order to work. We provide guidance and technical assistance to State and local grantees on ways to combine funding streams and develop innovative collaborative models.

Another critical partner for child care is the Department of Education, which is administering the President's No Child Left Behind Act. The President's budget contains resources for early childhood development programs, such as the Early Reading First program, to improve the quality of preschool education, particularly in cognitive development and literacy. HHS will be working on a joint task force with the Department of Education to ensure that all of the Federal early childhood programs receive the benefits of the President's research-based initiative to improve the quality of early childhood education.

2. During the hearing, you discussed the importance of increasing the quality of childcare in this country. In my opinion, one of the most effective ways of accomplishing this goal is to increase the salaries of childcare providers. Do you agree with this method, and if so, how can we accomplish it through TANF reauthorization?

ANSWER:

I agree that it can be important to increase the salaries of child care workers as their professional knowledge and skills increase. Many States are using the quality set-aside in their Child Care and Development Fund (CCDF) grants to address this issue. According to State Child Care Plans for FYs 2000 - 2001, eight States (AK, IN, MT, NC, SD, UT, WA, and WI) were using CCDF funds to support grant programs aimed at improving wages for child care practitioners. Several efforts link increased compensation to professional development. Nine States have implemented the T.E.A.C.H. (Teacher Education and Compensation Helps) early childhood scholarship program which assists providers in furthering their education and rewards them with increased compensation. In this way, States tie increased compensation to training and professional development.

More than half of States are investigating or implementing Atiered@ reimbursement rates. In these instances, providers exhibiting higher levels of quality, as defined by the State, receive higher levels of reimbursement for children served. Higher reimbursement rates enable programs to attract and retain staff through improved compensation, as well as supporting parent choice options for care within a community. States have also devised other ways to augment provider salaries, for example by improving health benefits.

The Administration=s TANF reauthorization proposal provides that States would retain the authority to transfer up to 30% of their TANF funds to the CCDF program. States have demonstrated a readiness to use these transferred funds to improve the quality of child care, including improvement of compensation for child care providers.

3. Currently there is a 12 month cap on vocational training programs that count as work under TANF. Under the President's proposal, welfare recipients would only be eligible for 3 months of vocational training before they would be required to work 24 hours a week. There are numerous professions in need, such as nursing that require a minimum of 24 months of training. Under the current and proposed training structure, welfare recipients would likely be unable to go into these professions. Would you consider supporting an extension of the time limits on vocational training programs for persons working towards a degree in a profession in need?

ANSWER:

> Because the assistance provided under the Temporary Assistance for Needy Families program is supposed to be temporary, our proposal does not revise the time-limit provisions in the statute. It does revise the treatment of vocational educational programs. The proposal accommodates intensive short-term vocational activities and longer term blended work and training programs. Blended programs are not subject to any time limit in the participation rate calculation.
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> TANF programs would continue to have flexibility to support education and training programs that they believe will be the most effective in meeting the goals of the program and the needs of recipients and employers.

From Rep. Ruben Hinojosa

My concern has to do with a lack of resources and training opportunities for adults who are Limited-English-Proficient. The President's plan, "Working Towards Independence" does not address this issue other than in an indirect manner.

The plan indicates that states may request administrative waivers regarding special populations, such as the individuals I mentioned. At the same time the proposals for accommodating the special populations must be cost neutral.

The federal government appears to be requiring the states to manage the problem with limited resources. Next week, I am going to testify before the Appropriations Committee and will be highlighting one program, relevant to this discussion, that is in dire need of additional resources - The Adult Education Program administered by the Department of Education.

I would strongly urge your Department and the Department of Education to target the adult Limited-English-Proficient population. Without programs or adequate resources there will only be limited welfare reform. Would you please comment on my concern?

ANSWER:

Our proposal "Working Toward Independence" does not intend to leave anyone behind, least of all individuals with particular obstacles that prevent them from achieving and maintaining economic self-sufficiency for their families. In fact, our proposal requires states to describe in their TANF plans particular strategies and programs they have to address such challenges as serving struggling families, as well as clients with special problems.

Also, English Proficiency classes or GED classes are the very kind of constructive activities that could count toward the 16-hour portion of the 40-hour work participation requirement. In addition, for up to 3 months in a 24-month period, a state could place individuals with limited proficiency in English in intensive language programs and get credit for such activities towards the 24-hour requirement.

As caseloads have decreased, states have been spending more of their funds on services that do not constitute traditional "assistance." Indeed, virtually all states have spent state funds on GED classes, literacy, remedial education, basic skills training, English as a second language classes, and Adult Basic Education classes (which often include GED instruction and English as a second language components). Since, the state maintenance-of-effort or cost-sharing requirements remain unchanged under reauthorization, states will continue to have the flexibility to fund such services for eligible family members.

Our proposal for waivers to promote program integration includes adult and post-secondary vocational education programs administered by the Department of Education, which can be used to help limited English proficient and other adults. In an effort to improve integration across two or more programs, States could request to waive or modify most Federal program requirements. As part of its waiver proposal, the state must explain how such changes would improve its ability to help individuals and families escape government dependency. So, our emphasis is on providing flexibility for states to find new and better ways of achieving the programs' goals -- without any additional cost to the taxpayer.

From Rep. Dennis Kucinich

As you know, there have been a number of questions raised about language in the Administration's welfare reauthorization plan indicating that TANF payments for participating in work experience or supervised community service programs would not be considered compensation for work. Specifically, the plan states: "TANF payments to families participating in supervised work experience or supervised community service are not considered compensation for work performed. Thus, these payments do not entitle an individual to a salary or to benefits provided under any other provision of law."

This is consistent with past workfare experiments. The largest workfare program, the Work Experience Program in New York City, displaced 30,000 municipal jobs with workfare jobs. At least 86 percent of WEP workers that were surveyed reported doing the same work as municipal employees. While workfare participants were doing the exact same work as previous municipal employees, who also received benefits, workfare participants were not considered workers, and did not receive the minimum wage and other work protections.

That language in the Administration's welfare reform proposal raised immediate questions about this Administration's commitment to ensure that workfare participants who work in jobs are paid the minimum wage and protected by important labor laws, for example, against sexual harassment and racial discrimination. After public attention was drawn to the language in the plan, you issued a statement indicating that there would be no change to current law and that welfare recipients would receive the minimum wage under the plan.

1. It is my understanding that the calculation of minimum wage would include all TANF and other program benefits. Can you guarantee that every TANF recipient would receive at least minimum wage compensation under workfare programs? Would compensation include TANF and other benefits?

ANSWER:

> The President's welfare reauthorization proposal "Working Toward Independence" does not affect any of the employment law protections afforded to workers. Federal employment laws, such as the Fair Labor Standards Act (FLSA), the Occupational Safety and Health Act (OSHA), Unemployment Insurance (UI), and anti-discrimination laws, apply to welfare recipients as they apply to other workers. As I noted in my March 6th press release, we are proposing no change to the 1996 law governing minimum wage under the TANF law. If welfare recipients are Aemployees@ under the FLSA=s broad definition, they must be compensated at the applicable minimum wage. This means that our proposal does not exempt welfare recipients from any of these laws and critical employment protections.
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> A definitive answer on what benefits may be included to calculate the minimum wage would have to be provided by the Department of Labor, which administers the Fair Labor Standards Act.

2. If so, what benefits would be included? Would food stamps be included? Would child care be included? Would the parents of larger families, who presumably receive more benefits, be required to work more hours?

ANSWER:

> A definitive answer on what benefits may be included to calculate the minimum wage would have to be provided by the Department of Labor, which administers the Fair Labor Standards Act.

Virtually every family with an adult would be expected to meet the 40 hour work requirement, regardless of family size.

3. Would local living wage laws that are enforced by a number of cities across the nation, like Santa Monica, and state and local minimum wage laws also apply to workfare participants?

ANSWER:

Neither the TANF statute nor the proposal directly addresses this issue. Whether or not state and local minimum wage laws and local living wage laws will apply to TANF participants will depend on the specific activities of the TANF participants and how the state and local laws are written (e.g., how they define "work" or "employment."). It is likely that if they apply now, they will continue to apply even after reauthorization.

4. Although you have stated that welfare clients will receive the minimum wage for hours worked, including hours worked in community service jobs, you did not address other employment laws, such as the Occupational Safety and Health Act (OSHA), which governs workplace health and safety, or Title VII, which prohibits discrimination in the workplace based on gender, race, color, national origin and religion.

X Does the Administration's plan propose to change whether employment protections, such as OSHA or Title VII, apply to welfare clients working in workfare, work experience, or community service jobs?

ANSWER:

No. We have no plans to change any existing protections.

X What is the Administration's position with respect to the application of other employment protection laws like Title VII and OSHA to welfare clients working in workfare or other community service jobs?

ANSWER:

All employment protection laws that apply now would continue to apply to welfare recipients as they apply to other workers.

X How do you reconcile the language in the Administration's plan with the position the Administration has taken in New York City? As you know, the Department of Justice, specifically the US Attorney in NY, sued NYC in May 2001 on behalf of workfare participants who had been sexually harassed. In bringing that litigation, the DOJ has taken the position in court that Title VII, one of the main federal employment laws, covers these women. Does HHS have a different review about the applicability of this law or other employment laws?

ANSWER:

There is no disagreement between this Department and the Department of Justice on the applicability of Title VII or any other employment laws.

5. As you know, three different agencies - the Department of Labor, the Equal Employment Opportunity Commission, and your own Department of Health and Human Services - have issued guidance stating, in part, that the full range of employment laws and their relevant legal standards should be applied to workfare participants just as they would be applied to other workers. Do you anticipate any changes to these positions? If so, could you please explain what changes are anticipated?

ANSWER:

We anticipate no changes in these provisions.

From Rep. Donald Payne

1. Given the fact that TANF does not recognize any difference among recipients with regard to physical or mental impairment, what is the Administrations proposal for work requirements for the 40% of their caseloads that have family members who fall into these categories?

ANSWER:

We believe that every adult recipient should strive to reach his or her potential. We believe that every family who receives welfare assistance should be given the opportunity and the supports they need to move toward independence. That=s why the Universal Engagement requirement calls for states to work with all TANF assistance cases and ensure adult recipients are making progress toward self-sufficiency.

States= experience has shown that education, skill level, and work history are not sufficient predictors of whether an individual can find a job. States have learned that assuring that the proper work supports are in place and providing accommodations (in compliance with the ADA) have a critical impact on recipients= ability to sustain employment. This is particularly true for those with physical and mental impairments.

Currently, states have considerable flexibility to design programs to address the needs of those with barriers to self-sufficiency. Under the Administration=s proposal, states would retain substantial flexibility to provide those with special challenges with the rehabilitation, treatment or training that they need to successfully move toward self-sufficiency. Many states are currently providing a wide range of training opportunities,

mental health services, rehabilitation services, work accommodations, etc., for TANF recipients to prepare for work, sustain work, and move forward in their careers. For those recipients who may need longer than five years to make the transition to self-sufficiency and for those families that will likely remain dependent, the current law and the Administration=s proposal allows states to exempt up to 20 percent of the adult recipients from the time limit.

2. In my state of New Jersey, California, and in most other states, child-only cases are becoming an increasingly large portion of our state's caseload. In New Jersey it is now about a third. These cases represent a diverse set of welfare families, including those headed typically by a grandparent, and those headed by parents who are ineligible for TANF because of their SSI or immigration status. We know far too little about the characteristics and potential needs of this large and growing group. But studies do show that these children are more likely to be delinquent in school and suffer mental health problems. How do you propose we address the needs of child-only cases?

ANSWER:

The Department is aware that the proportion of child-only cases has been growing. In 2000, child-only cases accounted for 35 percent of the total caseload. The absolute number of child-only families peaked at 978,000 in 1996 and has fluctuated somewhat since then. However, because the number of child-only cases has not declined steeply like other cases, they represent a larger and growing portion of the caseload.

The Administration proposal did not include a specific strategy for serving child-only cases because it recognized that there is a lot of diversity in these cases across the country and did not want to prescribe a particular approach that all states would need to take in serving these families. Within the existing program and under the proposal, states have substantial flexibility to address the needs of child-only cases. For example, they can develop self-sufficiency plans that address the needs of the children and adults, and they can provide special kinship care benefits and services to relatives that are stepping in to take care of children whose parents cannot care for them.

3. Even with flexibility that has allowed states to transfer TANF funds to childcare, most states are straining to provide childcare assistance to families that need it. Your proposal creates new work participation requirements. Since more workforce participation means an even greater need for childcare, why isn't the Administration proposing more childcare funding?

ANSWER:

The historically high levels of child care contained in this proposal provide sufficient funding for child care in FY 2003. States will have time to adapt to the new work requirements, since they will receive the benefits of the full caseload reduction credit in the first fiscal year and 50 percent reduction the following year. Further, funding under

the Child Care and Development Fund has more than tripled over the last 10 years. The combined Federal resources available to States to provide child care, including TANF transfers to CCDF, direct TANF spending on child care, and SSBG funds amounts to nearly $9 billion annually. And when you add in State TANF MOE spending and State CCDF spending, this amounts to approximately $11 billion, without counting Head Start. All considered, we are confident that the resources are available to allow States to continue and improve their services to help all families work toward independence.

4. Many welfare recipients have significant barriers to work, such as domestic violence and substance abuse. Under the current program, New Jersey has been able to meet federal guidelines while sending some welfare recipients to treatment programs. The Administration's plan would severely limit the state's flexibility in this area. Can you address this concern?

ANSWER:

Under current law, states are able to avoid working with families that have significant barriers to employment (e.g., by exempting families from participation requirements or granting deferrals). Under our proposal for universal engagement this would no longer be possible: we expect states to work with every family, beginning within 60 days of coming on the rolls. For recipients with substance abuse problems, states could place families in an intensive treatment program for up to 3 months in a 24 month period and get full credit towards their participation rates. They could also get credit for ongoing participation in part-time treatment and counseling when provided in conjunction with work activities.

We also note that the proposal does not affect the Family Violence Option (FVO), a provision in the original TANF statute that enables the state to provide individualized services to victims of domestic violence, waive program requirements, and provide alternative services in lieu of standard program requirements. The FVO also gives states the ability to avoid a penalty if they fail to meet work requirements and time limits because of alternative services provided under this provision.

From Rep. Tim Roemer

1. As you said earlier, the Administration's reauthorization does not seek any changes to the underlying structure and financing of child care entitlement programs. You, Mr. Secretary, justified this because of the funding within these programs would be accompanied by funding from TANF, CCDF, and SSBG, of which there is no guarantee that these funds going to programs or is ambiguous because they are under state discretion. How can we be sure that there is enough funding for child care -- since it will be up to the state -- and it won't go to other priorities?

ANSWER:

It is important to recognize that funding under the Child Care and Development Fund has more than tripled over the last 10 years and we are maintaining a historically high commitment of funding in the FY 2003 budget. The combined Federal resources available to States to provide child care including TANF transfers to CCDF, direct TANF spending on child care, and SSBG funds amounts to almost $9 billion annually. And when you add in State TANF MOE spending and State CCDF spending, this amounts to approximately $11 billion, without counting Head Start. All considered, we are confident that the resources are available to allow States to continue and improve their services to help all families work toward independence.

While it is true that states must make choices about how to use their SSBG and TANF funding, they also have a great deal of flexibility in how they serve families under the Child Care and Development Fund. States have the ability to target their funds strategically to best serve the needs of their population, e.g., by adjusting eligibility, co-payments, and/or provider reimbursements and/or to develop innovative ways to serve families, and increase their collaboration with other programs.

2. Other concerns for the lack of additional child care funding are the effects on our nation's adolescents. Adolescents take adult roles in their families--which will erode willingness to continue accepting the authority of adults such as parents or teachers -- and care for their younger siblings requiring them to work 20 hours a week. These responsibilities interfere with schoolwork, therefore negative effects on school achievement. The lack of success in school leads to the unlikelihood of further education, this will perpetuate poverty as adolescents will become the future recipients of poverty. How does the Administration plan to address this issue?

ANSWER:

The Department is focusing on cross-cutting efforts (conferences, training, etc.) to promote positive youth development. Positive youth development is predicated on the understanding that all young people need safe places in which to grow, support and guidance from caring adults, and opportunities to make a difference. This approach is supported by the research by the National Academy of Sciences demonstrating the value of positive youth development services, particularly at the community level, in protecting youth from involvement in risky behaviors and helping them grow into healthy adults who will contribute to society.

The universal engagement model that we are proposing as a part of TANF reauthorization will provide another vehicle for identifying and addressing the needs of adolescents in the family. In developing self-sufficiency plans, caseworkers could assess every individual member of the family and take a more holistic view of the family's circumstances and needs. The plan would then incorporate appropriate services to address the needs of each member, including activities such as parental education, counseling, after-school and out-

of-school services, mentoring, and tutoring that address the issues and concerns presented by the family and its individual members.

3. You mentioned the redirection of $100 million from the current law High Performance Bonus to establish a competitive matching grant program for states and tribes to develop innovative approaches to promoting healthy marriages and reducing out of wedlock births. What are your current criteria that qualify a state for the high performance bonus?

ANSWER:

The criteria in effect for the first three years of the High Performance Bonus included two work measures: job entry and success in the work force. The latter measure was a composite measure that included both job retention and earnings gain measures. States could qualify for a bonus based on absolute levels of performance or improvement in performance over the prior year. For performance years 2001 and 2002, we added additional measures, related to: (1) participation of low-income working families in the Food Stamp Program; (2) enrollment of former TANF recipients in Medicaid and SCHIP; (3) child care access (based on the percentage of eligible children served, assessed co-payments, and reimbursement rates); and (4) family formation (measured as the change in the percentage of children living in married families).

Under the Administration proposal, the current high performance bonus would revert to an employment achievement bonus. We would work with major state organizations in developing the specific measures.

From Rep. David Wu

Secretary Thompson, as you may be aware, my state of Oregon operates its welfare program under federal waiver known as the "Oregon Option." This program has been highly successful and Oregon has exceeded the national average in welfare caseload reduction. I am concerned that proposed TANF reauthorization legislation, which would put an end to federal waivers such as the Oregon Option would be very disruptive and costly to a program that has been very successful over the past six years. When you were governor, Wisconsin also operated under a federal waiver. What is your opinion of these waivers? Do you think they should continue, and if so, would you be willing to work with Members, as the reauthorization process progresses, to ensure that states, such as Oregon, will continue to be able to operate their welfare plans under these waivers?

ANSWER:

At this stage of welfare reform, we believe that our proposals should apply equally to all

states. We also believe that a number of the work participation activities in place under states' current waivers would probably fit either under the 24-hour requirement or the 16-hour balance. Furthermore, in an effort to improve integration across two or more programs, all states will have the same opportunity to request to waive or modify most Federal eligibility criteria and program rules within the participating programs (including the TANF program). As part of its waiver proposal, the state must explain how such changes would improve its ability to help individuals and families escape government dependency.

From Rep. Hilda L. Solis

1. Forty-four percent of adults receiving TANF cash assistance in 1999 lacked a high school diploma or GED. Clearly, these people need a lot of educational opportunities before they can qualify for a high quality, high paying job. I'm curious why the Administration hasn't embraced the idea of allowing education to count as a work activity?

ANSWER:

It is the Administration's view that long-term, stand-alone education activities have not proven to be very effective in moving families from welfare to work or in producing higher earnings. The Work-First approach, which tries to move families that can secure jobs quickly into the workforce and incorporates education and training as supplemental services, has consistently proven to be a more effective strategy. Thus, the Administration's proposal incorporates work activities as the core element in its participation requirements.

According to a recent report issued by the Manpower Demonstration Research Corporation, assignment to education-focused programs generally did not appear to substantially improve education outcomes. "Although the programs increased GED receipt, most participants did not earn a GED, and few experienced significant increases in their reading and math skills."

While individuals earning GED's did undertake more post-secondary education and get better jobs, few participants in adult education programs received a GED or entered post-secondary programs.

2. In Los Angeles, 41 percent of the TANF caseload has limited proficiency in English. Without English skills, TANF beneficiaries can't get quality jobs. What do you think of allowing English as a Second Language courses to count toward federal work participation?

ANSWER:

The Administration's proposal would allow such courses to count for up to 16 hours a week for families that meet the 24-hour work requirement. In addition, for up to 3 months in a 24-month period a state could place individuals with limited proficiency in English in intensive language programs and get credit for such activities towards the 24-hour requirement.

3. Why has the Administration come out in favor of restoring food stamp benefits to legal immigrants but not TANF cash assistance? Legal immigrants pay taxes, work hard, and serve in the military. Why won't the Bush Administration allow them to have a safety net for their family?

ANSWER:

The immigrant restrictions included in PRWORA were part of an array of changes designed to ensure that immigrants entering the country had means of support and would not become dependent upon public benefits.

Immigrant eligibility rules have been more restrictive under the Food Stamp program than under the TANF program. Under the TANF program, qualified aliens entering this country on or after enactment of PRWORA are eligible for Federal TANF-funded benefits and services after 5 years; however, states may opt to provide benefits with state funds prior to that time. As a result of PRWORA and subsequent legislation, legal immigrants were ineligible for Food Stamp benefits, regardless of the date they entered the country. There were exceptions to this general ban, which included but were not limited to: (1) persons with 40 quarters of Social Security coverage; (2) U.S. military personnel and veterans and their immediate families; (3) members of Hmong and Highland Laotian tribes that assisted the United States in the Vietnam War, and their spouses and children; (4) certain American Indians born outside the U.S.; (5) refugees and asylees for 7 years after admission or grant of status; and (6) pre-August 22, 1996 entrants who were elderly prior to the enactment of PRWORA, or who were children or disabled. The President's proposal, which was enacted in the farm bill, effectively conforms immigrant eligibility under Food Stamps to that under TANF by allowing qualified aliens who have lived in the United States for 5 years to qualify for Food Stamps, if otherwise eligible.

4. The Administration's proposal to increase work participation is going to further increase the need for child care, yet the Administration isn't proposing an increase in funding for the Child Care and Development Block Grant. This could affect the state of California by as much as $400 million per year. Why isn't the Administration proposing more CCDBG funds?

ANSWER:

It is important to recognize that funding under the Child Care and Development Fund has more than tripled over the last 10 years and we are maintaining a historically high commitment of funding in the FY 2003 budget. The combined Federal resources available to States to provide child care including TANF transfers to CCDF, direct TANF spending on child care, and SSBG funds amounts to almost $9 billion annually. And when you add in State TANF MOE spending and State CCDF spending, this amounts to approximately $11 billion, without counting Head Start. All considered, we are confident that the resources are available to allow States to continue and improve their services to help all families work toward independence.

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