

**TO REVIEW OUTCOMES
OF 1996 WELFARE REFORMS**

HEARING
BEFORE THE
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
ONE HUNDRED NINTH CONGRESS
SECOND SESSION

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JULY 19, 2006
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**TO REVIEW OUTCOMES
OF 1996 WELFARE REFORMS**

WEDNESDAY, JULY 19, 2006

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
Washington, DC.

The Committee met, pursuant to notice, at 10:35 a.m., in room 1100, Longworth House Office Building, Hon. William M. Thomas (Chairman of the Committee) presiding.

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

FOR IMMEDIATE RELEASE
June 15, 2006
FC-22

CONTACT: (202) 225-1721

Thomas Announces Hearing To Review Outcomes of 1996 Welfare Reforms

Congressman Bill Thomas (R-CA), Chairman of the Committee on Ways and Means, today announced that the Committee will hold a hearing to review the outcomes of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (the "1996 welfare reform law," P.L. 104-193). **The hearing will take place on Wednesday, July 19, in the main Committee hearing room, 1100 Longworth House Office Building, beginning at 10:30 a.m.**

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from invited witnesses only. Witnesses will include Administration officials, among others. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

BACKGROUND:

The 1996 welfare reform law made dramatic changes in the Federal-State welfare system designed to aid low-income American families. The law repealed the former Aid to Families with Dependent Children program, and with it the individual entitlement to cash welfare benefits. In its place, the 1996 legislation created a new Temporary Assistance for Needy Families (TANF) block grant that provides fixed funding to States to operate programs designed to achieve four purposes: (1) provide assistance to needy families; (2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage; (3) prevent and reduce the incidence of out-of-wedlock pregnancies; and (4) encourage the formation and maintenance of two-parent families. The law also included individual time limits and work requirements intended to reinforce the new focus on work and independence for families needing assistance as part of broad reform efforts.

Since passage of the 1996 welfare reform law, welfare caseloads have dropped by more than 60 percent as nearly 8 million parents and children have left the welfare rolls. The share of adults on welfare who work has more than doubled and this increased work has meant higher wages and earnings for welfare recipients. Key poverty rates—White, African-American, and Hispanic—all declined in the wake of the 1996 reforms, resulting in 1.4 million fewer children living in poverty. The 1996 welfare reform law and associated reforms also included numerous provisions designed to end waste, fraud and abuse in welfare programs—such as ending "disability" checks for drug addicts and alcoholics—resulting in billions of dollars in savings to taxpayers.

The TANF program and related reforms originally were authorized through fiscal year 2002, requiring Congress to review and reauthorize the 1996 welfare reforms. Following years of debate, House passage of three comprehensive welfare reauthorization bills, and enactment of 12 short-term extensions of current law, comprehensive welfare reauthorization provisions were included in the Deficit Reduction Act of 2005 (P.L. 109-171), which the President signed on February 8, 2006. This legislation reauthorized the TANF program through 2010, increased the effective share of welfare recipients expected to engage in work or other activities, provided for a \$1 billion increase in mandatory child care funding, and created new healthy marriage and responsible fatherhood promotion programs, among other changes.

In announcing the hearing, Chairman Thomas said, "Welfare reform has been a success in helping low-income parents work and better support their families. This hearing will allow us to take stock of what went right and what else needs to be done to promote more work, stronger families, and better outcomes for more families with children."

FOCUS OF THE HEARING:

The hearing will focus on the outcomes of the 1996 welfare reforms.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit for the hearing record must follow the appropriate link on the hearing page of the Committee website and complete the informational forms. From the Committee homepage, <http://waysandmeans.house.gov>, select "109th Congress" from the menu entitled, "Hearing Archives" (<http://waysandmeans.house.gov/Hearings.asp?congress=17>). Select the hearing for which you would like to submit, and click on the link entitled, "Click here to provide a submission for the record." Once you have followed the on-line instructions, completing all informational forms and clicking "submit" on the final page, an email will be sent to the address which you supply confirming your interest in providing a submission for the record. You **MUST REPLY** to the email and **ATTACH** your submission as a Word or WordPerfect document, in compliance with the formatting requirements listed below, by close of business Wednesday, August 2, 2006. **Finally**, please note that due to the change in House mail policy, the U.S. Capitol Police will refuse sealed-package deliveries to all House Office Buildings. For questions, or if you encounter technical problems, please call (202) 225-1721.

FORMATTING REQUIREMENTS:

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but we reserve the right to format it according to our guidelines. Any submission provided to the Committee by a witness, any supplementary materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission or supplementary item not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All submissions and supplementary materials must be provided in Word or WordPerfect format and **MUST NOT** exceed a total of 10 pages, including attachments. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. All submissions must include a list of all clients, persons, and/or organizations on whose behalf the witness appears. A supplemental sheet must accompany each submission listing the name, company, address, telephone and fax numbers of each witness.

Note: All Committee advisories and news releases are available on the World Wide Web at <http://waysandmeans.house.gov>.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202-225-1721 or 202-226-3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Chairman THOMAS. If we could ask our guests to find seats, please. Good morning. Today the Committee will examine the outcomes of a decade of welfare reforms. The Personal Responsibility and Work Opportunity Reconciliation Act 1996 (P.L. 104–193) was signed into law on August 22nd, 1996. These reforms made significant changes in our Nation’s cash welfare system and these changes have successfully lifted millions of Americans out of poverty and away from welfare dependence.

Today, nearly 8 million parents and children are no longer dependent on welfare checks for support. As dependents declined and work increased, poverty had been reduced. Compared with 1996, today 1.4 million fewer children live in poverty. These improvements contrast sharply with some of the harsh predictions from the opponents of our reform efforts.

The positive outcomes of welfare reform confirm welfare recipients share in the American dream of wanting to work, build a better life for themselves and their children. Families want the dignity of collecting a paycheck instead of a welfare check because they see that work is the only true permanent path out of poverty.

Thus, today we have adopted a new measure of compassion, how successful we are in reducing dependence and helping low income parents go to work. As we have seen, these two goals are closely related and lead to independence.

Earlier this year the President signed the Deficit Reduction Act (P.L. 109–171), which extends and strengthens the 1996 welfare reforms. It encourages more recipients to work, which will further lessen dependence and poverty while providing increased funding and tools to help families make the transition to work.

Today, the Committee will review the progress of helping our Nation’s low income families to find and keep jobs. We are pleased to welcome back several familiar faces to discuss these important issues.

Prior to yielding to my colleague from New York, I will briefly recognize the current Chairman of the Subcommittee on Human Resources, the gentleman from California, Mr. Herger.

Mr. HERGER. Thank you, Mr. Chairman. I am pleased we are meeting today to reflect on the outcomes of the 1996 welfare reform law which yielded unprecedented increases in work and earnings and declines in poverty and welfare dependence. We are honored to be joined today by key figures behind the 1996 reforms.

Mr. Chairman, I ask that my longer statement be included in the record, and I would like to thank all our witnesses for being here today.

[The opening statement of Mr. Herger follows:]

I am pleased we are meeting today to reflect on the outcomes of the 1996 welfare reform law, which yielded unprecedented increases in work and earnings and declines in poverty and welfare dependence.

We are honored to be joined today by key figures behind the 1996 reforms, including:

- former House Speaker Newt Gingrich,
- former Wisconsin Governor Tommy Thompson,
- our former Ways and Means Committee colleague—and fellow lead Republican on the Human Resources Subcommittee, I would note—Senator Rick Santorum,
- and others intimately involved in crafting the 1996 reforms.

In the early nineties, welfare increasingly became a trap, ensnaring a record five million families per month by 1994. Almost none of the parents on welfare worked, studied, trained, or otherwise prepared for the future in exchange for their checks. By remaining dependent on welfare, they and their families were ensured to remain in poverty so long as they collected benefits. Recipients back then collected welfare for an astonishing average of 13 years, with each year spent in poverty.

Starting in the early 1990s, innovative States attempted to correct this problem by promoting more work and personal responsibility among low-income parents. Of particular note, Wisconsin, led by former Governor Tommy Thompson, was at the forefront of this trend.

Many of these policies—such as requiring work or training in exchange for welfare benefits, enhancing funding for child care and other work supports, placing time limits on receipt of benefits—provided a roadmap for the National reforms approved by this House 10 years ago this month.

Our purpose today is to reflect on what has happened in the 10 years since National welfare reforms were enacted, especially in terms of the families and children affected.

Here's a short summary of the profound impacts these reforms had on our society:

First, welfare dependence has been reduced by 64 percent, as nearly eight million parents and children no longer depend on welfare checks for support.

Second, the number of adults on welfare who work has doubled, and there has been a 34-percent rise in work among never-married mothers who comprise the group most likely to go on welfare.

Third, as dependence declined and work and earnings increased, poverty has been reduced. Today there are 1.4 million fewer children who live in poverty than 10 years ago.

Fourth, efforts to reduce fraud and abuse have ended inappropriate benefits for literally thousands of individuals—including fugitives, prisoners, drug addicts, alcoholics, and non-citizens.

Before 1995, many measured America's compassion for low-income families by how much money government spent on welfare and associated benefits. Yet as welfare spending and poverty grew sharply in the early nineties, that case became progressively harder to make. Today, we have adopted a new measure of compassion—not how much money we spend, but how successful we are in reducing dependence and helping low-income parents support their families with a paycheck instead of a welfare check.

When it comes to spending, no one can argue we have done reform on the cheap. We guaranteed states record Federal welfare funds, we doubled funding available for child care, and we required states to maintain a high commitment of state funding for welfare and child care needs. In fact, total taxpayer resources for welfare and child care increased from \$7,000 per family on welfare in 1995 to about \$16,000 per family today.

Reform also ended the entitlement to benefits that encouraged self destructive behavior. Today welfare benefits are contingent on recipient behavior, including going to work or limiting benefit receipt to no more than 5 years in a recipient's lifetime. Those changes have had dramatic effects, including changing recipients' attitudes about welfare benefits and their need to collect them. Literally millions have chosen work over welfare. That is a remarkable turn.

This hearing gives us a chance to examine the success of past welfare reforms. But it also provides an opportunity to consider what these lessons suggest for future reforms in a variety of other programs.

I'm delighted that the Committee has decided to review these important reforms and I thank all our distinguished guests for being here to share their insights.

Chairman THOMAS. Thank the gentleman. The Chair now recognizes the gentleman from New York, Mr. Rangel, for any statement he may wish to make.

Mr. RANGEL. Thank you so much, Mr. Chairman. With all due respect to the Senator, I really look forward to seeing Speaker Gingrich, and my good Governor, things that we had done together, and rather than get involved in who has done the best, all I can say is that I look forward to working with both of you as you accumulated enough knowledge and expertise and experience to know

that we have got close to 40 million people today that are in poverty, 13 million kids, and we all agree that we are going to have to do something because poor folks are terribly expensive and a heck of a burden for any society to be carrying. We can't even get half of our kids eligible for the military because they are sick and uneducated, and poverty has a lot to do with it.

So, I have worked with Speaker Gingrich briefly in getting technology to hospitals, and I want to thank him for his cooperation. I can't thank you enough for kicking off the African bill. You were the first witness for that. It meant all the difference in the world in breaking down the concept of partisanship because people basically can get together unless they make up their minds ahead of time that they are not going to. I will be trying to work with you to get your ideas, as to how we can have a better educated population, get rid of poverty the best we can, have a healthier community, and I am convinced that it is in our National security to do just that.

So, thank you. It is good to see you both again. I would like to yield to Mr. McDermott, who is dealing with the subject matter before us today, but it is really great seeing both of you.

Mr. MCDERMOTT. Thank you, Mr. Chairman. Thank you, Mr. Rangel. This is a strange political world in which we celebrate putting 5 million more people on poverty than the day when President Bush came into office. You can spin it all you want, but that is what has happened. It has gone up every year since the President took over.

You can't congratulate yourself for adding a million and a half kids to the poverty rolls. They are there and we know it. Whether we choose to be honest with ourselves and the American people or not, that is the fact.

Now across America parents are working harder and playing by the rules but they are falling behind. They are earning less today than they earned yesterday. Their wages can't keep pace with inflation, let alone the soaring increases in health care costs or housing or home energy or gasoline for their cars.

Now the Republicans may want to declare victory on the war on poverty here, but given the fact that Temporary Assistance for Needy Families (TANF) cash assistance caseloads have fallen, that seems to be the only measure that matters. The caseloads have fallen.

This is really a time for commitment, not for celebration. Instead of growing America's middle class, today's economy, the disadvantaged class is the one that is really growing. We need to learn why.

I would like the Committee to turn their attention to the monitors for a second. Slide one will tell you some interesting things. You can see the blue lines, those are where poverty was going down. Now it started in 1993.

In 1990 the Democrats put in the earned income tax credit (EITC), in 1993 they increased the EITC. In 1996 the Republicans tried a number of times—and finally Mr. Clinton got a bill that made some sense and we did make some changes. In 1997 we increased the minimum wage for the last time. You haven't done anything with the minimum wage since then.

What you see is it was going down; there was a strong economy under Mr. Clinton and things went down to 2000 and they have gone up every year since. Now we have passed tax cuts for the wealthy in 3 out of the 4 years.

Next slide, please. What we have not done is deal with the minimum wage. The minimum wage measured against the Federal poverty line is at the lowest level ever. For anybody to have a victory party on children in poverty when you leave this kind of a minimum wage up there is simply laughable.

Welfare reform was supposed to encourage and support work, but wages are falling and the Federal backstop is a broken promise. Now that is why you see child poverty rising. We know of millions of Americans that their wages can't beat inflation. Even the Chairman of the Federal Reserve seems unable to beat the inflation, which is presenting a serious threat to the economy. Workers who are earning the minimum wage cannot keep a family out of poverty. So, what is left to support work?

Next slide, please.

Chairman THOMAS. The gentleman's time has expired. How many more slides?

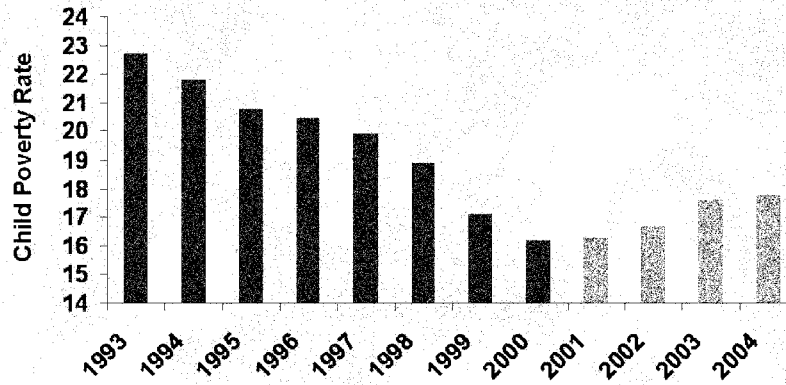
Mr. MCDERMOTT. Just one. Let me talk about this one. This slide shows what has happened to the reason why people continue to slide into poverty. We talked about minimum wage. The funding for TANF has decreased by 9 percent, the child care funding has declined by 7 percent, social service block grant has declined by 11 percent, and the workforce investment funding is still declining.

Now you can't take those parts out of the welfare reform program and have it work. You are going to continue to put more kids into poverty. Welfare is about kids. The reason we have welfare is to give kids something, and the fact that more and more—another million and a half kids are in poverty in this country simply does not deserve a welfare victory lap.

Thank you, Mr. Chairman.

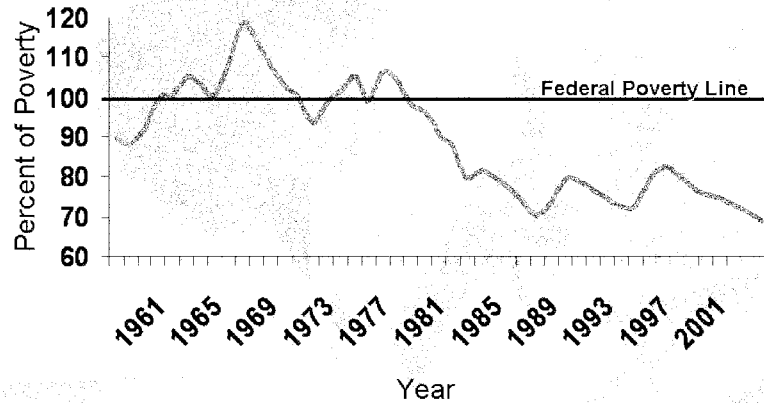
[The exhibits follow:]

Child Poverty Climbs Again



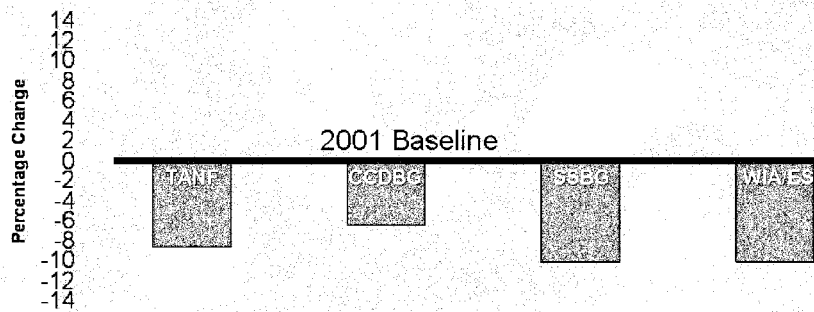
Source: Census

Minimum Wage as a Percentage of Poverty at All Time Low



Source: Congressional Research Service

Federal Work Supports Decline



Annual Funding in Real Terms (FY 2001-FY 2005)

Source: Congressional Research Service

Chairman THOMAS. Thank the gentleman. It is now my pleasure, with assistance from some Members of the Committee, to welcome the panel in front of us, the Honorable Rick Santorum, U.S. Senator from the State of Pennsylvania and in a previous life was a Member of the Committee on Ways and Means. To provide a formal introduction the Chair will recognize the gentlewoman from western Pennsylvania, Ms. Hart.

Ms. HART. Thank you, Mr. Chairman. I am actually honored to have my colleague before the Committee, especially as someone who served this Committee well and this House well in working on a number of very difficult issues that are easily demagogued but never backing down from doing the right thing.

As I think my colleagues know, Rick served here for 4 years before he moved over to the Senate, which I still say is the wrong side of the Capitol, but you are making it as good as it can be and we are pleased to have you before us today.

Mr. Chairman, if you didn't know this, both Rick and I started our public service careers the same year, 1991, as I was sworn into the State Senate, where Rick had already made a mark as an executive director of a Committee, and he decided that he had done enough there and was time to come down here. I am pleased to continue working with him and I am really pleased that he is before us today to share a lot of the work that he has done and discuss some of the things that we can do to make it better. I yield back.

Chairman THOMAS. Thank the gentlewoman. Thank you, Senator.

Very few of us can say that we have spent our entire life in a State and almost during our entire lifetime there was only one

Governor for that State, but the gentlemen from Wisconsin, Mr. Ryan, can come close to making that statement with one of our other panelists at the dais.

Mr. RYAN. It's a pleasure. Thank you, Chairman. Back home in Wisconsin we call Tommy Thompson "Governor." Here in Washington most people call him "Secretary." I think what is probably most fitting today is to call him a pioneer, because Tommy Thompson is the pioneer of welfare reform.

Tommy Thompson got elected to Governor when I was 16. I think our friendship is strong enough where we can say this. To watch what Tommy did in Wisconsin is an incredible story. It is an incredible story of achievement, what he did here as HHS Secretary, but the achievements of welfare reform in Wisconsin was the prime example that was used to implement welfare reform here, and for serving as Governor for 14 years, Secretary for 4 years and now on to bigger and better things, it is a pleasure to introduce Tommy Thompson.

Chairman THOMAS. Thank you very much. I will reserve the honor of introducing the other panelist, the Honorable Newt Gingrich.

When I came to the House of Representatives in the 96th Congress, we shared a number of activities together, early on, and I was pleased to see that culminating his Congressional career he was selected Speaker of the House, which allowed Members of his party to be Chairmen of Committees. So, to the greatest amount of credit for my being able to introduce him as Chairman of the Committee on Ways and Means, I want to welcome my friend, my roommate, my colleague, and someone who I am pleased to say in a very positive way has made a difference, the gentleman from Georgia, Speaker of the House, Mr. Gingrich.

All of your written testimony will be made a part of the record. You can address this Committee in any way you see fit in the time you have available. We will start with the Senator and then move from my left to your right across the panel. Senator Santorum.

**STATEMENT OF THE HONORABLE RICK SANTORUM, A U.S.
SENATOR FROM THE STATE OF PENNSYLVANIA**

Senator SANTORUM. Thank you, Mr. Chairman. It is a pleasure for me.

Chairman THOMAS. Prior to beginning could I turn the Chair over to the then Chairman of the Subcommittee on Human Resources, the gentleman from Florida, Mr. Shaw, which will make it a complete old home week. Senator.

Senator SANTORUM. Mr. Chairman, that is exactly what I was going to mention first out of the box. It is great to be back here in the Committee on Ways and Mean and it is great to be here with the team that I think began welfare reform, the team here at this table, as well as many of the people on the dais here today, led by Clay Shaw in his role as Subcommittee Chairman back in 1995 and 1996, and prior to that a working group that was put together when I was the Ranking Member of the Subcommittee on Human Resources on this Committee as a freshman Member. Then the whip of the minority, Newt Gingrich, asked us to put a task force together to develop a welfare bill and Nancy Johnson and

Dave Camp, our two Members here, Clay Shaw, many others who are not here today, but who worked diligently, Mike Castle and Jim Talent, many others, worked together and came up with a bill that became part of the Contract with America, and Newt was an instigator behind it and I will tell you that Governor Thompson was someone that we consulted with very closely in our work in trying to develop this piece of legislation.

So, to have all of those Members present here today I think shows you the kind of tremendous talent that was at the table to put this together, and as the Chairman was just referring, the tremendous success.

I find it somewhat remarkable that the gentleman from Washington would put up a chart showing a huge decline in child poverty and say that is a problem with this bill. What we have seen is the Great Society policies of the sixties, which were defended here so adamantly during the debates on welfare—I remember looking at those numbers in 1965, 21 percent of American children under the age of 18 were in poverty, and after several trillion dollars later in 1995 21 percent of the American children were still in poverty. That was the “great success” of the Great Society. We saw very little change in between those two times.

The bottom line is that we did not see much good come from these well-intentioned, but I believe fundamentally harmful programs of government dependency.

In the area of African-American poverty, which is one that I was most concerned about and most watched, at no time during that 30-year period in 1965 to 1995 did poverty among African-American children drop below 40 percent. At no time did it drop below 40 percent.

We were confronted with a bill, if I recall, in which incredible statements were made. Senator Kennedy on the floor of the Senate called the bill that we were passing in 1995, committing legislative child abuse. The Ranking Member of this Committee on the floor of the House said, and I will quote him, “This is a cruel piece of legislation.” Sam Gibbons said, “It punishes children, the innocent children, because of the errors of their parents. It punishes them not at birth, but it punishes them for a lifetime and it certainly punishes others through all of their childhood era. It will deprive them of food, of clothing, of housing, of education, of love.” As if the government can provide love for children.

So, parents are the problem, government is the solution. No. No, that was wrong. We did something about what was wrong and we, in fact, put a commitment in there that said that we actually believe that parents can provide for their children. We believe that poverty is not the ultimate disability, but in fact a temporary condition that can change if people are given the opportunity to work and in some cases the requirement to work. I can’t tell you the number of people that have come up to me, knowing my role in welfare reform, who were on welfare and who came up and said thank you, I would still be on welfare today if I wasn’t required to work; I just needed that in my life.

So, we made dramatic progress as a result of the legislation that we put forward. We continue to build on that. One of the things

I am most proud of is the fact we didn't just sit back and say well, we did the impossible.

I have my chart. This is the chart on poverty among African-American children. That poverty level that never dropped below 40 percent dropped to below 30 percent in the year 2001. Yes, it went up slightly, slightly vis-a-vis what it had been during the recession that happened in the early part of this Administration, but it is on its way back down as the economy strengthens.

It is a fundamental shift. The baseline is different because we believe in people and parents and their ability and desire to help take care of themselves and take care of their children instead of relying on government to do so.

I believe that and I tried to experience it in my own office. When I came to the U.S. Senate after working 2 years on this bill, one of the things I committed myself to doing was hiring people off welfare in my Senate office. I have hired nine people off welfare in my Senate office.

I can tell you story after story of success and, yes, sometimes failure. Yes, sometime they didn't make it. Sometimes it didn't work well, but there were many, many more successes.

A woman I talk about often is Michelle Turner, who came into my office from an abusive relationship and out of the People's Emergency Center in West Philadelphia. She went on to work in my office, first as a receptionist, caseworker, senior caseworker, and then she managed the entire casework operation in the eastern part of my State. Now she left my office for a much higher paying job outside of government and is doing very well. She was single, she had two children, two different fathers, now she is married and she has another child with her new husband, and they are raising all those children in a stable home.

That is the difference believing in people. That is what this Committee was all about and that is what this effort was all about. I am glad to see that you are focusing on it, you are concentrating on those successes. We built upon those in the Deficit Reduction Act—and this will be my final comment, I know I am over time—and that is that we understood that yes, we were successful economically but families are still in trouble. There are still no dads in far too many homes.

So, the Deficit Reduction Act provided money for fatherhood programs and money for a marriage initiative. I would say to this Committee if there is an area that I believe we need to continue to focus concern on, is that fundamental problem that Patrick Moynihan talked about 40 years ago, which is the breakdown of the family in the inner city. If you go to poor neighborhoods there is one commonality no matter where you go or what ethnicity, what race—if you go to a poor neighborhood there is overwhelmingly one thing you will not find, dads. That has got to change. If we are really going to have a profound impact on the future of poverty in America, we have got to change that. That is I think our great challenge. I think we have taken a step in the right direction, but there is more that we need to do. Thank you, Mr. Chairman.

[The prepared statement of Senator Santorum follows:]

**Statement of The Honorable Rick Santorum, U.S. Senator from
the State of Pennsylvania**

Chairman Thomas, Ranking Member Rangel, and distinguished colleagues. I appreciate the opportunity to be with you today, back where we started the roots of the 1996 welfare reforms. Some of you may recall that I sat on this Committee in 1994 as we worked to begin the process of crafting a proposal I will discuss more below. It was that experience that gave me the opportunity to help push this issue through the Senate in 1996.

I am immensely proud that I helped author the first major attempt to infuse conservative solutions into the American social welfare system in the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), and even more pleased that the law has resulted in the greatest social welfare success in American history. As I have said in the past, and repeat here today, we all knew that it was just a start because we needed to improve not only the welfare mother's balance sheet, but her family and social environment. We needed to build up the ties that bind, because ties that bind are also the ties that support, the helping hands of neighbors, friends, and family who care—in ways that government bureaucrats never can.

Nonetheless, we changed welfare in this bill, and we did it over a long process. I know some suggested at the time that the bill was just something that was thrown together at the last minute, but I have to believe that those individuals failed to recognize the work that was put into this bill, the time and the effort to learn and examine the issues, the hours of the debate on the floor of both the House and the Senate and in the conference committees—all to write a carefully crafted bill that is truly compassionate.

Granted, this bill is not compassionate in the sense that the Federal Government is going to go out and take care of every person's need who is poor because it is not truly compassionate when the Federal Government becomes the replacement for those whose responsibility it truly should be to take care of a child. That is not compassion.

Compassion is having a system that builds families, providing an environment where children can flourish. Compassion is a system that supports neighborhoods and civic organizations, mediating institutions that provide the values and community support for families that they need to help take care of children, to create the neighborhoods where children are no longer afraid to go out and play. No, this bill was about reversing the dependency on government handouts and instead providing a meaningful and effective hand up.

Before being completely revamped by the Republican Congress in 1996, our welfare system was successful at nothing except maintaining poverty. It demonstrated the complete failure of relying on a policy of income redistribution, of focusing solely on giving people money and expecting nothing in return. That approach stands in stark contrast to providing the mix of opportunities and obligations necessary to build a future.

Ron Haskins of the Brookings Institution, who you will hear from later today, is one of the nation's leading experts on welfare and welfare reform. Ron and I worked closely to craft the 1994 welfare reform bill that was part of the Contract with America. He taught a great me a great deal about American welfare prior to 1996.

First, studies showed that welfare was anti-work.¹ When welfare benefits are high and it is easy to get on welfare, it is less likely that low-income single mothers would work. This result shows up over and over in the research and has rarely been even cause for debate.

Second, welfare before 1996 was an unlimited entitlement. It demanded nothing, absolutely nothing, of the recipient. For context it is important to reflect back to the late 1930s when welfare first began. At that time there was debate over whether the program should include never-married mothers. Many policy experts at the time contended it should be limited to only the children of widowed or deserted women because they feared the unintended social consequences of government paying never-married mothers. Others experts argued that children of never-married mothers must be covered, since every *individual* needed coverage—essentially arguing that family norms did not matter.

Welfare before 1996 was all about the subtle economic incentives that not only enabled women not to work and to have children out of wedlock, but also gradually removed the social stigma attached to such behavior. The fact that the entitlement welfare failed is beyond dispute.

¹See generally "How Welfare Harms Kids" by Robert E. Rector and Patrick F. Fagan, Backgrounder #1084, June 5, 1996, and specifically endnote number three.

From the 1960s to the 1990s, total social welfare spending nearly tripled.² So what did we get for this increase? Poverty maintenance and family dissolution. There is no way to call this program prior to 1996 a success. The percentage of American adults living in poverty in 1995 was almost a full percentage point higher than the percentage living below the poverty line in 1966. In 1965, 21 percent of all Americans children under the age of 18 lived in poverty. Over the years it fluctuated slightly up and down, but in 1995, the percentage was 20.8 percent. In 1974, the percentage of African-American children living in poverty was 39.8 percent. Between then and 1995, it never again dipped below 40 percent, and stood at 41.9 percent in 1995.³

And if that is not enough, from 1960 to 1995, the percentage of births occurring out of wedlock among the total population rose sharply. In 1960, 5.3 percent of all births in this country were to unmarried mothers. By 1995, the figure was 32.2 percent.⁴

Pick a number, statistic or social impact—the result remains the same. Welfare, prior to 1996, was a disaster. The program was misguidedly based on the belief that poor people could not or would not work. It merely served as a means for income transfer. Although some on the other side of the aisle argued that this program was “humanitarian,” there was nothing humanitarian about the intergenerational poverty it sustained, the destruction of the natural family it brought, or the way it removed hope in our poorest communities. In terms of the human lives wrecked, human potential wasted, marriages destroyed or discouraged, and children denied a future, it was the greatest social policy debacle in American history.

After the election of 1994 Republicans took control of the Senate and the House and this dysfunctional welfare system was changed. The ultimate changes that were signed into law had their roots in a group I chaired when I was a member of the House Ways and Means Committee’s Humans Resources Subcommittee, of which I was then the ranking minority member. Our Minority Whip Newt Gingrich asked me to get together a group of members to draft our own welfare reform bill. The bill we drafted was an integral part of the now famous Contract with America. I went around and talked with women on welfare and the people that worked in and around the welfare system in Pennsylvania. The more I learned, less sense our welfare system made.

When we introduced our bill, the liberals called it cruel, heartless, and mean-spirited. We had actually had the audacity to call for time limits on welfare and we wanted recipients to work as a condition of receiving benefits. Despite the criticism, we knew that such measures were necessary if we were to help people move from government dependency to the dignity of a paycheck.

Our bold proposal became the starting point for innovative ideas in the 104th Congress, by which time I was in the Senate. Even though I was not on the committee of jurisdiction, I began working with the chairman of the Finance Committee, Bob Packwood, to help him craft a new welfare reform bill. The House had already passed its version of the welfare reform bill when the Senate moved a bill out of committee. Just before the bill was scheduled for action on the Senate floor, Chairman Packwood resigned from the Senate leaving Republican Leader Bob Dole searching for a new floor manager. I volunteered to take the helm since I was one of the few Republicans senators who knew anything about welfare. I ended up managing most of the bill on the Senate floor.

My role as floor manager for the welfare reform debate remains not just one of my proudest accomplishments, but also one of the most *surreal*. I remember a welfare rights organization that bussed in welfare recipients and caseworkers to a church near Capitol Hill. The group invited me to discuss the changes being contemplated by Congress. The best way I can describe the atmosphere of this event

²According to “It Takes a Family,” page 129, “In 1968, about three years into the Great Society programs, total social welfare spending in the United States was \$226 billion (in inflation-adjusted dollars). By 1990, it had risen to \$614 billion.” In addition, Robert Rector said “In just three years—from 1965 to 1968—yearly welfare spending more than doubled, from \$38.3 billion to \$80.5 billion in today’s dollars.” See **“Welfare: It Keeps Growing and Growing and . . .”** from June 29, 1995, at <http://www.heritage.org/Press/Commentary/ED062995b.cfm>. Also, according to Michael Tanner of Cato, “In 1990 total social welfare spending by federal, state, and local governments (for major means-tested programs) topped \$226 billion, a total equivalent to \$5,790 for every poor person, or \$23,160 for every family of four below the poverty level.” See “Ending Welfare As We Know It,” Cato Policy Analysis No. 212, Michael Tanner, CATO, July 7, 1994.

³U.S. Census Bureau, Housing and Household Economic Statistics Division, Last revised: December 14, 2005, <http://www.census.gov/hhes/www/poverty/histpov/hstpov3.html>.

⁴Department of Health and Human Services, Center for Disease Control, National Health Center of Statistics, 2001, <http://www.cdc.gov/nchs/data/statab/t001x17.pdf>.

was like being the meat thrown into the lion's den. I was not able to finish a single sentence without being interrupted, but beyond the anger I encountered there was a distinct undercurrent—fear. The recipients had been locked in this dysfunctional system for so long they had convinced themselves that welfare was the best they could hope for. In the end, this display of anger was but the last roar of the Great Society drug-peddlers, those who had addicted generations of poor Americans to the narcotic of dependency.

When Republicans scrapped the Aid to Families with Dependant Children (AFDC) and replaced it with Temporary Assistance for Needy Families (TANF), liberals howled. For example, the Urban Institute predicted that the bill would cause 2.6 million people to fall below the poverty line, including 1.1 million children.⁵ However, these critics miscalculated a bit.

Welfare reform worked. Welfare caseloads are down 64 percent, and the number of families on welfare has declined 57 percent.⁶ The overall poverty rate dropped as has the child poverty rate.⁷ Compared to 1996, 1.4 million fewer children lived in poverty in 2004.⁸ The number of adults on welfare who are working has more than doubled since 1996.⁹ The results speak for themselves—and the policies of the 1996 welfare reforms are a success.

Statistics are telling, but nothing tells the story better than real life. A young mother spoke to me at a hearing on the progress we had made with welfare reform and recounted that when she got her first paycheck, her children were unusually excited to go to the store. When she asked them why, they explained that they could not wait to go to the checkout line and not feel shame as people stared at them for using their food stamps. Self-respect is being restored.

Another young man told me that he had gained renewed admiration for his mother for holding it all together—her job, their home, and their family. He never thought she could do it. Respect for others is being restored.

Finally there is Billy Jo Morton. When I was sworn into the Senate in 1995, I decided that since I was going to take an active role in reforming welfare, I had better see how it actually works firsthand. I hired five people who were on welfare—at that time about 10 percent of my staff—to work in my Pennsylvania offices. Billy Jo worked for me in my Harrisburg office for her first job off welfare. She told me that until she was forced to move off the rolls she thought she was stuck with two kids at home and no chance for a better life. Billy Jo was a great employee. After a while, we provided her a flexible schedule that allowed her to attend community college part-time. Later she was offered a scholarship to finish her degree, which she did in education. I am pleased to report that she is now working as a teacher. And hope is being restored.

This is what happens when you have enough faith in people to help them rise up to take responsibility for their lives and to make the right choices. With welfare reform, the government stopped enabling destructive behavior. The 1996 reforms prevented prisoners and fugitives from collecting welfare benefits, saving at least \$250 million in SSI benefits and contributing to more than 40,000 arrests since 1996.¹⁰ It ended the destructive practice of giving “disability” checks to drug addicts and alcoholics. The bill also prohibited non-citizens from collecting welfare benefits, which reduced the receipt of SSI benefits by non-citizens by 14 percent, food stamps by 61 percent and cash welfare by 82 percent.¹¹ We changed the paradigm for government programs from life-long government support, to hard work and sacrifice.

There is only one conclusion to draw from all of this. Before 1996 the American welfare system was a mammoth federal income-transfer program that acted as a barrier between low-income families and independence in the U.S. economy. Our

⁵Potential Effects of Congressional Welfare Reform Legislation on Family Incomes, by Shelia R. Zedlewski, Sandra J. Clark, Eric Meier, and Keith Watson for the Urban Institute, July 26, 1996, <http://www.urban.org/url.cfm?ID=406622>.

⁶“A Decade Since Welfare Reform: 1996 Welfare Reforms Reduce Welfare Dependence,” Report from the House of Representatives Committee on Ways and Means, Subcommittee on Human Resources, February 26, 2006, <http://waysandmeans.house.gov/media/pdf/welfare/022706welfare.pdf>.

⁷“A Decade Since Welfare Reform: 1996 Welfare Reforms Produced Remarkable Success,” Report from the House of Representatives Committee on Ways and Means, Subcommittee on Human Resources, July 11, 2006, <http://waysandmeans.house.gov/media/pdf/welfare/071106welfareuccess.pdf>.

⁸Ibid.

⁹Ibid.

¹⁰“A Decade Since Welfare Reform: Ending Waste, Fraud and Abuse of Welfare Benefits,” Report from the House of Representatives Committee on Ways and Means, Subcommittee on Human Resources, June 1, 2006, <http://waysandmeans.house.gov/media/pdf/welfare/060106welfarereport.pdf>

¹¹Ibid.

economy had the jobs for welfare recipients. The problem was, the liberal welfare policies neither encouraged nor required recipient to get anywhere near those jobs—until we passed welfare reform.

I gave you a few anecdotes earlier, but this one last story may give you a better understanding of what has happened since 1996. It is the story of one of my employees, Michelle Turner. Michelle came to work for us in 1996 as a staff assistant in Philadelphia. Prior to that, she had been on and off welfare for about five years. She had left home as a teenager, mostly because she never got along with her father. She ended up living with a man who would be the father of her first two children, both girls. Although she says he never actually hit her, the stress of the situation finally caused her to pack up her two daughters and leave.

Michelle ended up living in a Philadelphia shelter for recovering substance abusers—something she was not but it was the only place she could go. She decided to stay there until she could afford her own place. In an effort to get out of the building and off welfare, she took a class at Drexel University and updated her resume.

“I just had to get off welfare,” Michelle said. “The people at the welfare office who would give you the check, their attitude was that it was their money. They would talk to you in such a demeaning manner. Plus, it wasn’t enough to live on.”

Michelle ended up getting an internship at the People’s Emergency Center, a domestic abuse shelter, as part of their welfare-to-work program. From there, Michelle took a job as a staff assistant in my office which in her words was “a glorified receptionist.” Soon, she became a caseworker and eventually she became my Director of Constituent Services. She’s been married since the Spring of 2000 and has given birth to a third daughter. In 2003, after nine years, she left my office to take a job at Drexel as the administrative assistant for a surgeon. She and her husband recently bought a new house.

When I asked Michelle how her life would have been different if she stayed on welfare instead of getting a job, she quickly answers, “I would probably be married, but I probably would have repeated what I had found myself falling into—an abusive relationship. I never would have ended up working in a Senate office, and never would have had the confidence to get a good husband and buy a house. I would have ended up working in some dead end.”

The power of work, and people who believed in her, gave Michelle Turner the break she needed. She did the rest herself.

The next iteration of welfare reforms came in the Deficit Reduction Act of 2005 (DRA)¹² These provisions were designed to build on the 1996 reforms. For example, one of the main reforms was to update the work participation rates to the more relevant date of 2005, ensuring that the intent of the 1996 Welfare Reform Act that at least half of all welfare recipients engage in work activities is realized.¹³ Why is this change important? It is important because prior to this bill it was reported that Pennsylvania was last among all of the states in 2004 in the percentage of welfare recipients who are working or were in approved programs.¹⁴ Just seven percent of the caseload in my state was working! We owe it to the people in our states that need a hand up to actually provide the opportunities to better themselves rather than allowing them to lose hope.

I am also very pleased that the DRA includes \$100 million annually for healthy marriage promotion, and \$50 million annually for the promotion of responsible fatherhood.¹⁵ As I mentioned early on, we must provide families with the necessary support systems to succeed—the helping hands of neighbors, friends, and family who care. We know that children growing up in married, two-parent homes are less likely to be victims of abuse, engage in high-risk behaviors, and suffer from emotional problems—the studies are overwhelming. It is therefore important that we communicate the value of the role of families and particularly the role of fathers in our society. This important funding will create opportunities to strengthen families through various programs which support marriage and responsible fatherhood in our local communities. I am grateful to have worked closely with many of you on this Committee to add this important element to the welfare reform process.

Throughout my years in the U.S. Senate, I have worked to implement programs designed to decrease the hardships that far too many Americans endure. While I believe that the Deficit Reduction Act is a step in the right direction, and I remain committed to ensuring that work remains a gateway to opportunity for all Americans. I want to draw your attention to something I have developed as the Chairman

¹² Deficit Reduction Act of 2005, P.L. 109–171, signed into law on February 8, 2006.

¹³ *Ibid.*, at Section 7102.

¹⁴ “Welfare applicants pushed to find jobs sooner,” by Joe Fahy, July 14, 2006, <http://www.post-gazette.com/pg/pp/06195/705797.stm>.

¹⁵ Deficit Reduction Act of 2005, Section 7103.

of the Republican Conference and with my Senate colleagues—the Senate Anti-Poverty Agenda.¹⁶ The Senate Anti-Poverty Agenda revolves around Work, Investment and Neighborhoods or WIN. The WIN Anti-Poverty Agenda reflects the proactive anti-poverty agenda of the Senate Republican Conference which embraces the critical role of work, investment, and neighborhood-based solutions in the effort to empower families in need, create opportunity, and reduce poverty. It includes twelve specific legislative action items that we believe will serve to reduce poverty. I have included a copy of this document with my testimony and hope that each of you will look at these items and reach out to work with us to make a real impact in our communities. Mr. Chairman, I would be remiss if I did not note that two of these particular items are currently under review in the context of tax extenders and the pensions conference, and ask that you and the other members of this Committee weigh these items heavily as you move to conclude the conversations on those bills.

Ladies and Gentlemen, we have made great progress since 1996, and we improved the program just this year, but we still have work to do to continue to lift families out of poverty and provide them with opportunities to better their lives and those of their children. I stand ready to work with you as we continue this important effort. Thank you again for this opportunity to be with you today.

Mr. SHAW. [Presiding.] Thank you. Speaker Gingrich.

**STATEMENT OF THE HONORABLE NEWT GINGRICH, FOUNDER,
GINGRICH GROUP, AND FORMER SPEAKER, U.S. HOUSE OF
REPRESENTATIVES**

Mr. GINGRICH. Thank you very much, Mr. Chairman. I do want to repeat what Senator Santorum said, and say that under your leadership, Chairman Thomas, Congressman McCrery, Congresswoman Johnson, Congressman Camp, Congresswoman Jan Meyers, I think back to all the people who were deeply involved in a period of growing these ideas and developing them, and it was remarkable.

I want to both praise Congress and challenge Congress, and talk on three levels; how we achieved welfare reform, the current results, and the challenges for helping those who have been left out of the American dream in the pursuit of happiness.

I want to start by quoting Abraham Lincoln, who, faced with the need to explain the purposes of government in his message to Congress, July 4, 1861 said: The leading object of government is to elevate the condition of men, to lift artificial weights from all shoulders, to clear the paths of laudable pursuit for all, to afford all an unfettered start and a fair chance in the race of life.

I think, as a person who had been born into extraordinary poverty, who had taught himself how to read, who had a total of one year of schooling in his entire life, Lincoln felt very deeply the obligation of government to create opportunities. I want to look at welfare reform in that context and meet part of the challenge that, legitimately I think, Congressman McDermott had raised.

Let me say, first of all, how do we get this done. I have one of the people who made it possible sitting to my left. The fact is that in the States, Governors Thompson, Engler and Leavitt had already done an extraordinary level of experimentation. Much of what we did stood on their shoulders and it is totally appropriate that Governor Thompson be here today.

¹⁶The Senate Anti-Poverty Agenda may be found at http://src.senate.gov/public/_files/graphics/povertybook0.pdf.

Without their leadership and experimenting we would not have had the baseline, but it went beyond that. Part of what made the Congress different in 1995 and 1996 is that the Governors actually came to Washington, brought the people who were running the programs—we locked the door, and we had State level people who actually were doing the job in the same room with legislative drafters at the Federal level and we argued as equals and we hammered out a program we thought would work; and it was a level of practicality which I think has seldom been achieved and which cut away all of the normal situations like this—where Washington is on one side of the table and the rest of the country is on the other. We were all in the same room with our sleeves rolled up and it was a remarkable practical collaboration.

We were also helped because beginning with Ronald Reagan's first campaign for Governor in 1966 when he talked about a creative society, Reagan had begun to lay the base for the country to talk about welfare reform.

In two books in particular, one, Charles Murray's *Losing Ground* and the other, *The Tragedy of American Compassion*, those two books had helped intellectually win the case. By the time we passed welfare reform in 1996, 92 percent of the country favored welfare reform, including 88 percent of the people on welfare.

So, the country had spoken and it was a combination of creative collaboration at a practical level, sound principles developed over 20 years, and, kind of the will of the American people being imposed, even if many people in Washington were resistant to it.

The results have been pretty amazing. Kay Hamowitz's article in *City Journal* and Ron Haskins's new book and the testimony he will give you later on will give you a real framework of this. Let me point out a couple of things. First of all, in response to Congressman McDermott's explanation of reality, it is pointed out by Kay Hamowitz that of the single mothers who have gone to work under welfare reform only about 4 percent are still at the minimum wage level. There is a pattern by which if you go to work and you learn a trade and you become more valuable, as you just pointed out, for somebody you just lost to the private sector, you get a better job. If you think of minimum wage as the beginning wage rather than as a permanent wage, it turns out that most Americans pass through that period and rise; and there is zero question that the welfare reform worked.

As Kay Hamowitz says: "The poverty rate for single women with children fell from 42 percent in 1996 to 34 percent in 2002. Before 1996 it had never in recorded history been below 40 percent." I say with sadness to some of my friends I would have thought that a program which gave us the lowest level of child poverty rate in history would be seen as a success from which we could build better and even more important steps in the right direction, but sometimes partisanship doesn't make that possible.

I would also point, as Secretary Leavitt, one of the three horsemen who we brought in to help create this, said in a recent speech, I am quoting Secretary Leavitt, "employment among single mothers has increased dramatically, reaching 63 percent today, the highest level ever." Child support collections have nearly doubled. Nearly a million and a half fewer children live in poverty than a

decade ago. Child poverty among African-Americans has declined from 40 percent to 33 percent, among Hispanics from 40 percent to 29 percent.

All of these, it seems to me, are good things in the right direction and to the degree that it has already positively affected people, this was an important, powerful step.

I want to pick up on Congressman Rangel's concern for Americans trapped in poverty because he is exactly right to be concerned, and I would hope that we could work together in a genuinely bipartisan manner to find real solutions.

Let me tell you where I am coming from. We have to help the poor, the powerless and those who have been left out of the American dream. Our Declaration of Independence declares all are created equal and are endowed by their Creator with certainly inalienable rights. Among these are life, liberty and the pursuit of happiness. Yet it is clear, if we are going to be honest, that tragically too many Americans today lack the education, the personal skills, the habits and the opportunities to pursue happiness; to be productive and therefore to be prosperous.

Now I think we have to continue the successful welfare reform policies but I think we have to go beyond that. I think we have to apply the successful lessons of welfare reform to two areas that people absolutely rely on government to get right, education and health. Without a proper education and without adequate health and health care, people simply cannot achieve success.

I want to underline this. I think our goal should be to enable every person in America to have a sufficiently high level of education, and sufficiently good health that they are able to be productive and prosperous because they are in fact productive. Productivity in the 21st century is a function of knowledge. Yet, we have to face our crisis in education.

The study sponsored by the Bill and Melinda Gates Foundation recently reported results that should bother every American. They reported, for example, that in the Detroit school system, which was the lowest-scoring major school system, only 21 percent of students who enter public high school, graduate.

Now we need to confront this. If we are cheating four out of every five children who enter the ninth grade, we are going to continue to have a crisis and the crisis represents itself in pain that Congressman Rangel is all too familiar with at a personal level. He knows that in his district all too many young men are going to be in prison instead of being in college. He knows that across the country in the inner city all too often we fail people.

If you think of the tragedy of the Detroit schools where four out of five children, young people who enter school as freshman will not graduate, we have to profoundly change the system.

I just want to suggest to you if we made saving the children a central theme of the next few years and if we were truly serious about rolling up our sleeves and breaking through, saving young people who are today just entering school, saving people who are trapped in Medicaid programs that frankly don't meet their health needs and therefore don't leave them prepared physically and mentally to be able to get good educations, but beyond that, rethinking the entire structure of our prison systems so that no one goes

through prison without becoming fully educated, which will be a totally different model than the warehousing and coercion model we have today.

I just want to say on behalf of all the people who helped develop the remarkable welfare reform 1996 that I think we now have both an obligation as citizens and an opportunity as leaders to develop a similar scale of reform and apply it across all the aspects of government which relate to trapping people in poverty and give people a chance to acquire education, productivity, and as a result, prosperity. I appreciate very much the chance to testify.

[The prepared statement of Mr. Gingrich follows:]

Statement of The Honorable Newt Gingrich, Founder, Gingrich Group, and Former Speaker, U.S. House of Representatives

“[the] leading object [of government] is to elevate the condition of men—to lift artificial weights from all shoulders; to clear the paths of laudable pursuit for all; to afford all an unfettered start and a fair chance in the race of life.”

—Abraham Lincoln, Message to Congress, July 4, 1861

Chairman Thomas, Ranking Member Rangel, and members of the committee:

I appreciate the opportunity to testify today about the outcome of the historic welfare legislation that was passed ten years ago. The national debate leading up to the enactment of welfare reform in August 1996 and the results of its implementation since then afford the country a set of profound lessons about how “we the people” can bring about profound change that dramatically improves the lives of millions of our fellow citizens.

In the last several months I have been drawn to reading a number of books about Abraham Lincoln. I was particularly struck by the message that Lincoln delivered to Congress four short months after he took office and on the first Independence Day during an unfolding Civil War.

The civil division in the country no doubt prompted Lincoln to reflect deeply on the essential nature and purposes of government. His historic task was to define the form and ends of the Union for which he would ultimately rally and lead his countrymen to preserve. In one section of the speech he wrote that the leading object of government “is to elevate the condition of men—to lift artificial weights from all shoulders; to clear the paths of laudable pursuit for all; to afford all an unfettered start and a fair chance in the race of life.”

I cite this passage because I believe it to be not only an eloquent statement of the republican principles upon which the nation was founded but also a fair description of the spirit that animated those leaders in the states and the Congress who led a three decade long effort to reform the welfare system.

We were determined to lift the “artificial weights” of a bureaucratic system of welfare that drained individual initiative and energy and hurt the very people it was designed to help. In its place, we were determined to clear a path of work and opportunity that would develop the habits of success that would lead to self-sufficiency.

This effort has been largely successful. Welfare rolls have declined nearly 60% in the past ten years and fewer families are on welfare than at any time since 1969. Nearly a million and a half fewer children live in poverty than ten years ago, with child poverty rates among African Americans and Hispanics down markedly. At the same time, employment among single mothers has increased dramatically, reaching 63 percent today, the highest ever.

There are many other measurable outcomes from this reform legislation that warrant your close assessment. We should make every effort to see what has worked well—so we can continue it—and what has worked less well—so we can make adjustments and improve it. But I leave the bulk of this statistical assessment of the outcomes to the very talented scholars whom you have assembled for your panel who have labored far more than I in measuring the precise impact of welfare reform from a myriad of angles.

Instead, I would like to share the 10 big lessons that I have drawn from the successful effort to design and implement welfare reform and suggest that we should apply these lessons to developing a next wave of reforms in order to lift the artificial weights from—and elevate the condition of—our fellow citizens.

TEN LESSONS FROM WELFARE REFORM

1. *Successful Reform Always Starts with a Big Idea of How to Improve the Lives of Individuals.* It has been said that nothing is more powerful than an idea whose time has come. Often a powerful idea can take many years before it is accepted and adopted. In the case of welfare reform, the powerful idea of replacing dependence and welfare with personal responsibility and work took 30 years before it became the law of the land. The idea was first put forward by candidate Ronald Reagan running for Governor of California in 1966. In a memorable campaign speech, Reagan called for replacing the Great Society with the Creative Society and ensuring that we had not settled on a welfare policy that was perpetuating poverty with a “permanent dole”. Then in 1970, Reagan proposed welfare reform at the National Governor’s Association. No one supported him. It would take another 26 years before the big idea of replacing welfare with work finally became a reality.

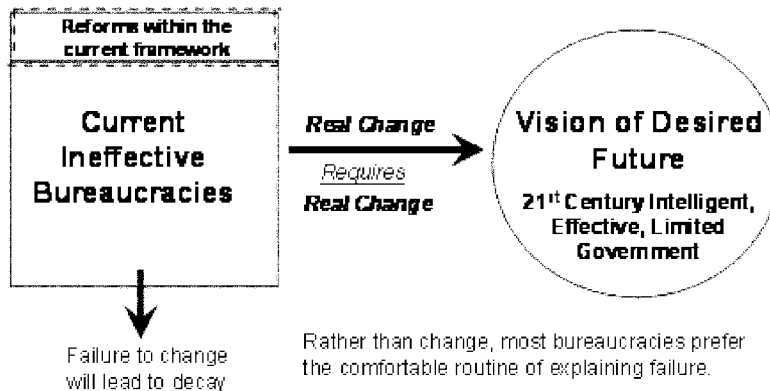
2. *Then Key Step is Deciding Whether to Repair or Replace.* The first and absolutely unavoidable step in designing large scale domestic policy reform legislation is to decide whether to dedicate energies to marginally improving the current system or whether to develop a series of replacements for the laws, the regulations, and the bureaucratic culture and governmental structures.

Our current system of bureaucratic public administration is incapable of meeting the delivery requirements of the 21st century. The male clerk with a quill pen and an open inkwell sitting on a high stool at a high desk was the standard when the civil service laws were codified in the 1880s. That process oriented, red tape ridden system is now mutated through 125 years of further laws and regulations. It is impossible for it to match the expectations of speed, accuracy, flexibility and efficiency inherent in the world of UPS and FedEx. Successful reformers will have to replace bureaucratic public administration with entrepreneurial public management as a new system of rules, regulations, incentives, and metrics.

The difference in orientation between what we are currently focused on and the real change we should be advancing can be illustrated vividly.

Building a 21st Century Intelligent, Effective, Limited Government Versus Marginally Reforming Current Ineffective Bureaucracies

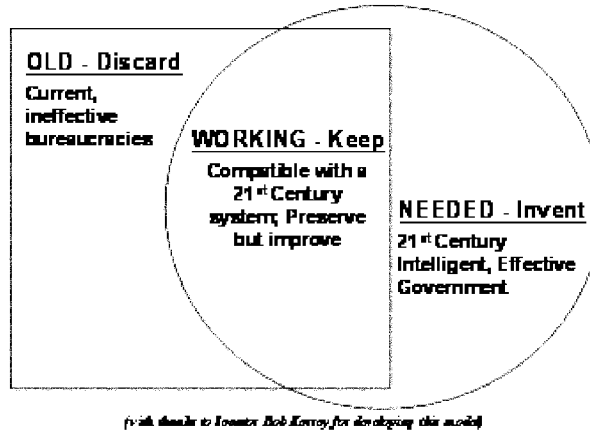
“Tranquility is doing more of what you do as a steady doing and expending a minimum of effort.” – Albert Einstein



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Of course, it is not possible to reach the desired future in one step. It will involve a series of transitions, which can also be illustrated.

Transitioning to a 21st Century Intelligent, Effective, Limited Government Will Necessarily Mix the Old and the New



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Every aspect of Washington (and for state government of the state capital; and for local governments of city hall, the county building or the board of education building) tends to focus on marginal “reforms” of the current bureaucratic systems with which they are comfortable. The news media, the lobbyists, the bureaucracies themselves all are chanting “be reasonable,” “be responsible,” “be practical;” the pressure to sustain the status quo will always be overwhelming.

If we had followed that advice in 1994 we would not have developed The Contract with America, we would not have insisted on voting on the entire contract in the first 93 days of taking office, we would not have insisted on welfare reform, we would not have driven through the first consecutive large balanced budgets since the 1920s.

Similarly, if President Reagan had been ‘reasonable’, ‘responsible’, ‘practical’ and ‘prudent’ he would not have said his vision of the outcome of the Cold War was ‘we win, they lose,’ he would not have called the Soviet Empire ‘the evil empire’ and he would not have said “Mr. Gorbachev tear down this Wall” (which required the President to personally write it back in three times after the State Department bureaucracy took it out each time).

3. **Great Change Always Comes from Outside Washington, D.C.** Great changes come from the country to the capital and are imposed by the American people on the politician-lobbyist-bureaucracy-news media system despite their resistance. Governing systems always focus on and cue off the American people. They begin to decline when they start shifting their focus to the power structures of the capital (state or federal). As one Reagan official said in 1972, “when people in Sacramento start saying ‘we’ and mean California state government we know they have been here too long. ‘We’ means the people of California.” And in fact it was the American voter who insisted on real change in 1994. Nine million more Americans turned out in 1994 (from 1990) to support a positive agenda of reform, including 1994’s crowning achievement of welfare reform. It was the American people who demanded welfare reform by 92% (including 88% of those on welfare). It was not the experts, the bureaucracy, or the lobbyists.

4. **Cheerful Persistence is Required.** To successfully deliver large scale reform in a free society, it is necessary to have cheerful persistence. It is necessary to have a positive vision of a better future. Americans have always been stunningly optimistic and the optimistic positive leadership has almost always beaten the negative pessimistic leadership. It is also important to describe this better future in personal terms. It is necessary to describe what it will mean for you, your family, your children, and your grandchildren.

5. ***Far Reaching Collaboration is Critical.*** Developing politically popular, philosophically correct, implementable in reality reform is very complex. It takes a longer time horizon, a more decentralized process of parallel effort, and a more collaborative system for the Executive-Legislative branches (including members of the Ways and Means, Agriculture, and Education and Workorce Committees) and the Federal-State systems to work together. The 1995 involvement of key Governors and their staffs in drafting the welfare reform bill is a classic case study in a collaborative approach that reached across formal boundaries to build an informal team for a specific purpose. This approach was absolutely necessary for the practical reason that it was the Governors themselves, and through them state governments, that would actually implement the policy reforms. Moreover, several key Governors, like Tommy Thompson (Wisconsin), John Engler (Michigan), and Mike Leavitt (Utah), had already started to lead the way in figuring out the type of welfare reforms that would work. It made complete sense to involve those who knew who to practically accomplish results. Their staffers were in the room with Congressional staffers bringing practical solutions to turn public policy ideas into reality. It was important to get the ideas from among the fifty laboratories of democracy in order to diffuse the best approaches across the country. It would have been impossible to craft a system which helped 60 percent of the people on welfare move into jobs or classes without the active help of the governors and those in their states who knew the realities of getting the job done at the local level.

6. ***Big Change Always Requires Winning the Argument.*** Successful reformers understand the Margaret Thatcher rule that “first you win the argument, then you win the vote.” They understand that defining the argument, choosing the right words, organizing the effort to educate and rally the country makes possible victories in elections or in Congress that would not otherwise be possible. Conversely, successful reformers are very sensitive to starting to lose arguments because they know that their votes will then be put at risk. From 1966 when Reagan first proposed it to 1996 when we passed it we had won the argument. Intellectual effort mattered. Charles Murray’s *Losing Ground* and Marvin Olasky’s *The Tragedy of American Compassion* were especially important in creating that victory.

7. ***Words Matter.*** Successful reformers know that words really matter. Successful reformers MUST acquire the skills to communicate good policy. Any large scale reform initiative involves learning a new glossary and grammar. The new approach has to be outlined in words which the public either understands or has to learn. Then the words are connected together with a grammar which enables the new language to be used to communicate the reform vision.

Again and again the right words to evoke the right images and the right choices make a big difference in the ability to win the argument. It is important that successful reformers define words that describe the desired future that people already understand and desire.

Our vision for welfare reform was one where independence replaced dependency, where opportunity replaced poverty, where responsibility replaced irresponsibility, where self-sufficiency replaced helplessness, where caring replaced caretaking. Over time more and more Americans heard and believed in that vision.

8. ***The Reforms Sought Must Be Consistent with Broad American Values.*** Successful reform can only be achieved if the goals advanced are consistent with broad American values.

a. ***America is an Incentive Based Society.*** Americans are very responsive to incentives and very hostile to penalties or punishments. In America when your leaders make your life more difficult or more expensive your first reaction is to fire them. This intense opposition to being “put upon” runs deep in the American psyche. The Revolutionary War flag with a rattlesnake the slogan, “don’t tread on me” is typical of this self reliant, populist suspicion of authority. It is a major reason tax increases as a strategy has done so badly since 1978 (when Proposition 13 in California first signaled a broad middle class resentment). In the absence of an undisputed crisis it is essential for successful reformers to find incentives to pull people into new behaviors and to avoid penalizing or punishing people out of the undesired behavior. To put the principle simply: Americans elect leaders to make their lives better and they will fire leaders who make their lives worse.

b. ***America is an Entrepreneurial Society.*** The potential to have an incentive led program of reform is increased dramatically by the core nature of American society. It is the nature of America’s entrepreneurial free market system based on science and technology to create MORE choices of HIGHER quality at LOWER cost. This historic fact is one reason rationing has never been a problem in America except when government interfered. This principle is also a great opportunity for successful reformers to provide better learning, better health, a better environment,

and a more effective general system of government than any bureaucratic centralized red tape ridden model could produce.

9. Opponents of Reform Must Be Forced To Carry the Burden of Their Positions. It is necessary to put opponents of popular reform on the defense, forced to explain the logic of their position. In the case of welfare reform, it meant that opponents had to defend a system that kept recipients of welfare in a hopeless system of poverty in which they were told not to help themselves, not to look for work, but to sit there and be quiet and wait for the next check. At some point, the opponents could no longer bear the burdens of their own position. So much so that by 1996, polls showed that 92% of the country favored welfare reform, including 88% of the people on welfare. When only 8% of the country agrees with you, it is hard to sustain a position even if a large part of that 8% is in the news media, the academic world, and the bureaucracy. By then, it was virtually impossible for the Congress to avoid passing it or the President to avoid signing it, which he did after vetoing it twice.

10. Successful Reform Must be Citizen Centered. Successful reform on the scale of the 1996 welfare reform has to be citizen centered and movement driven. People have to decide it is “their plan” improving “their future”. Social Security in 1935 was not about FDR. It was about the American people. Welfare Reform was not about the Republican Party. It was about giving the poor a much better future. People in power have to constantly remind themselves that they are advocating the interests of the American people and not merely their own interest. If something is not working at the grassroots it may be that we need to rethink what we are doing. To repeat Joseph Napolitano’s injunction “Never underestimate the intelligence of the American people nor overestimate how much information they have.”

APPLYING THESE SUCCESSFUL LESSONS TO SAVING THOSE WHO ARE STILL POOR, POWERLESS, AND LEFT OUT OF THE AMERICAN DREAM

The 1996 welfare reforms marked a dramatic change in American social policy. Yet, we cannot stop there if we are to advance the real change required to help the poor, the powerless and those who have been left out of the American Dream. Our Declaration of Independence declares “All . . . are created equal . . . and endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness.” It is clear that tragically too many Americans today lack the education, the personal skills, the habits, and the opportunities to pursue happiness, to be productive and therefore be prosperous.

First, we must continue the successful welfare reform policies and pass any required modifications and extensions.

We must then apply the successful lessons of welfare reform to two areas that people absolutely rely on government to get right: education and health. Without a proper education and without adequate health and health care, people simply cannot achieve success.

We Must Save Our Children From Failing Schools.

We must face our crisis in education. A study sponsored by the Bill and Melinda Gates Foundation recently reported results that are deeply troubling.

The study looked at graduation rates on a district-by-district level and found that they are shockingly lower than previously reported by the education bureaucracy. In big-city public school districts like Cleveland, Los Angeles, Miami, Dallas and Denver, fewer than 50 percent of high school students graduate on time. In three districts, the public schools graduate fewer than 40 percent of their students: In New York City, the graduation rate is 38.9 percent; in Baltimore, it’s 38.5 percent; and in Detroit, incredibly, only 21.7 percent of students who enter public high schools will graduate.

Consider this finding for a moment. If only 21.7 percent of students graduate from Detroit schools on time, that means that 78.3 percent of students fail to graduate. Almost 80 percent of students—four out of five—are failed by our educational system. Why do we tolerate this level of failure? Cheating the children is wrong. The fact is, in most aspects of life, we don’t. If a private company took the money from its customers and then failed 80 percent of them, it would be closed in a day.

One of the most basic measures of the success of our school system is high school graduation. A high school diploma is the minimum requirement for successful participation in American life. The failure of our high schools to graduate their students isn’t limited to Detroit or to our big cities. Nationwide, it is estimated that three of every 10 students who start high school won’t graduate on time. For minorities, these numbers are far worse. One of every two African-American and Latino students won’t graduate on time or graduate at all. So dramatic is the failure that

today it is estimated that there are more African American males in prison than there are in college—a fact that is a national disgrace.

We've all heard the rallying cries of "Save the Whales" and "Save the Rainforest." My view is that reports on our public schools like this latest one should have us all shouting "Save the Children." Every time we allow policies that favor the education bureaucracy over our children, we not only hurt our children, we hurt our country and our prospects for future safety and prosperity.

America abounds with more energy, resourcefulness and innovation than any nation in the history of mankind. We deserve an education system that nurtures and develops these qualities. "Save the children" isn't just a slogan, it's a call to win the future for all Americans, starting with our children. Let's not wait to get started.

We Must Save Lives and Save Money by Transforming Medicaid.

Medicaid is a mess. It is an obsolete 1965 welfare state system with an assumption of irresponsibility and dependency on the part of the recipients and a micro-managed centralized bureaucratic control system with both state and federal layers of bureaucracy. Its thousands of pages of state and federal complexity are impossible to manage and make innovation very difficult and very slow.

For forty years the combination of the U.S. Congress, the Federal CMMS bureaucracy and fifty state legislatures have interacted to produce a dance of loophole exploitation by states followed by loophole closings by the federal government followed by clever consultants finding new ways to cost shift.

The result has been a money oriented red tape ridden culture which is a major contributor to health disparities, a significant source of cost shifting to private payers, and a significant burden on doctors and hospitals.

As Medicaid has grown in size and cost, its implications for both the federal and state budgets have grown. We are entering a period when Medicaid will be an unavoidable major issue in our political-governmental system.

Today, 26 percent of the federal government's budget is spent on health-related programs. Healthcare spending will continue to rise disproportionately relative to other federal and state budget priorities. We simply cannot balance the federal budget over the long term if we do not deal intelligently with health. There will not be enough dollars or doctors to take care of us on our current trajectory. State budgets will not be able to cope either.

A properly transformed Medicaid system should have at its core the principles of individual ownership, personal health, and the right to know price and quality of health and healthcare services. These would form the basis of a system centered on wellness, prevention, early testing, and incentives for healthy behaviors before, during, and after any illness.

We must develop a genuine momentum for creating a 21st Century Responsible Citizen Medicaid System which will truly eliminate health disparities, improve health for the poor, maximize independent living and quality of life for people with disabilities, improve the satisfaction and lives of providers, and lower long term costs for the taxpayer.

Finally, we must continue to assert the basic American values that have made this country a unique center of freedom and opportunity for people everywhere. Welfare reform was an important first step. We must continue to unleash the genius of free men and women, encourage dreamers, and create incentives for greatness.

Mr. SHAW. Thank you, Speaker Gingrich. Governor Thompson.

**STATEMENT OF THE HONORABLE TOMMY G. THOMPSON,
PARTNER, AKIN, GUMP, STRAUSS, HAUER & FELD, AND
FORMER SECRETARY, U.S. DEPARTMENT OF HEALTH AND
HUMAN SERVICES, AND FORMER GOVERNOR, WISCONSIN**

Mr. THOMPSON. Thank you very much, Mr. Chairman. I have submitted my report and I want to tell you that welfare reform is something that just didn't happen. It was a dreary, long work in progress. I would like to take the opportunity at this point in time to thank Senator Santorum for his dedication and his passion and trying to get things accomplished, and he has, and I am very supportive of what he has done and is trying to do.

Newt Gingrich, the Speaker, I had the privilege of working with him and other Governors throughout the whole process in getting things done, and I certainly have to thank you, Mr. Chairman, because I don't know how many hours I spent in your office talking to you on the telephone about welfare reform during 1995 and 1996 and also had the opportunity to debate my good friend, Mr. Rangel, on welfare reform on national television more times than I care to recount, but you have always been a wonderful ally and sometimes a nemesis but it is always a pleasure to see you, Congressman Rangel. Many other people on this Committee on Ways and Means worked so hard during those times to come up with a bill.

When I started back in 1987 on welfare reform, I started because people had been coming from all over the country to Wisconsin because we had high welfare payments. People were making a joke out of the fact that you can, from Chicago, get on a bus for \$18 and go to Wisconsin and increase your welfare payments by \$225. We had national TV programs talking about the people that were coming into Wisconsin to get on welfare.

I sat down with several individuals and decided that I was going to really try and reform welfare. How I did it, Mr. Chairman and Members, is I used to bring in welfare mothers into the executive residence, when I was Governor, and I would ask them to have lunch, just with welfare mothers, and I would ask them "why are you on welfare," and they said the reason we are on welfare is because it is the way for us to get health care.

I said if I provided you with health care would you take a job and get off of welfare. The response was well, we have to have somebody to take care of our children. We can't get off of welfare if we don't have somebody taking care of our children.

So, I said, and rightly so, if I provided health care and day care, would that be enough of an impetus for you to get a job and get off of welfare. They said yes, it would be, except we have no training. We haven't got the training. We don't have the education. I dropped out of school when I was 13 or 14. I was pregnant. I have never been back to school and I have never had a job.

So, I said if I provided you with training, would you take a job. They said yes, but most of the jobs are away from where I live. I need transportation.

So, I sat down and developed a program which would provide for health care, day care, transportation and training. As a result of that I went to Washington because I had to get waivers, and I started in 1987 with President Reagan. I am the only Governor I believe that had waivers in existence from President Reagan, the first President Bush, and President Clinton.

We developed welfare programs along those waivers. Those waivers started to work and people started to stand up and take notice. Then in the nineties and 1991 and 1992 John Engler and Mike Leavitt got elected and they also then started working on welfare reform. We started a movement across America trying to compete with developing better and more exciting, innovative welfare programs to help individuals get out of poverty, and be able to have a job.

I created a State EITC compatible with the Federal one, so it really made it worthwhile for an individual to have a job. As a re-

sult of that we were very successful in Wisconsin. We went from over 100,000 families, and the day I left we were down below 7,000. We had over a 90 percent reduction off of welfare in the State of Wisconsin. Not all, but a vast majority of those mothers who had children on welfare had a job that was paying much more than the minimum wage. They were much better off. Plus, having the Federal EITC, plus the State EITC, they were then able to have a decent life. They were able to then reduce childhood poverty in the State. We also became the State in which other States tried to copy.

Then I had the privilege to work with you in Congress, with Speaker Gingrich, and other individuals to come up with the TANF program. I really sincerely believe it was a giant step forward in regard to reducing childhood poverty, and allowing individual mothers to have a way out of poverty and have a job. As a result of that, Congress has continued to work on it.

I want to compliment you—I want to compliment this Committee on being able to pass the recent proposal that the President signed, in which you once again redirected the attention to those individual mothers who are not working and allowing for some type of intervention in order to help them get a job.

I would like to also compliment Speaker Gingrich on his ideas, but I would like to take them one step further. I think if you are really going to be serious about welfare reform you are going to also have to consider how are you going to be able to make sure that mothers who are still on welfare are able to get the skills necessary to get a job.

One of the best ways to do that I believe is by taking a look at the EITC, the vocational acts, and by giving mothers the opportunity, the training, the skills necessary in order to get jobs and also to focus in areas where the jobs are badly needed, especially in health areas.

You could set up a program in which you could steer welfare mothers and be able to give them the encouragements to get into nursing, get into lab work, get into hospitals. We know there is a huge shortage out there. Hospitals are dying for that kind of capabilities and opportunities to have people trained in those kind of jobs.

You can use the Welfare to Work Act, use the Vocational Act in order to really get mothers trained in those fields and those areas and you would be able to help them get off of welfare and get them the kind of income all of us would like to have. You would be making a giant step forward to getting mothers out of poverty and helping children.

The second thing is I think you should also try to encourage other States, like Wisconsin, to have an EITC. It has worked out extremely well for individuals starting out in a minimum wage job in order to get off of welfare and be able to get the kind of training necessary to do it.

I would just like to continue to compliment you, to continue to look at ways in which you are going to be able to help mothers find ways, find the training and the skills necessary to get off of welfare.

I would like to thank my Congressman, Paul Ryan, for the introduction but also thank him for his leadership on this Committee and his leadership in Congress and compliment all of you on a bipartisan basis to bring this subject back in front of the American people so that we once again can focus on it, focus on poverty, focus on mothers and children and be able to give them the skills necessary to get off of welfare.

I thank you for this opportunity, for me to come back in front of the Committee on Ways and Means and talk about a subject that I have been involved in now for well over 20 years and a subject that badly needs continued attention and nourishing from this Committee on a bipartisan basis.

[The prepared statement of Mr. Thompson follows:]

Statement of The Honorable Tommy G. Thompson, Partner, Akin, Gump, Strauss, Hauer & Feld, and Former Secretary, U.S. Department of Health and Human Services, and Former Governor of the State of Wisconsin

Introduction

Good morning Chairman Thomas, and Members of the Committee. I am honored to appear before you this morning to discuss the tremendous successes of the bipartisan 1996 welfare reform law, and ways to further build on the remarkable progress this initiative has had in terms of empowering families and individuals to become self-sufficient, all issues that I am so passionate and optimistic about.

I would like to commend you, Mr. Chairman, and your colleagues for the role you have played in helping to focus attention on this important issue.

I have been blessed to have had the opportunity to witness first-hand the enormous impact welfare reform has had in helping families and individuals dependent on welfare obtain the tools and skills necessary to find lasting work that puts them on the path toward economic independence. As Governor of the state that led the nation in adopting innovative welfare reform policies and most recently as Secretary of Health and Human Services (HHS), the federal government's department responsible for implementing the country's welfare policies, I have seen with my own eyes the compassion that these reforms have provided. Ten years ago, the federal government took bold steps to put an end to the failed government assistance programs that perpetuated a cycle of dependency, non-work and non-marriage. For years, we followed this path and we knew where it led—generation after generation dependent on welfare—ongoing poverty and dependence.

The federal government's welfare overhaul was modeled in large part after the dramatic success the state of Wisconsin had in helping families to end their dependency on welfare and achieve self-sufficiency. Just as Wisconsin's reforms helped recipients of the program succeed beyond all expectations in terms of entering the workforce and reducing the state's caseload, America also has seen incredible progress because of the 1996 reform; national welfare caseloads have declined by almost 60 percent and nearly eight million parents and children no longer receive welfare; the overall poverty rate has dropped 7 percent and the child poverty rate has dropped 13 percent, while the number of adults on welfare who work has more than doubled.

Wisconsin's Welfare Reform

Let me tell you a little bit about what occurred in Wisconsin. In 1996, as Governor, I signed into law Wisconsin Works, also known as W-2, a landmark welfare-to-work program. The program required participants to work, while at the same time providing the services and support to make the transition to work feasible and permanent. W-2 provided a safety net through child care, health care, transportation and training assistance. Wisconsin's monthly welfare caseload declined by more than 90 percent, while the economic status of those taking part in W-2 improved significantly.

Welfare reform in Wisconsin began with one simple premise: "for those who can work, only work should pay." The challenge we faced was to support people in their efforts to work within their abilities. The key was to invest in a system that aimed to reinforce behavior that led to independence and self-sufficiency, instead of sending checks out once a month and in effect not addressing the underlying cause of dependency. To me, the latter is not compassion. Expecting nothing in return and offering no real help is hardly compassionate. That is apathy. In Wisconsin, we re-

fused to allow a morally bankrupt system to continue ruining lives; we scraped a decades-old system that had sadly become entrenched in our society. As Governor, I could not stand to lose one more generation to a welfare system that certainly made families no better off and often left them worse off than before they entered the system, a system that robbed families of their self-worth and dreams. So we did something. We decided to give these families a ladder so they could climb out of poverty; we gave them a ladder of opportunity called employment. Welfare told generation after generation of families they weren't worth anything and unfortunately, these families believed the naysayers. Nonsense. I believed, and continue to believe that every single person in this great county of ours is capable of contributing something to our society. Everyone has something they can do.

Undeniably, Wisconsin's success in welfare reform is a reflection of how the federal government has listened and reacted to the needs of each and every state in this nation. It can also be said that the federal government's direction on welfare reform is a reflection of Wisconsin's welfare movement. Although from a national level, it appears that changes to state welfare policy took place within the larger context of federal welfare reform, it may be more accurate to say that changes to federal welfare policy took place within the context of Wisconsin welfare reform. The success in Wisconsin provided a blueprint for the Temporary Assistance for Needy Families (TANF) program. Together, the federal government and state governments have offered hope and opportunity to those most in need, and now more than ever, we must work together to continue to help those still in need by delivering them opportunities to find self-sustaining work.

Commend Congress for Its Leadership in Strengthening the 1996 Act

I would like to commend Congress for its leadership in making comprehensive welfare reform part of the Deficit Reduction Act of 2005 which was signed by the President in early 2006. In particular, the modifications to the caseload reduction credit included in the Deficit Reduction Act of 2005 will essentially require all states to achieve the goal of engaging at least 50 percent of those receiving cash assistance in work and work-related activities designed to promote self-sufficiency. This as well as other modifications to the 1996 law will help further guarantee that the underlying principle of successful welfare reform—that efforts should be focused on providing needy individuals and families with the opportunity to achieve self-sufficiency through work and not simply cash transfers—is further strengthened.

I can tell you that 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. These new improvements to the TANF work requirements are a further example of the federal government working with states, and redoubling efforts to reach out to those in need.

Commend HHS Over its New Rulemaking to Address Welfare Reform's Unintended Consequences

The extraordinary success of the 1996 welfare reform in reducing caseloads brought about with it unintended consequences. Because of a caseload-reduction credit contained in the original 1996 act, fewer caseloads meant a corresponding decrease in the percentage of adult welfare recipients that were required to join the workforce.

Thanks to Congress' action on this front, along with the hard work of those at the Department of Health and Human Services in issuing regulations in June of this year, participants in state welfare programs funded through the federal TANF block are more likely to secure real, meaningful work and stay on path to becoming self-sufficient. By issuing these regulations and more precisely defining activities that qualify as work, HHS went a long way in helping to maintain the 1996 welfare reform law's intent to provide states with incentives to reduce caseloads. The regulations issued by HHS require education and training to be directly related to a specific job; allow participation in substance abuse, mental health and other rehabilitation services to count under the "job search/job readiness" work category; and further stimulate work by allowing countable participation to include actual hours and limited excused absences. In addition, the new regulations ensure greater state accountability by requiring all work activities to be supervised in order to count toward the participation rate; using federal reviews and the single state audit to monitor state compliance; and implementing a penalty for non-compliance with work verification plan.

HHS has taken a step forward in tightening worker requirement standards and ensuring that the purpose of the 1996 reform, to get those not working into the nation's workforce, is fulfilled.

Alarmist Rhetoric

At the time welfare reform was dominating the headlines and news in 1996, critics of the overhaul accused supporters of the reform as being anti-family, anti-child and offered dire warnings of the consequences of undertaking such reform, claiming that young children would be going hungry and abandoned at higher rates. These same skeptics predicted that the families receiving government assistance were at risk of sinking deeper into poverty and homelessness.

Just as in Wisconsin, the federal government's efforts to improve the nation's welfare program have resulted in enormous progress. As mentioned earlier, the number of Americans free of public assistance point to the overwhelming success of the 1996 reform, almost eight million parents and children are no longer dependent on welfare. These raw statistics do not capture the hope and optimism that welfare reform has instilled in America's families. Instead of wallowing in the despair, mothers and fathers have more self-esteem, have found their dignity, and their children are doing better socially and in school.

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.

A second measure of success of welfare reform must be the direct impact the program has on its participants, their families and, most importantly, their children. This is why Wisconsin's reform included increases in the state's child care budget, including additional funds for day care start-up, and the recruitment of new day care providers. Wisconsin enacted meaningful programs that supported the recipients of welfare in their struggle for independence—programs for child care, health care, job search assistance and transportation.

In addition, we must make sure that those who have found employment remain in the workforce. We must continue to make investments in supporting those who have made this critical first step toward success. Our bold welfare reform efforts demand that people push themselves toward success, at the same time we enable them to do so with strong supportive services.

It is my belief that Congress' action in including provisions in the Deficit Reduction Act of 2005 to address harder-to-serve cases will help greatly in reaching out to those most vulnerable and those who have just begun employment. Congress can be proud of its leadership in taking steps to ensure that these segments of the population are provided with the extra help necessary to put them on the path to self-responsibility, including: fully funding TANF and child care—making available \$175 billion for this critical program; increasing mandatory child care funds by \$1 billion; providing \$750 million for healthy marriage and fatherhood services; providing more generous child support payment policy for families and encouraging parents in their efforts to leave welfare for work.

Conclusion

In Wisconsin, and throughout America, welfare reform has demonstrated that states can best solve problems when given the flexibility and support to do so. In 1996, Congress gave the states the freedom to design their own welfare replacement programs and the block grants to support them. As a result, hundreds of thousands of families are climbing out of poverty and pursuing their piece of the American Dream. The new actions by Congress and the Department of Health and Human Services take further steps to build on the successes of the 1996 welfare reform act.

On the heels of the 10th anniversary of Congress' successful effort to reform the nation's welfare system, it is appropriate to draw attention to the urgent need to reform Medicaid. Medicaid does not adequately meet the health care needs of the individuals who comprise the incredibly diverse population served by the program. To help those who need it most, we must systematically examine the fundamental challenges faced by the Medicaid program and take concrete steps on the road to solutions. Every day new discoveries in drugs, devices, and medical procedures provide Americans with better, more personalized medical care. As significant as these medical advances may be, many Americans do not have access to lifesaving treatments and technologies because they cannot afford them. Congress must take creative and comprehensive action, as it did in reforming welfare, to strengthen Medicaid's ability to meet individualized needs, to empower individuals receiving benefits through the program, to improve the program's core structures, and to reach out to the uninsured.

I would be happy to answer any questions you may have.



Mr. SHAW. Thank you, Governor. I recall listening to these three witnesses. It is kind of like going back down memory lane. Senator Santorum, thank goodness we trained you on this side and you brought that knowledge over to the Senate, where you certainly were not only a leader here in the House on this particular subject but you led the way over in the Senate, which for a young Senator or a freshman Senator is not an easy task and I compliment you for what you did.

Newt, I think you certainly brought this out as part of the Contract of America and a fulfilled promise to the people. Governor Thompson, I can't thank you enough for your experience that you shared with us in crafting this bill so that the mistakes that we would otherwise have made were avoided.

Welfare reform was a rescue mission. It always was considered to be a rescue mission. It never was considered to be something punitive, as to take these deadbeats off of welfare. People were consumed with welfare because that is all they knew, and that is the tragedy of decades of neglect. I say neglect. Politicians were feeling better simply because they threw money out there. They didn't look into the problem and try to solve it. I think that is probably one of the brightest days in the Congress when we started really looking at it. Tommy, how you questioned these welfare mothers in finding out about why they were on welfare and going through the checklist is exactly what this Congress followed.

These are very fragile people and we worked hard to see that they were not disadvantaged or they were not in any way punished for falling into a system that was not of their own creation.

Paying people not to work, to have kids and not to get married is one of the most destructive formulas for behavior that I can possibly think of, and yet this government for so many years followed that route.

When I was Mayor of Fort Lauderdale we ran some of these welfare programs and I found that—these were work programs; programs that were supposed to put people to work. I found that the biggest problem that we had is that there was always an alternative, and that was welfare, to finding a job.

So, you had—so early on I realized that the enemy was really the Federal Government that was paying people to stay where they were. I will pay you to stay where you are; just don't get a job, don't get married, and continue to have kids and every year you will get a bigger check. That is absolutely unforgivable that Congress did that for so many years and they stood idly by and watched that happen.

I remember some of the earlier days, and Tommy, I don't know whether you remember this or not, but you and I met on many, many occasions, but one of the first times, you expressed astonishment that Members of Congress were asking you for advice; you said that you didn't have to come up here and kiss anybody's ring. I said you don't have to kiss anything up here, you are our expert, you are the one that we are going to rely on to help us draft these things. There were other Governors. My own Governor Chiles of Florida, I talked to him.

One of the earlier recollections I had of welfare reform, I called during the election process President George Bush, the older

George Bush, and told him that I would very much like to see him put into his campaign welfare reform, and he indicated—at that time, he was way ahead of the polls—that they pretty much had their script written.

It wasn't a month later that I woke up one morning to listen to President, or then Governor Clinton, say how he was going to change welfare as we know it today, and I just sat up in bed and I said that is our idea.

That is the way it was. Even though President Clinton did veto it twice, much to his credit he finally signed it. I will say this, even though he had resignations within the White House, people were madder than hell that we were going to touch the unthinkable, do the unthinkable thing and touch the welfare system, actually expect more out of people and believe in the human spirit and push people forward. There were people resigning from his staff at the White House, but much to his credit, after he signed the bill, I remember Donna Shalala who fought us all the way, as soon as he signed it she set out to make it work, and she did. She now is President down at the University of Miami and I applaud her for her efforts in getting this thing jump started.

We have talked about statistics. I think, Senator Santorum, I think you pointed out correctly the error in the statistics that we were talking about. The welfare caseloads are down 64 percent, nearly 8 million parents and children no longer receive welfare. The overall poverty rate has dropped 7 percent, the child poverty rate has dropped 13 percent, and poverty among children and female head of families, a group most likely to go on welfare, dropped 15 percent from 1996 to 2004. I choose those years because those are the years that Mr. McDermott chose to put on the chart.

We have given people a life. We have made these welfare recipients into role models for their kids. I will always remember one of the—I think it was Ms. Anderson from California, one of the State welfare directors who was telling us a story at the hearing about how this youngster went to school and was raising his hand, wanting to get recognized, and the teacher finally recognized him and said what do you want. He said my momma went to work today.

You think these kids don't notice those things? Yes, they do. Now that kid has a role model and somebody to measure his life with. I think it is a wonderful thing.

So, I think today is a day we celebrate, not just by patting ourselves on the back. The real champions of welfare reform are the single moms, those that had to do a scary thing: get rid of a life that they had become so comfortable in, and begin a new one that was adventuresome and was going to require that they actually leave the home.

It was a great success, they are a great success, and I think they are the people we should be honoring for the work that we did. Mr. Rangel.

Mr. RANGEL. I am so choked up, Chairman Shaw, by your remarks that I just have to take a deep breath. The Senator is leaving.

Mr. SHAW. That was prearranged.

Mr. RANGEL. It is a Republican rally. I can understand. You have got to campaign. There is nothing wrong with this. I really

think it is exciting to see that we can praise the Republican leadership, and I had hoped that we would have Senator Clinton here. She might have had some recollections of the White House since statistically poverty went down each and every year that Clinton was in office and has gone up each and every year since it has changed.

I don't think we can afford the luxury of all this patting each other on the back. I am so moved by what the Governor said and what Speaker Gingrich has said that I am prepared to take this to a new level because, let's face it, those who are still in poverty and still feel the pain would hardly be invited to attend this Republican rally, notwithstanding how good you feel about yourself.

What we have to do, as we are doing in New York, is to have those who care, the churches, the synagogues, the Mayors that say we can do something about this. As Newt Gingrich has said, education, competition, good health, all of these things we have to come together, not as Democrats or Republicans. I do hope, Speaker Gingrich, that we can get together soon so that we can get you hooked up with what Bloomberg is trying to do because you can go to any poor neighborhood and know that poverty is so contagious; the schools are collapsed, kids make kids, people lose self-esteem. They don't work; they are unemployable. Half the kids can't even get in the Army if they wanted to get in.

So, whether it starts with lack of education or the breakdown of the family or bum neighborhood, it doesn't make any difference. I can tell you I have come from a community of bums that were forced to volunteer in the Army, and the Army gets it. The Army gets it. Which shows that no matter how dumb you are, given support, you can be productive. That is what this country needs. We can't afford to have incompetents in jail, living off of the society and not being able to do anything.

So, I am anxious to see how we can establish a vehicle of communication. I am not offended that this is a Republican rally. Do what you have to do. The polls look bad, and I understand, Mr. Shaw, but after that, or before then, people who are poor, poverty, they don't care whether we are Republican or Democrats. They want to be productive Americans. They want to be able to choose between the parties, and I want that to happen.

So, I am glad that the Senator had to leave because he brings out the partisanship in me. I can't help myself, but you, Governor Thompson, you were never a Republican Governor to me. Your sincerity in trying to work out something was never challenged by anybody while you served with your government.

Newt has gone out since he has left office, and you didn't have to remind us that we lost all the Chairmanships. I remember that far too well. So, I didn't need that, but you have done so much work in education, in medical experiences, that we can't afford to let our party labels interfere with the obligation that we have to the American people, so that I will be reaching out to you, Speaker Gingrich, to see what work you have done in making certain that education is not considered a local responsibility but a national priority.

We cannot go into globalization, we cannot go into fair trade, we cannot even challenge a whole lot of these countries unless our

country is prepared to say that we are productive, we are competitive. So, it has been a great experience for me, and it is not unusual that I have attended Republican rallies and something positive has come out of it. So, thank you for calling it. Thank you, Mr. Chairman.

Mr. SHAW. Thank you, Mr. Rangel. I just point out to you when this bill got to the floor on July 18th, 1996, the President in the middle of a debate, a Democrat, President Clinton, came on the television and said he was going to sign it. After that 99 Democrats voted with the Republican majority in passing this bill. Because of that, I would say that the Democrats could certainly enjoy this victory lap along with the Republicans.

Mr. RANGEL. Why weren't they invited to the party? We didn't have any witnesses up there. Why didn't you have Mrs. Clinton here?

Mr. SHAW. You could have invited President Clinton. You know how the game is played.

Mr. RANGEL. The game is played.

Mr. SHAW. Mrs. Johnson.

Mrs. JOHNSON. Thank you, Mr. Chairman. Welcome to our two special guests who were extraordinarily important to this process. In fact, I don't think this could have happened without the two of you sitting there, and I join my esteemed colleague, the kid from Wisconsin, in commending his description of you, the Honorable Secretary Thompson, as a pioneer. I don't want the moment to pass without noting that you have been an unequally aggressive and important pioneer in reforming Medicare, and while Members don't understand it, we actually -we have changed Medicare as radically as the welfare reform bill changed welfare. It just takes longer to do.

With your leadership and our dedication we have moved Medicare to a preventive health and wellness system that is going to be far ahead any public or private system out there and is going to lead America into the future and give it the capacity to afford high quality, cutting edge health care, at a price we can afford.

So, your leadership as the pioneer has been consistent throughout your public service.

To Mr. Gingrich, this is not a Republican rally. We had some very good participation by Democrats; half the Democrats voted for it. This is an important anniversary because it doesn't just take a majority in the House to make change when change means breaking with the past. Medicare modernization broke with the past. Medicare isn't going to be an illness treatment system any more, it is going to be a health care system now. Welfare reform broke with the past. That is why top advisers in HHS resigned their jobs. They couldn't see the future.

So, leadership was key to this, your leadership at the dais, the leadership of Congressman Clay Shaw on the Committee, and many Members. Mark my word, breaking through to change is hard.

Now we have tried to break through the next level of change and what I am asking is what do you think the next steps are. In our next bill, which we had to compromise it down to get something passed, but it took this issue of work far more seriously. Work isn't

just about today and tomorrow, it is about a career ladder, it is about rising salaries, it is about dealing with mental health so you can actually get into that work. It is about dealing with drug assistance.

We were counting all those things as work. Tragically, we had to settle for a bill that didn't count clearly mental health treatment as work, drug assistance as work, career ladder, better career ladder building.

Now, those are the only three things I have been able to think of that could dynamically change the current system to be more progressive and more aggressive in helping people move out of poverty to firm middle class independence. I am interested in your thoughts about what could be done, some progressive States are doing things, and I turn it over to you, Mr. Gingrich, and then to you, Mr. Thompson.

Mr. GINGRICH. Let me also apologize for Senator Santorum having to leave. I want to pick up what you asked, Mrs. Johnson, and pursue what Mr. Rangel said, because I want to pursue where we could go from here. I think it is actually based on something the Governor said, which is, if you listen carefully to how he parsed through all the different problems a person who was poor had, they didn't fit one particular Committee. So, here is my initial observation about serious long-term change.

If you could find a bipartisan group, and I think it has to be bipartisan, and it has to be Members who are prepared to spend long hours working with each other and getting to understand each other because this stuff is hard; you need to understand it may be a several year project. It is not going to be quick and easy.

I would recommend that you start, that you agree in the conference and caucus that this is a big deal, that if we truly take as our goal, every American having the opportunity to pursue happiness, and we mean it, then that means you have to say all right, let's take the life of 5 or 10 poor neighborhoods, some big city, some small town, some rural, and let's go through exactly as Governor Thompson described. What are all the components that inhibit them today from pursuing happiness, and let's do it, and we did this, as Chairman Johnson will remember, we did this with Medicare reform in 1996 where we had two major Committees work jointly in one room. We also did it as part of welfare reform because we had—pieces of welfare reform were in the Committee on Agriculture; food stamps, and pieces were over here in Ways and Means. We cut across boundaries.

I just want to suggest to you that if you were to put together a genuinely bipartisan working group of people willing to put aside ideology and put aside partisanship, and go to the root of what blocks the poor from having the kind of future we want every American to have, you would be startled in a matter of months at how many things would surface, and how many potential opportunities there were for dramatic change.

It won't happen though, if Republicans decide it has to be ideologically conservative and it won't happen if liberals decide you can't threaten any interest group. I think we have to decide, are we really prepared to say that saving the children and saving Americans who are currently outside the opportunity to pursue

happiness is actually worth getting in a room, closing the door, working together as Americans, and trying to come up with truly bold solutions even if they cut across Committee jurisdictions, even if they cut across Department jurisdictions.

I think that is the only way you can make the scale or breakthrough that you need to make. I yield to my good friend the Governor because he inspired that.

Mr. THOMPSON. I would have to agree with Newt—Speaker Gingrich. I think you if you could set up a Committee that is bipartisan and is really going to focus on big issues to address, you can come up with some very positive solutions.

I would like to just take it one step further, and that is, there are so many segments of our economy that are lacking with needs, and need employees and need talented employees, and I would strongly -as I mentioned in my testimony, I would strongly take a look at the health fields.

In the health field—we have this huge problem in health care, and one of the big problems is we have no people, a lack of people, going in to being doctors, being dentists, being pharmacists, being lab technicians, and being nurses. There is huge need out there.

Use the vocational programs, the apprenticeship programs to go the next step forward in welfare reform. In using the apprenticeship program, the vocational programs, there are opportunities to train people in these skills, and you would be able to give them good jobs, but at the same time, fulfill a badly needed situation in our health care field.

Health care is not the only one. There are so many other segments of our economy that are lacking; that if we really started positioning our educational system to try to accomplish that, training people, educating people in that arena, you would be able to bring out a lot of individuals that are going to break down the walls of poverty, improve the opportunities, and improve the education system.

It really gets back to education, Congresswoman Johnson. It is health care and an education that are the two big issues facing America. Poverty is the overall looming situation, but the solutions are education and health care, and that is what this Committee needs to address.

Mr. SHAW. Mr. Stark.

Mr. STARK. Thank you, Mr. Chairman. I am sorry that Santorum had to run away, but I wanted to crown him as the champion Pennsylvania Welfare Queen of all time. He took almost \$100,000 from a Penn Hill School District near Pittsburgh to send his kids, who live in Virginia, to a cyberschool, and they are still trying to collect his overpayments back from him.

Also, Santorum has been quoted as saying daycare money is excessive, unnecessary, and not the problem out there in America. He further says, Santorum says, child care is a Washington-based issue, it is not an issue in the States. I don't know about the State he lives in, but I think it is a state of dream world.

Santorum's double standard is pretty obvious. He says, too many families with young children, both parties are working, if they took an honest look at their budget, they might find they both don't need to work. Then he says, poor women, who he believes should

not be at home with their children, he has said they ought to go out and go to work. He has voted consistently for work-first legislation, against training and education opportunities for welfare recipients, of which I remind you, he is one of the largest welfare recipients from the State of Pennsylvania. I would like now to yield to the gentleman from Illinois Mr. Emanuel.

Mr. EMANUEL. I would like to thank Mr. Stark. Some of us were there, both in 1991, when President Clinton gave the first speech he gave on the three pieces of the covenant, one of which was on welfare reform—and he didn't steal any ideas, Mr. Chairman, he offered his own ideas. It wasn't any Republican ideas. He was actually there in 1989 when President Reagan was negotiating the first welfare reform bill.

Second, if you want bipartisanship on this issue, you don't start off with a partisan hearing.

Third, when Newt Gingrich was there in 1996 and told President Clinton, if he vetoed the welfare reform bill, Newt Gingrich said to President Clinton, we will make you the stumbling block to welfare reform. Bill Clinton said, and I quote, "Throw me into that briar patch."

It took two vetoes before you got a bill that had child care, health care, transportation assistance, and a work requirement and child support collection.

Governor, you were in the room with Governor Carper and Governor Engler, who thanked President Clinton for giving 43 waivers out of 50 States to put welfare reform in, and to force the Congress to finally move.

Now, we can have a lot of rewriting of history, and we can have pompoms, but this man over here does not have long-term or short-term memory. What has happened here, welfare reform was a bipartisan issue that got done because President Clinton also led. A lot of other work happened in the Congress, but it was Democrat and Republican Governors, and you know that.

Mr. THOMPSON. It was.

Mr. EMANUEL. Now, you want to all thank each other and do your back-slapping, go ahead, but it did not happen without a President who showed leadership and without Members. I was in that room when that happened, and you thanked him for 43 waivers that put welfare reform on the level at the State, so every State could do what it had to do. In addition to what was in that bill—

Mr. THOMPSON. If the gentleman will yield.

Mr. EMANUEL. No. Now, wait a second, Governor. Just wait 1 second. What I saw here, some of us were present at history, and we are very, very fortunate for that. You did have a big leadership role, as did Governor Carper, now Senator Carper, who thanked President Clinton because there were 43 States that were launching welfare reform before that bill was signed. When that bill was signed, it allowed those States to go forward.

Newt Gingrich, who told President Clinton, if you veto this bill, you are going to be a stumbling block, it took two vetoes until you increased child support. It gave parents who work 1 year of transition Medicaid health care, gave them \$790 billion for transportation assistance to move people from where they lived to where the jobs were, child support collection to make sure single mothers

got a chance at work and provided for their kids, and it also included children's health care, which is why kids had health care that could go up, the only group in America over that 1996 to 2000. It included an increase in the minimum wage, doubling the EITC in 1997, expanding the EITC from 1993.

So, extra pieces besides welfare reform were all key in reducing poverty, raising incomes, and getting 3 million children out of poverty. You cannot whitewash that history. It was not done as just a bunch of little Republican Caucus groups starting in 1989. I take offense that there would be an attempt to rewrite one of the great bipartisan acts, and that this Committee would start off with a partisan act, which was a good moment for bipartisanship.

Second—

Ms. HART. Will the gentleman yield?

Mr. EMANUEL. No, I will not for this second, and I will finish with this thing. The irony that somebody would use the analogy in a welfare reform hearing to talk about the Medicare bill, which introduced an extension of corporate welfare, as a great analogy is ironic to me. If you want to talk about welfare reform, the next two stages are frontiers, and, I would agree with Senator Santorum, would be the father, which is absent. The first generation of welfare reform dealt with the single mother. If you want to really build on welfare reform, you would start with the father, and the absent father.

Second of all, you would begin on corporate welfare, because asking one element of our society to assume responsibility and to leave the second element of society, the corporate America, off of the welfare reform agenda would be unfair to what our country is, which is we all go forward together. I appreciate the time, Mr. Chairman.

Mr. SHAW. I would tell the gentleman from Illinois that in my comments I mentioned Governor Chiles. I also will concede that I kept in close contact with Governor Carper of Delaware during this period of time. I also mentioned in my opening statement that President Clinton ran on this subject back before the bill was actually passed.

So, I think your charge that this is a partisan move is drastically unfair. Plus, I would like to point out to the gentleman that both requests the Democrats have made for witnesses are on the second panel. So, you could have brought Mrs. Clinton in here or you could have brought in the President.

As a matter of fact, at a press conference I held yesterday, I invited Mr. Kleczka, who was on this Committee, who I think was a lone supporter on this Committee, as well as Governor Carper to that press conference, in order to talk about the 10 year anniversary. Mr. Heger.

Mr. HERGER. I thank you, Mr. Chairman. I think it is regrettable that, at least in the last few minutes, the direction that this hearing seemed to be going in. There has been talk that it is a rally, and I would like to get back to that rally, but it is a rally not for one party or another party, the rally is really for the 64 percent of that welfare population that used to be on welfare that is now out being productive individuals in our society today; that are out there paying taxes; that are working with their families; that are beginning to realize the American dream. That is who the rally

is really for, and the fact that, for the decades prior to 1996, each decade since the sixties, the welfare rolls increased.

Mr. THOMPSON. That is right.

Mr. HERGER. They increased not only during the bad times, during the recession times, but they increased—even during the boom years of the eighties they increased.

So, Mr. Secretary, Secretary Thompson, I want to thank you, and I want to thank everyone. I want to thank President Clinton for signing the bill and any Democrat that was involved, or anyone, period, who was involved for coming up with what I feel is the most gratifying issue that I have been involved with in the 20 years I have been in Congress, which is to be able to be out and seeing people helping themselves; to see that joy comes with people feeling that self-gratification when they are able to improve not only their own lives, but the lives of their family.

Now, having said that, Mr. Secretary, I would like to ask you, someone who has been involved from the very beginning, what you feel the most important outcomes are of the 1996 welfare reform.

Mr. THOMPSON. Thank you very much. I would just like to answer Congressman Emanuel as he walks out. I would just like to point out that I mentioned in my opening remarks not once, but five times about being bipartisan.

Second, I would like to refresh your memory, since you are talking about historical revisionism. It was Tom Carper and myself, appointed by President Clinton, to go all over the country and talk about welfare reform, and Tom Carper and I are still talking, on a bipartisan basis, about welfare reform. So, I think your comments directed at Newt Gingrich and me were absolutely off base, and I just wanted to point that out.

In regards to your question, I think the fact that the American public recognized that there was a problem. I think the second thing that Congressman Shaw pointed out was that it was really the welfare mother that is the person that needs to be complimented for standing up and asking for help and getting help from States, and then the Federal Government.

The fact that the Welfare Reform Act 1996 gave poor women an opportunity to get out of poverty is by far the best thing. It was the goal of the TANF legislation, and it absolutely did work; not in every case, but in a vast majority of the cases it did work. It gave that mother an opportunity to have a job, it gave her an opportunity to show to her children that there was a different way than just being dependent upon the Federal Government and the State government.

Those are the laudable goals, and they did work, and I want to compliment you, Mr. Herger, because it would not have been possible without your support, Congresswoman Johnson, and especially Congressman Shaw, and a lot of other individuals and a lot of bipartisan effort around this Committee that supported it.

Mr. HERGER. Well, thank you, Mr. Secretary. Again, I can't give enough good compliments for the Chairman of that Subcommittee who led the charge with the brutal type of criticism that he received, Chairman Shaw at that time, but it has certainly been my privilege to be able to follow him as Chairman of the Subcommittee on Human Resources on reauthorizing this.

Mr. THOMPSON. You did a great job.

Mr. HERGER. Our big challenge now—we are talking about that 64 percent, two out of three who were on welfare back prior to 1996, but are no longer on welfare now—of course, our big challenge now is that that one out of three that is left, that is remaining, to ensure that we help those individuals also find that same American dream. Thank you, Mr. Chairman.

Mr. SHAW. Mr. Levin.

Mr. LEVIN. I am next?

Mr. STARK. If the gentleman would yield, I just wanted to commend the Governor of my natal State, who was Governor Heil at the time I was 16, but for staying and sharing with us his experience in this wonderful field. Thank you for the work you have done, Governor, and that is going to cost you some wall-eyed pike from Wisconsin this time, not Canada.

Mr. THOMPSON. Thank you very much, Congressman Stark. I appreciate that comment very much.

Mr. LEVIN. I want to join in thanking you for staying here. Governor, you mentioned bipartisanship, but this whole atmosphere here has been one of partisanship. It was on the floor yesterday, and it is regrettable. I think it is unflattering for you all to participate in a process of flattering, rewriting history, and forgetting why the vetoes occurred. They occurred because there wasn't adequate child care, and there wasn't adequate health care. That is why the vetoes were brought about. Mr. Shaw, your being so partisan in approaching this doesn't do the cause of welfare reform any good whatsoever. Mr. Thompson, you have tried to divorce yourself from it.

Mr. SHAW. Will the gentleman yield?

Mr. LEVIN. No, I won't.

Mr. SHAW. I didn't think so.

Mr. LEVIN. I won't. Mr. Gingrich tried the same, but the whole atmosphere has been let's celebrate 10 years, as if President Clinton wasn't around, as if there weren't other Democrats who worked on this, as if there weren't legitimate differences about the absence of child care and health care in the bills that were vetoed and a product that eventually included them.

The gentlewoman from Connecticut, you mentioned, and I want to now talk a bit about the future, the regret for there not being what was passed here, mental health, substance abuse, and career ladder provisions. You wrote that bill.

We had an alternative that would take welfare reform to the next step and allow the States flexibility on mental health, on substance abuse, and, indeed, training for the career ladder opportunities. There was zero effort, Governor, to try to put together a Democratic and a Republican proposal. Zero.

I will tell the reason why it was important to do this, and, Governor, I want to ask you about the analysis of the Wisconsin welfare reform program, and I ask you this without diminishing your effort.

Here is what the Chapin report concluded: "Even using this most inclusive measure of income," and that is all kinds of benefits, "three out of four applicant families were still poor." In other words—and the other data shows the same thing. I can cite the

Leaver material that shows that a substantial number of people who have moved from welfare to work remain in poverty, right?

Mr. THOMPSON. Yes.

Mr. LEVIN. So, the Democratic proposal was that we now take the next step and try to shape a program so that people who move from welfare to work move out of poverty. So, if you would comment on that Chapin Hall report.

Mr. THOMPSON. Well, Congressman, there is no question there are still people on poverty and still people that are failing on the TANF program, but there is a lot more that are succeeding on it than are failing. You are never going to have complete success.

Mr. LEVIN. No, but how about programs, minimum wage increases and others, so that people who move from welfare to work move out of poverty? How about more education opportunity?

Mr. THOMPSON. I am a big supporter of increased education in the welfare.

Mr. LEVIN. The bill we passed here limits the State's flexibility in terms of education provision for people who are moving from welfare to work.

Mr. THOMPSON. You have to examine the education programs and find out if the education is going to be able to be utilized to get that individual or the group of individuals off of welfare into a job, and there needs to be more of that. There needs to be more targeted education, more vocational education, more apprentice education type of things in order to assist people in poverty to get into the jobs that are available.

That is why I think a more targeted approach in education is a much better way to get people moved from welfare into a meaningful place of employment. I think there is a big difference between just giving, offering across-the-board education. I am looking at targeted education to get them out of welfare.

Mr. SHAW. The gentleman's time has expired. Mr. McCrery.

Mr. MCCRERY. Thank you, Mr. Chairman. I was also present during this history being made, and I can tell you that, yes, Democrats were involved, and certainly some Democratic Governors were involved in a very productive way, but for those of us who were promoting, at the time from a Federal level, a rather radical change in social policy, we did endure a lot of name-calling, a lot of accusations from the Minority that were not meant to be bipartisan. We endured that, and we finally got it done.

Yes, there were some slight changes to the bill that the President finally signed, but as one of the Minority's witnesses on the next panel wrote in 1996: "As noted, the Urban Institute projected the House version of the bill would push an additional 1.1 million children and a total of 2.6 million people, including adults, into poverty. The provisions of the House bill that were central to the Urban Institute's analysis were changed only slightly in the final legislation." Now, that is the Minority's witness on the next panel, what she wrote.

So, let us not completely rewrite history. We are thankful for getting nearly 50 percent of the Democrats in the House to vote for the final conference report, and I hope we can get at least 50 percent of the Democrats to work with us to improve what we have already done.

If the opening statements we heard this morning, especially those from my friend from Washington, were simply meant to denigrate the results of the Welfare Reform Act, then I strongly disagree with those assertions. On the other hand, if their remarks were meant to underscore what Speaker Gingrich said in his opening remarks, that there is more to be done, and we need to work together to accomplish more, then I am on board, and I want to work with everybody on this panel, Democrat and Republican alike, to make further improvements in social policy in this country that will further reduce the benchmark for poverty in this country, like the Welfare Reform Act clearly did.

So, I appreciate very much all the witnesses, Mr. Chairman, that came before us, and I would like to yield to my colleague from Michigan, Mr. Camp.

Mr. CAMP. I thank the gentleman for yielding and would just say, having been here at the beginning on this, that his comments are right on. The central character of the three welfare reform bills remained unchanged through the legislative process, and that was to break the entitlement lock and to really have families move into independence. So, there really were some relatively minor changes. If that gave what we know as political cover to people to vote in the end, that was fine, but I am more interested in moving forward and how we do that in a way with Democrats and Republicans.

Mr. Secretary, I know we are running out of time, but just in your opinion, the unfinished work of welfare reform, is it strengthening families and marriage, is it shoring up the roles of fathers, about which we've heard a lot of comments today? Is there anything that you see as something key we should be working forward on in the months ahead?

Mr. THOMPSON. There is no panacea out there, as you know, Congressman. You have to block and tackle. It is in education, it is in bringing fathers back into the family, it is doing something about reforming our prisons, it is improving the quality of education, it is targeting education, it is doing more in the vocational areas than we have done before. All of these things have to be done in order to get people out of poverty and move welfare to the next step.

You have said it as well as anybody, you and Congressman McCrery. We need to do this. We need to do it on a bipartisan basis. Hopefully, as you said, there is more work to be done. Let us get it at and let us see what we can do. It is a giant step forward.

There is nobody asking to go back to AFDC, and I think that is always the test. Nobody is putting in a bill to go back to the failed policies, which would indicate to me that it is the right thing we did. We are moving ahead, and now we have to make some further innovations and further changes.

Mr. CAMP. Also, the innovations all the way through the States, in terms of the work first programs, rather than having people just write checks, they actually try to find skills for folks and get them to work.

Mr. THOMPSON. Absolutely.

Mr. SHAW. Thank you, Mr. Camp, and I want to compliment the gentleman on his work on this.

We have just a couple of minutes to get to the floor, Governor, but I want to thank you for being with us. You have made your mark here in Washington, and we very much appreciate it.

Mr. THOMPSON. Thank you all, as always.

Mr. SHAW. We will commence this hearing after a couple of votes, and we will start with the second panel.

[Recess.]

Mr. SHAW. The meeting will come to order. We now have our second panel: Ronald Haskins, a Ph.D., codirector of the Center on Children and Families at the Brookings Institute; we have Bishop Roy Riley, Chair of the Conference of Bishops for the Evangelical Lutheran Church of America, from Trenton, New Jersey; we have June O'Neill, who is Wollman Professor of Economics and Finance and director of the Center for the Study of Business and government, Baruch College, at the City University of New York, and she is the former Director of the Congressional Budget Office; we also have Sharon Parrott, who is the director of Welfare Reform and Income Support Division, Center on Budget and Policy Priorities; and Robert Rector, senior research fellow, welfare and family issues, Heritage Foundation.

We have each of your full statements, which will be made a part of the record, and if you could try to keep your remarks to 5 minutes, we would appreciate it.

Our first speaker will be Ron Haskins, who was the staff director of the Subcommittee on Human Resources during the writing of the welfare reform bill. We have heard a lot about history today. He has recorded it in his new book that has not even hit the shelves yet, but which I have twisted a copy out of his hand a while ago; and I can tell you, too, that we would not have had welfare reform had it not been for Ron Haskins. Ron?

STATEMENT OF RONALD HASKINS, CODIRECTOR, CENTER ON CHILDREN AND FAMILIES, BROOKINGS INSTITUTION

Dr. HASKINS. Thank you, Mr. Chairman, for those generous comments and mentioning that wonderful book.

I am greatly honored to be here today before the Committee on Ways and Means to mark the 10th anniversary of welfare reform. It is the most important social legislation of our time and the most important achievement of the Republican revolution 1994.

I want to make five points. The first one is that this is clearly the most important social reform of our age. Years ago a famous program evaluator, many people consider the father of program evaluation, proposed what he called the iron law of social program evaluation. The iron law was that the expected intervention, the expected effect of any social intervention was zero. He wrote that because so many programs were not successful.

We now have a random assignment study of Head Start, for example, that shows even Head Start, one of the most vaunted programs in the war on poverty, produces very, very modest effects.

Against that record, now we come to welfare reform passed in 1996, and here are the effects that we should pay attention to, I believe.

The rolls are reduced by 60 percent, the first continuous decline in the rolls. They have now declined for 11 years. Only once previously had they even declined 2 years in a row.

Second, an unprecedented increase in employment for unwed mothers, about 40 percent over a 4-year period between 1995 and 1999.

Third, huge increases in earnings for poor and low-income mothers. According to the Census Bureau data, every year between 1993 and 2000 their income from welfare declined every single year, housing, food stamps, cash and so forth; and their income from earnings increased every year. At the end of the period, in constant dollars, they are better off by 25 percent. As a result of that, of course, poverty declined about 35 percent.

We had a lot of discussion about poverty this morning. Black child poverty reached its lowest level ever. The most important fact is that poverty among female heads reached by far its lowest level ever.

So now, even after 4 years of continuous increases, we are still 20 percent below the poverty level that characterized the country in 1993. So, this is a huge achievement for low-income mothers and for American social policy.

Second point. It saved money. The Congressional Budget Office estimated the bill would save \$54 million, and it is very difficult to estimate, but I am virtually certain the bill saved more money than that. We can get into that in detail, if you want to, but especially the SSI provisions and the noncitizen provisions, I believe, in the long run, have saved much more money than originally estimated. So, all those achievements, but it saved money.

Third, it wasn't just welfare reform that did it. We also, over the course of many years, the Congress, with this Committee right in the middle of all these legislative changes, created something I call the work support system. I think that is absolutely vital to understanding the impacts of this bill.

The EITC, Medicaid changes, even changes in food stamps, a whole new child tax credit, the characteristic of all of these programs is that they support low-income working families. Before the mid-eighties, if you were on welfare and you took a job, you lost almost everything, including your Medicaid. By 1996, when we passed this legislation, you were much better off if you took a job, because you got the EITC, you still get Medicaid, food stamps, and so forth. We more than doubled the spending on child care. So, there was a lot of support for working families.

Point four: We always talk about welfare reform as tantamount to replacing the AFDC with TANF, but guess what, there were other provisions in the bill that—I see somebody up there might recognize quite a bit—and those, too, have been remarkably successful. The child care block grant has more than doubled the funding in child care; and, get this, as the rolls declined, the States had to spend the money on low-income families. That was part of our legislation. In 1 year, they used \$4 billion of the very dollars that used to go to support mothers not to work to pay for child care so other mothers could work. Because of that and other provisions we put in the bill, child care more than doubled.

Child support enforcement collections have more than doubled over the period. Paternity establishment has increased very substantially, about 50 percent. In 1 year we actually established more paternities than kids were born outside marriage, because we were establishing paternities from the past. So, it was another immensely successful outcome.

Then, SSI for children, that we worked on very hard in this Committee. A recent RAND study estimated the SSI provisions for children themselves are now saving \$2 billion a year because we were not admitting children to SSI who had extremely moderate—and I even hesitate to use the word “moderate”—disabilities. The General Accounting Office, of course, supported us on that judgment.

The non-citizen provisions have worked exactly as planned. There is still a lot of partisan difference about this, but if you believe noncitizens should not be supported by taxpayers, they are not. They have fallen like a rock on all the welfare programs.

Then, finally, drug addicts and alcoholics. There is no SSI benefits for drug addicts and alcoholics.

I would like to draw the Committee’s attention to one problem. I think there are several problems that are important, but I think the most important one is that there is a group of mothers at the bottom that I believe are worse off as a result of welfare reform. This is totally plausible. In the old days, they used to be able to go on welfare and stay forever. They can’t do that anymore. They have addictions, they have lots of kids, and they have a lot of problems, some of which were discussed in a previous panel. I think the Committee should not forget those mothers, and we should urge HHS to do research on these families and find out more about them and try to help them.

So, here is the bottom line. What works is work. Thanks to the provisions that were largely developed in this Committee and passed by this Committee, the world now agrees that what works is work. What we are developing now is work and not welfare dependency. Thank you.

[The prepared statement of Dr. Haskins follows:]

Statement of Ronald Haskins, Ph.D., Co-Director, Center on Children and Families, Brookings Institution

Chairman Thomas and Members of the Committee:

It has been ten years since the welfare reform law was signed by President Clinton amid predictions of disaster from the left. Thanks to provisions in the legislation itself that provided millions of dollars for research, to an unprecedented level of research sponsored by foundations, to data reported by states to the federal government, and to national data collected and reported on a routine basis by the Census Bureau, a tremendous volume of information bearing on the effects of the legislation has been produced. In fact, there is probably more information about the effects of the 1996 welfare reform law than any other piece of social legislation enacted in recent decades.

The most important reform was the replacement of the old Aid to Families with Dependent Children (AFDC) program with the Temporary Assistance for Needy Families (TANF) program.¹ The research on TANF yields a coherent picture that

¹ A remarkable characteristic of the 1996 welfare reform law was its breadth. Here I examine results only for the new TANF program. But in a forthcoming book (Ron Haskins, *Work Over Welfare: The Inside Story of the 1996 Welfare Reform Law*, Washington: Brookings, 2006), I review evidence on the effects of the law’s provisions on family composition, Supplemental Security Income (SSI) for Children, SSI for drug addicts and alcoholics, public benefits for nonciti-

will almost certainly stand the test of time. With its emphasis on work, time limits, and sanctions against states that did not place a large fraction of its caseload in work programs and against individuals who refused to meet state work requirements, TANF was a historic reversal of the entitlement welfare represented by AFDC. If the 1996 reforms had their intended effect of reducing welfare dependency, a leading indicator of success would be a declining welfare caseload. TANF administrative data reported by states to the federal government show that caseloads began declining in the spring of 1994 and fell even more rapidly after the federal legislation was enacted in 1996. Between 1994 and 2005, the caseload declined about 60 percent. The number of families receiving cash welfare is now the lowest it has been since 1969, and the percentage of children on welfare is lower than it has been since 1966.² Although it is often reported in the media that cash welfare caseloads increase during economic recessions and decline during recoveries, this claim is mostly false. In the forty-one years between 1953 and 1994, the number of families on AFDC declined in only five. Only once—between 1977 and 1979—did the caseload decline (by about 2 percent) two years in a row. By contrast, 2005 was the eleventh year in a row that the caseload declined. Clearly, we are in a new era of welfare use.⁴

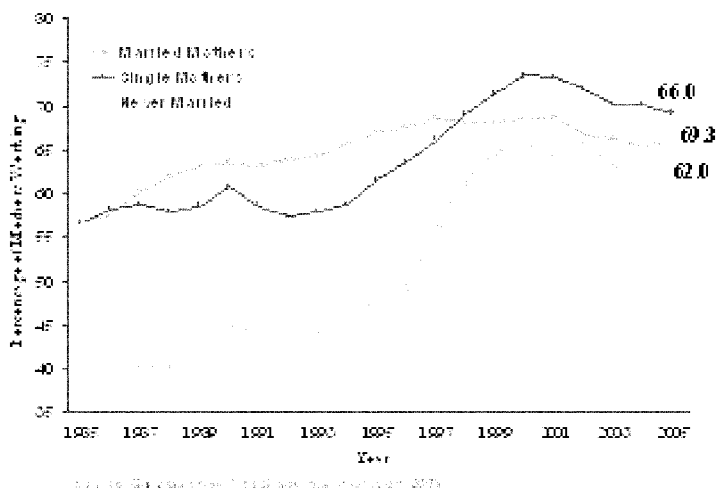
zens, child care, and child support enforcement. In each of these social policy domains, the 1996 law has had effects that range from substantial to dramatic. Among the more notable are a substantial reduction in the number of children with mild disabilities receiving SSI; a complete end to SSI benefits for drug addicts and alcoholics; an unprecedented reduction in the number of noncitizens receiving TANF, food stamps, SSI, and Medicaid; a doubling of funds for child care and extensive use of saving from welfare payments to pay for child care; and a doubling of child support payments and a substantial increase in paternity establishment. The original estimate of savings from the 1996 law by the Congressional Budget Office was \$54 billion over seven years (Congressional Budget Office, “Federal Budgetary Implications of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996,” CBO Memorandum, December 1996). Although there are technical problems with trying to estimate the accuracy of the CBO forecast, I have no doubt that the actual savings were several billion above the CBO estimate.

²Because the population increases every year, data on the number of children or families on AFDC or TANF over time can be misleading. Both the number of children and the percentage of all U.S. children on AFDC or TANF fell dramatically after 1994. The percentage of children on AFDC peaked in 1993 at 14.3 percent. It fell every year thereafter until reaching 5.3 percent in 2002. See House Committee on Ways and Means, *2004 Green Book*, pp. 7–31. By way of comparison, in 1970 the percentage of children on AFDC was 8.8 percent, more than 65 percent higher than in 2002 (see *Annual Statistical Supplement*, Social Security Bulletin 13–11700 (Department of Health and Human Services, 2005), table 9.G1).

³Department of Health and Human Services, Administration for Children and Families, “Cash Assistance for Needy Families, Aid to Families with Dependent Children (AFDC) and Temporary Assistance to Needy Families (TANF), Average Monthly Families and Recipients for Calendar Years 1936–2001,” May 10, 2002, available at www.acf.dhhs.gov/news/stats/3697.htm.

⁴House Committee on Ways and Means, *2004 Green Book*, section 7, pp. 27–37; Department of Health and Human Services, *Indicators of Welfare Dependence: Annual Report to Congress, 2003* (Government Printing Office, 2003), appendix A, table TANF 1; for welfare caseloads information, see the Administration for Children and Families, www.acf.hhs.gov/newstat2.shtml.

Figure 1
Percentage of Married, Single,
and Never-Married Mothers Working



Although caseload decline is an important outcome measure of the 1996 reforms, how families fare after leaving welfare is of great importance. The next reasonable test of welfare reform, then, is whether mothers leaving welfare are working. Again, there is abundant information to answer this question. In fact, three lines of evidence can be aligned to produce a consistent story. The first set of evidence is dozens of welfare-to-work studies conducted since the 1980s. These gold-standard studies almost uniformly show reductions in caseloads and increases in employment attributable to work requirements, as long as the programs included job search requirements.⁵ The second line of evidence comes from more than forty state studies conducted since 1996 of adults who left welfare.⁶ On average, these studies show that a little less than 60 percent of the adults leaving welfare were employed at any given moment and that over a period of several months or longer about 70 percent held at least one job (although there is good evidence that the share of leavers who were working declined somewhat since the recession of 2001).⁷

A third line of evidence, and the most definitive, is statistics on female employment for the nation as a whole.⁸ Census data shows historic changes in employment (defined as any earnings during the year) by single mothers, especially low-income single mothers (Figure 1). From 1993 to 2000 the portion of single mothers who were employed grew from 58 percent to nearly 75 percent, an increase of almost 30 percent. Even more pertinent to assessing the effects of welfare reform, employment among never-married mothers, most of whom join the welfare ranks within a year or two of giving birth, grew from 44 percent to 66 percent.⁹ Before 1996 never-married mothers were the ones most likely to be school dropouts, to go on welfare, and to stay on welfare for a decade or more. Yet their employment over this period grew

⁵ Judith M. Gueron and Edward Pauly, *From Welfare to Work* (New York: Russell Sage, 1991); Jeffrey Grogger, Lynn Karoly, and Jacob Alex Klerman, *Consequences of Welfare Reform: A Research Synthesis* (Santa Monica, Calif.: Rand, 2002).

⁶ House Committee on Ways and Means, *2000 Green Book*, pp. 1471–74, 1500–10. See also Gregory Acs, Pamela Loprest, and Tracy Roberts, *Final Synthesis Report of Findings from ASPE's "Leavers" Grants* (Washington: Urban Institute, 2001), pp. 23–47.

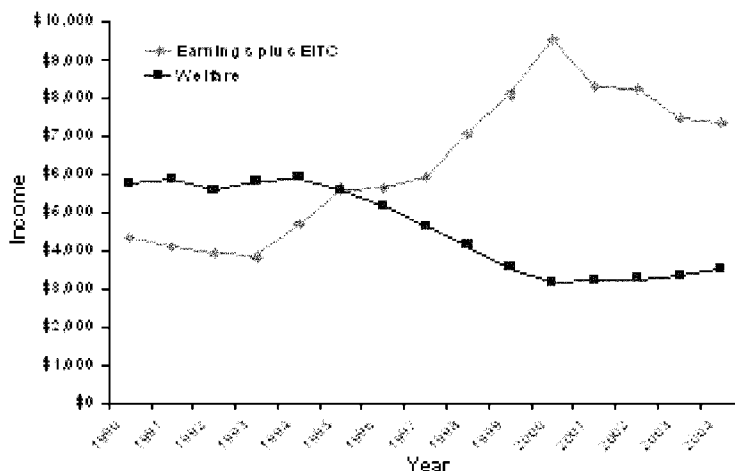
⁷ Acs, Loprest, and Roberts, *Final Synthesis Report*, chap. 3.

⁸ See the Bureau of Labor Statistics, <http://stats.bls.gov/cps/home.htm>, for labor force statistics from the Current Population Survey. All the measures discussed in this section are point-in-time measures.

⁹ Gary Burtless of the Brookings Institution, unpublished calculations using U.S. Bureau of Labor Statistics data.

by 50 percent. Employment changes of this magnitude over such a short period for an entire demographic group are unprecedented in Census Bureau records.

Figure 2
Earnings Increase, Welfare Income Falls for Bottom Two Fifths of Female-Headed Families, 1993-2004



Source: Richard Bavier, "What's So Different About the Bottom Two-Fifths of Female-Headed Families?" (unpublished table, 2004), available at <http://www.census.gov/hhes/www/tables/2003/030401a1.xls>.

So employment of poor mothers heading families has increased dramatically. But what about their income? One of the most frequent criticisms of the 1996 reforms was that mothers and children would be destitute. Members of the House of Representatives and the editorial boards of many of the nation's leading newspapers who opposed the welfare reform bill, used exceptionally colorful language to describe the afflictions to which the legislation would subject poor families and children.¹⁰

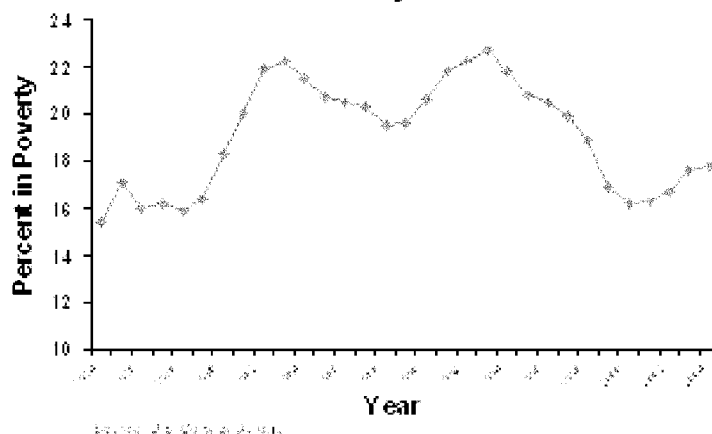
Census Bureau data for female-headed families in the bottom 40 percent of the income distribution for female-headed families (those below about \$21,000 in 2000) show that their pattern of income shifted dramatically between 1993 and 2000.¹¹ In 1993 earnings accounted for about 30 percent of the income of low-income, female-headed families, while welfare payments, including cash, food stamps, housing, and school lunch, accounted for nearly 55 percent. By 2000 this pattern had reversed: earnings had leaped by an astounding 136 percent, to constitute nearly 60 percent of income, while welfare income had plummeted by over half, to constitute only about 23 percent of income (Figure 2). As a result of the growth in earnings and legislated expansions of the EITC, income from the EITC more than tripled. Thus with earnings and EITC payments leading the way, the total income of these low-income families increased by about 25 percent over the period (in dollars adjusted for inflation).¹² Even after the recession of 2001, earnings remained above their 1993 level. The predictions of doom turned out to be wrong.

¹⁰Democrats on the floor of the House referred to the Republican bill as "extreme," "harsh," "cruel," "abusive," and "mean-spirited;" they also said the bill "attacked children," "lashed out at children," and "punished children;" Bob Herbert of the *New York Times* said the bill conducted a "jihad" against the poor, that it "makes war on the kids of this country;" and that it would "deliberately inflict harm" on children and the poor. See Ron Haskins, *Work Over Welfare*, Chapter 8.

¹¹These figures are from unpublished tables of demographic and economic characteristics of female family heads, distributed by income quintile, that are prepared by Richard Bavier of the Office of Management and Budget using the Census Bureau's Current Population Survey. Bavier makes these tables available to anyone who requests them. All figures are given in 2004 dollars.

¹²A study by two other researchers, using longitudinal data from the Survey of Income and Program Participation, shows the same pattern of increased work and earnings and declining poverty among families leaving welfare. See June O'Neill and M. Anne Hill, "Gaining Ground,

Figure 3
Children in Poverty, 1974 - 2004



The pattern is clear: earnings up, welfare down. This is the very definition of reducing welfare dependency. Most low-income mothers heading families appear to be financially better off, although work expenses and Social Security taxes consume part of their earnings,¹³ because the mothers earn more money than they received from welfare. Taxpayers continue making a contribution to the well-being of these families through the EITC and other work support programs, but the families earn a majority of their income. This explosion of employment and earnings constitutes an enormous achievement for the mothers themselves and for the nation's social policy.

Members of this committee will recall that one of the most frequently used arguments against the welfare reform legislation was that it would throw over a million children into poverty. This claim was based on a study conducted by the Urban Institute at the request of the President Clinton's Department of Health and Human Services.¹⁴ It is doubtful that any measure of the condition of the nation's children receives more attention than the poverty rate. Thus, the impact of welfare reform on poverty has great substantive and political importance.

Although child poverty dropped during the 1960s, after the early 1970s it gradually drifted upward, primarily because an increasing percentage of American children were being reared in female-headed families, the family type with the lowest work output and the highest poverty rate.¹⁵ However, between 1994 and 2000, child poverty fell every year and reached levels not seen since 1978 (Figure 3). In addition, by 2000 the poverty rate of black children and of children in female-headed families was the lowest it had ever been. The percentage of families in deep poverty, defined as half the poverty level (about \$7,000 for a mother and two children in 2000), also declined until 2000, falling about 35 percent during the period.¹⁶ Even

Moving Up: The Change in the Economic Status of Single Mothers under Welfare Reform," Civic Report 35 (Manhattan Institute Center for Civic Innovation, 2003).

¹³ Jeffrey Grogger and Lynn A. Karoly, *Welfare Reform: Effects of a Decade of Change* (Harvard University Press, 2005), p. 156.

¹⁴ Sheila Zedlewski and others, "The Potential Effects of the Budget Reconciliation Bill on Family Incomes" (Washington: Urban Institute, 1995).

¹⁵ David J. Eggebeen and Daniel T. Lichter, "Race, Family Structure, and Changing Poverty among American Children," *American Sociological Review*, 56 (1991): 801-17.

¹⁶ Bernadette D. Proctor and Joseph Dalaker, *Poverty in the United States: 2002* (Census Bureau, 2002), table 5; Douglas J. Besharov, ed., *Family and Child Well-Being after Welfare Reform* (New Brunswick, N.J.: Transaction, 2003), figure 4; Bureau of the Census, Poverty and Health Statistics Branch, *Current Population Survey, Annual Social and Economic Supplements*,

Continued

after four consecutive years of increasing child poverty between 2001 and 2004, poverty was still 20 percent below its 1993 peak.

A special analysis by the Department of Health and Human Services (HHS) and the Congressional Budget Office provides a clear understanding of the impact of work on poverty rates among families headed by poor mothers. The analysis examined the changing impact of earnings and government taxes and transfer payments on poverty during the 1990s. In 1990 the poverty rate among children in households with an unmarried female head before any taxes or government transfers was 50 percent. But in 1999 this poverty rate (which might be thought of as the market poverty rate, because it is computed without regard to government taxes or benefits) fell by 20 percent, to a little over 39 percent. Virtually all this decline in poverty is attributable to increased employment and earnings by mothers during the 1990s.¹⁷

The analysis then added various combinations of government transfers and taxes to market income among these unmarried mothers. One of the analyses shows that in 1990, before welfare reform, the combination of all government non-tax transfers such as cash welfare and food stamps reduced poverty by about 12 percentage points, from around 50 percent to a little more than 37 percent. Although the market poverty rate in 1999 was 11 percentage points lower than in 1990, government cash and in-kind transfers in 1999 still reduced poverty by almost an additional 10 percentage points, to a little under 30 percent.

The final step in the analysis was to examine the effect on poverty when income from the EITC was added and federal tax payments were subtracted from income. Not surprisingly, given the relatively low level of work and earnings in 1990, adding the EITC increased income only enough to reduce poverty by less than 1 percentage point. By contrast, in 1999 adding the EITC to income and subtracting federal taxes reduced the poverty rate by 4.50 percentage points. Based on total income, including both market earnings and all government taxes and transfers, poverty among single mothers and children was therefore 36.8 percent in 1990, compared with 25.1 percent in 1999, a decline of nearly one-third. If the 1999 poverty rate had been the same as the 1990 rate, nearly 4.2 million more single mothers and children would have been poor. The prediction that welfare reform would lead to major increases in child poverty was flawed.

Promoting child well-being was a major goal of all participants in the 1995–96 welfare reform debate. Republicans argued that increased work by mothers on welfare would lead to positive impacts on children because mothers would be setting an example of personal responsibility, would impose schedules and order on chaotic households, and would increase family income. By contrast, many Democrats thought that welfare reform would be disastrous for children. They believed that mothers would not be able to find and maintain work, would hit time limits or be hit by sanctions, and would experience serious declines in family income, driving them into destitution. Perhaps the most frequent charge, based on a reputable study by the Urban Institute, was that welfare reform would throw a million children into poverty.¹⁸ There were also predictions that more children would be removed from their parents and placed in the child protection system.

Several types of research evidence are now available to make informed judgments about which predictions have come true. A reasonable place to begin is with broad survey data on the well-being of American children. As we have seen, poverty not only did not increase but actually declined every year between 1994 and 2000, with black child poverty reaching its lowest level ever. Although poverty increased after 2000, it remained well below its 1994 level. So great was the decline in poverty that, as Paul Jargowsky and Isabel Sawhill show, the number of neighborhoods with concentrated poverty fell precipitously, as did the number of neighborhoods classified as underclass because of the concentration of poverty and the high frequency of problems such as school dropout, female-headed families, welfare dependency, and labor force dropout by adult males. The authors conclude that the 1990s were a “remarkable decade in which substantial progress was made.”¹⁹

Besides measures of poverty and underclass neighborhoods, a host of additional measures of child well-being is available. One of the best collections of national indi-

December 14, 2005, table 3, available at www.census.gov/hhes/www/poverty/histpov/hstpov3.html.

¹⁷This analysis retains the same thresholds as the official poverty index (about \$13,300 for a family of three in 1990) but uses a broader definition of income than the official measure. House Committee on Ways and Means, *2004 Green Book*, table H-21.

¹⁸Zedlewski and others, “The Potential Effects of the Budget Reconciliation Bill on Family Incomes.”

¹⁹Paul A. Jargowsky and Isabel V. Sawhill, *The Decline of the Underclass*, policy brief, Center on Children and Families (Brookings, 2006), p. 6.

cators is the Child and Youth Well-Being Index (CWI), published annually by Ken Land of Duke University with support from the Foundation for Child Development. The Land index reports twenty-eight key indicators of child well-being; these indicators are based on nationally-representative surveys, most of which have been administered annually since 1975. The overall index shows a clear pattern of changes over the past three decades. After a few years of modest changes in no clear direction, in 1982 the index showed a decline in well-being that lasted almost continuously until 1995. Since 1995, the index shows an improvement in well-being in almost every year, more than recovering the ground lost in the 1980s and early 1990s. Using 1975 as the base year, the index descended to about 75 percent of its original level by 1995. Since then, it has increased by about 30 percentage points, to about 5 percent above its 1975 level. The CWI is organized into seven domains, each of which measures an important dimension of child well-being such as economic, health, safety, and emotional and spiritual well-being. Most of these domains reflect the overall CWI pattern of continuous increases since 1995. Only the health domain shows a decline, and this only because child obesity increased dramatically. Other measures of child health showed improvement. As Land concludes, "Children are faring better in recent years."²⁰

A similar conclusion is reached by the Federal Interagency Forum on Child and Family Statistics.²¹ The forum presents many of its indicators separately for various income and ethnic groups. In nearly every case in which indicators are presented in this way, low-income and minority children reflect the pattern of general improvement, often showing even greater improvement than white children and children from wealthier families. Similarly, Donald Hernandez of the State University of New York has studied ethnic differences in the Land index. Compared with the huge differences in the early 1990s between white children and both black and Hispanic children, both minority groups closed the gap with whites by about one-third over the last decade, both groups narrowing the gap on six of the seven index domains.²²

Another feared effect of welfare reform was an increase in the number of children taken from their destitute families by the foster care system.²³ By the mid-1990s, the national foster care caseload had increased every year for fourteen consecutive years, rising from 262,000 in 1982 to 507,000 in 1996. The caseload then increased over the next three years at approximately the same rate as in previous years. Then in 2000, for the first time in two decades, the foster care caseload began to decline and has declined every year since then, falling from 567,000 in 1999 to 518,000 in 2004, a fall of almost 10 percent.²⁴ Similarly, the incidence of child maltreatment of all types has declined in most years since 1993, falling by over 20 percent between 1993 and 1999, before rising somewhat beginning in 2000. However, the rate in 2001 was still well below the rate of the early 1990s.²⁵

In addition to these broad indicators of child well-being, there is a growing body of scientific research on the direct effects of welfare reform on children, including gold standard studies based on random assignment. Most of these studies were initiated before the 1996 legislation, but nonetheless examined the effects of work programs similar to those mounted by states both before and after the 1996 reforms. Pamela Morris of MDRC and her colleagues have reviewed the impacts on young children of seven random-assignment demonstrations, including thirteen employment programs in the United States and two in Canada, yielding data on 30,000 low-income children.²⁶ Morris and her colleagues confined their review to children who were between the ages of two and nine when the programs began (between four and fifteen at the point of final data collection). Five results are notable: positive

²⁰ Kenneth Land, *Child and Youth Well-Being Index (CWI), 1975–2004 with Projections for 2005*, available at www.soc.duke.edu/cwi/.

²¹ Federal Interagency Forum on Child and Family Statistics, *America's Children: Key National Indicators of Well-Being 2005* (Government Printing Office, 2005).

²² Donald J. Hernandez and Suzanne E. Macartney, "Measuring Social Disparities: A Modified Approach to the Index of Child Well-Being (CWI) for Race-Ethnic, Immigrant-Generation, and Socioeconomic Groups with New Results for Whites, Blacks, and Hispanics," paper prepared for the forum, "Review of the Child Well-Being Index," Brookings Institution, May 10, 2006.

²³ House Committee on Ways and Means, *Contract with America: Overview*, Serial 104–20, January 5, 10, 11, and 12, 1995, pp. 58–93.

²⁴ House Committee on Ways and Means, *2004 Green Book*, section 11, table 23; Department of Health and Human Services, Administration for Children and Families, Children's Bureau, "Trends in Foster Care and Adoption, FY2000–FY2004," September 2005, available at www.acf.hhs.gov/programs/cb/stats—research/afcars/trends.htm.

²⁵ House Committee on Ways and Means, *2004 Green Book*, section 11, figure 1.

²⁶ Pamela Morris, Lisa A. Gennetian, and Greg J. Duncan, "Effects of Welfare and Employment Policies on Young Children: New Findings on Policy Experiments Conducted in the Early 1990s," *Social Policy Report* 19 (2005): 3–22.

impacts on school achievement were evident among children whose mothers were in certain work programs; impacts were confined to children age five and under at the beginning of the studies; impacts were confined to work programs that increased family income by providing earnings supplements; impacts faded after three years; and positive impacts on school achievement were related to attendance at center-based child care programs during the preschool years. These results are broadly consistent with the large literature on effects of maternal employment, including the finding that when mothers' work leads to increased family income, young children often show modest improvement on measures of social and intellectual development.²⁷

A similar review by Lisa Gennetian of MDRC and her colleagues on the effects of work programs on adolescents complements the Morris review.²⁸ The Gennetian review is based on pooled data from seventeen random-assignment programs. The nearly 6,600 participating children were between ages ten and sixteen at the beginning of the studies; at the point of final data collection they were between twelve and eighteen. Averaged across all the experiments, mothers participating in work programs, compared with mothers in the control programs, rated their children as performing below average in school. In addition, children in the experimental programs were slightly more likely to repeat a grade and to be enrolled in special education classes. They were not, however, more likely to be expelled from school, to drop out, or to have had (or have fathered) a baby. Data from the individual studies provide some evidence that the negative effects on school performance seemed to be concentrated in adolescents with younger siblings, suggesting that the poor school outcomes might be associated with early assumption of adult responsibilities because working mothers shared child care with their older children. Similar negative effects of maternal employment on adolescents have been noted by several other researchers and reviewers.²⁹ Although these effects are modest and were not found in all of the individual studies, there is nonetheless reason for concern. Gennetian and her colleagues call for "more investigation rather than . . . an immediate policy response."³⁰

Taken together, the survey and experimental information available on the well-being of poor, low-income, and minority children in the decade following welfare reform does not justify the fears expressed by liberals. With some exceptions, measures of child well-being show that children, and especially poor and minority children, have generally lived under improved conditions and have shown modest gains on indicators of development since 1996. On the other hand, the hopes of conservatives about the impact of welfare reform on children have not been vindicated either. High-quality studies of welfare reform show that preschool children of families participating in welfare-to-work studies may experience modest gains in their development and behavior, but equally good studies show that adolescents experience modest problems in school performance. From the perspective of one decade, it does not seem likely that welfare reform will alleviate the serious lags in development and performance shown by children from poor and minority families. Direct interventions with these children will be necessary if the nation is to close the ability and education gaps between them and more advantaged children.

Although welfare reform is a major cause of the dramatic rise in earnings and the decline in welfare dependency and child poverty, at least two other factors account for the improving financial well-being of female-headed families. First, the economy of the 1990s was exceptionally strong. By 2000 almost 137 million Americans had jobs, up by more than 16 million since 1993. Before the recession hit in 2001, 64.4 percent of all noninstitutionalized adults in the United States were working, the highest share ever. Not surprisingly, the unemployment rate fell from 6.9 percent in 1993 to 4.0 percent in 2000, the lowest in several decades.³¹ Sophisticated statistical studies have been conducted by economists to determine the relative contribution of the economy, of welfare reform, and of other factors to the dra-

²⁷ For reviews of the literature on the effects on children of working mothers, see E. Harvey, "Short-Term and Long-Term Effects of Early Parental Employment on Children of the National Longitudinal Survey of Youth," *Developmental Psychology* 35 (1999): 445–59; Martha J. Zaslow and Carol A. Emig, "When Low-Income Mothers Go to Work: Implications for Children," *Future of Children* 7 (1997): 110–15.

²⁸ Lisa A. Gennetian and others, *How Welfare and Work Policies for Parents Affect Adolescents: A Synthesis of Research* (New York: MDRC, 2002).

²⁹ Greg J. Duncan and P. Lindsay Chase-Lansdale, "Welfare Reform and Children's Well-Being," in *The New World of Welfare*, edited by Rebecca M. Blank and Ron Haskins (Brookings, 2001); Jennifer L. Brooks, Elisabeth C. Hair, and Martha J. Zaslow, "Welfare Reform's Impact on Adolescents: Early Warning Signs" (Washington: Child Trends, 2001).

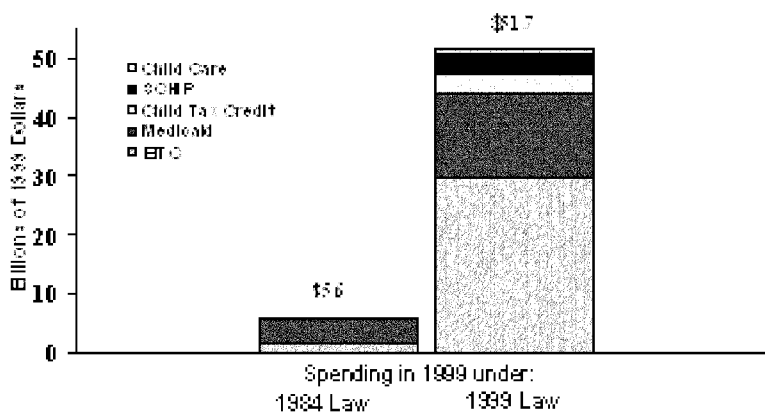
³⁰ Gennetian and others, *How Welfare and Work Policies for Parents Affect Adolescents*, p. 22.

³¹ Census Bureau, *Statistical Abstract of the United States, 2004–2005*, p. 371.

matic rise of work and earnings by low-income mothers heading families.³² These studies all show that both welfare reform and the booming economy are important, but there is little agreement about the relative contributions of each factor. However, previous economic booms did not lead to either the reduction in welfare rolls or the increase in work by low-income mothers heading families that were seen in the 1990s.³³ Without welfare reform cajoling and where necessary pushing mothers into the labor force, a growing economy would have had a more modest effect on the employment and earnings of these mothers, as was in fact the case during all previous economic expansions.

Second, beginning more than a decade before the 1996 reforms, the federal government made existing benefit programs friendlier to low-income working families and created entirely new programs designed to help working families. These actions include expansions of child care, creation of the child tax credit, changes in the standard deduction and the personal exemption in the income tax code, changes in Medicaid, and above all several expansions of the EITC. Two studies by nonpartisan and highly respected congressional agencies—the Congressional Budget Office (CBO) and the Congressional Research Service (CRS)—provide an idea of the magnitude of these changes.

Figure 5
Support for Working Families Increases Dramatically



Source: Working Families Analysis 2001.

³² Rebecca M. Blank, "Declining Caseloads/Increased Work: What Can We Conclude about the Effects of Welfare Reform?" *Economic Policy Review* 7 (2001): 25–36; James P. Ziliak and others, "Accounting for the Decline in AFDC Caseloads: Welfare Reform or the Economy?" *Journal of Human Resources* 35 (2000): 570–86.

³³ It is difficult to discern a clear effect of the 1991 recession on the welfare caseload. When the recession hit, the caseload had already grown in five of the previous six years, rising from 3.69 million families in 1985 to 4.38 million families in 1991, during the healthy economy of the 1980s. The caseload continued to increase over the next three years, rising from 4.38 million families in 1991 to 5.05 million in 1994, before its prolonged decline during the welfare reform period. By contrast, as we have seen, the welfare caseload continued to decline throughout and following the recession of 2001. Between 1983 and the peak employment year of 1991, the employment-to-population ratio for never-married mothers rose from 34.5 to 44.0, or by 9.5 percentage points. During the expansion of the 1990s, the comparable ratio rose from 43.4 in 1992 to 65.8 in 2000, an increase of 22.4 percentage points. Clearly a lot more poor mothers went to work during the expansion of the 1990s than the expansion of the 1980s. Employment data is from unpublished calculations by Gary Burtless using Census Bureau data. Caseload information is from the Administration for Children and Families, available at www.acf.hhs.gov/news/stats/newstats2.shtml.

At the request of the Ways and Means Committee in 1997, CBO undertook a study to determine whether federal policy changes between 1984 and 1998 had resulted in more support for low-income working families. CBO examined several major entitlement programs that help working families, including child care, the EITC, Medicaid, and the child tax credit. Taken together, we can label these and similar programs the nation's work support system, because the programs provide financial and in-kind support to poor and low-income working families. CBO calculated the benefits that would have accrued to low-income working families from the work support system under 1984 law and compared that level of support to the level under 1999 law. Because every work support program examined by CBO had been expanded or created since 1984, the analysis was expected to show an increased commitment by federal policymakers to low-income working families. But it is fair to say that even experts were surprised by the finding that if the work support system had remained as it had been in 1984, working families in 1999 would have received only around \$6 billion in government work support benefits (Figure 5). By contrast, the 1999 version of the work support system—that is, the one that actually existed in 1999—provided nearly \$52 billion in support to working families. In other words, the expansions in the work support system after 1984 resulted in working families receiving \$46 billion more in cash and other benefits than they would have received if Congress and a series of presidents had not expanded the work support programs. It would be difficult to exaggerate the extent to which the nation's social policy to help low-income families has shifted from one that provided most of its benefits to families dependent on welfare to one that provides enormous benefits to working families.³⁴

The second study, based on information computed by CRS, strengthens the CBO conclusion. Whereas the CBO study provides an estimate of changes in aggregate federal spending on work support programs, the CRS data can be used to compare the financial work incentive for a typical mother with two children on welfare in a typical state (Pennsylvania) in 1986 and 1997.³⁵ For years, a major charge against the welfare system was that it posed a substantial disincentive to work because families that accepted jobs could be worse off working than on welfare. A mother and two children in a typical state in 1986 received about \$8,970 in cash welfare and Food Stamps (all figures are in constant 1997 dollars). If the mother worked and earned \$8,000, her welfare income would fall drastically, to \$1,900. She would also pay nearly \$1,200 in federal taxes but would gain about \$540 from the EITC. Thus for working full-time she would have net income of about \$9,275, or about \$350 more than if she had stayed on welfare. In addition, both the mother and children would lose their Medicaid coverage, the insurance value of which would be around \$3,000, after nine months, and the mother would get very modest if any government help paying for child care. Clearly, a mother who elected to stay on welfare rather than accept a low-wage job in 1986 would be making a financially rational decision. By contrast, because of the broadening of the work support system and changes in welfare laws, by 1997 this same mother with a \$10,000-a-year job (roughly equivalent to \$8,000 in 1986) would have net income of around \$15,350, or \$7,550 more than the \$7,800 she would have received if she had stayed on welfare. The EITC alone was worth an additional \$3,000 in cash, and changes in federal income tax law had removed the mother entirely from paying income tax. Further, the mother would have Medicaid coverage for one year, and the children would be covered as long as the mother had low income. Finally, there was much more money available for child care in 1997 than in 1986. All in all, the work support system had made work a more attractive option for welfare mothers in 1997 than in 1986.³⁶ Given that the EITC is pegged to inflation, that funds for child care have expanded dramatically since 1996,³⁷ and that the child tax credit was made partially refundable in 2001, it seems likely that the work support system is even more generous today than it was in 1997. In any case, at the time the 1996 reforms were enacted, as well as today, the work support system provides compelling financial incentives for mothers to leave welfare even for low-wage jobs.

The positive impacts of the 1996 reforms on income, earnings, and poverty have been pervasive and, in some cases, profound. However, no policy produces all benefits and no costs. Although the 1996 law did not produce the failures predicted by

³⁴ Congressional Budget Office, *Policy Changes Affecting Mandatory Spending for Low-Income Families Not Receiving Welfare* (1998).

³⁵ House Committee on Ways and Means *1986 Green Book*, p. 369; House Committee on Ways and Means *1998 Green Book*, p. 408.

³⁶ House Committee on Ways and Means, *1996 Green Book*, section 8, p. 399, table 3.

³⁷ Douglas J. Besharov and Caeli A. Higney, *Federal and State Child Care Expenditures (1997–2003)* (College Park, MD: Welfare Reform Academy, University of Maryland, May 2006).

its critics, it nonetheless has created challenges that states and the federal government should address. In my view, the most important of these challenges is the finding that there is a group of mothers at the bottom of the income distribution who appear to be floundering under the new and more demanding welfare system. Generally, these are mothers who live without another adult in their household and who do not have income from cash welfare, from employment, or from unemployment insurance. In the past, these troubled parents could stay on welfare for many years. Under the old AFDC program, the average length of spells for adults on the rolls at any given moment was twelve years. It would be naive to believe that all these welfare-dependent parents were suddenly capable of finding and retaining jobs for \$7 or \$8 an hour. A demanding welfare system requires at least some minimum level of competence and motivation, and not all parents have these minimum levels.

There are several types of evidence that a number of mothers are in fact floundering. Surveys show that about 60 percent of the mothers who leave welfare are working at any given moment and that around 70 percent have held at least one job since leaving welfare.³⁸ The 40 percent who do not work regularly raise some concern, but the 30 percent who have not worked at all since leaving welfare raise even more serious concern. States frequently use sanctions and thirty-six states have policy that allows them to completely terminate cash benefits for rule infractions. At least one study found that mothers who were sanctioned off the rolls had characteristics that make it less likely they will be able to get and hold a job. More specifically, they are less likely to have a high school degree or job experience and more likely to have substance addictions, mental health problems, or three or more children than other welfare mothers.³⁹ Also of concern are poor mothers heading families who are financially worse off since welfare reform passed. Kasia Murray and Wendell Primus have compared Census income data for mothers for the 1993–96 and the 1996–2000 periods and found that that mothers in the bottom 10 percent of single earners actually lost income during the latter period.⁴⁰ These findings are placed in a broader context by Rebecca Blank and Robert Schoeni from the National Poverty Center at the University of Michigan. Blank and Schoeni, using data from the Census Bureau’s Current Population Survey, compared the change in income between the 1992–95 period (before TANF) and the 1997–2000 period (after TANF). Controlling for factors such as family size and inflation, they plotted income for two groups: all families with children and families with children without both parents present. Blank and Schoeni find that all but the bottom 2 percent of families with children had improved their income in the late 1990s relative to the mid-1990s. Even in the case of children living outside a two-parent family, 92 percent of families improved their income. However, the bottom 8 percent declined.

Blank and Schoeni explicitly tied their analysis to welfare reform by comparing states with strong cash work incentives (which allowed mothers who went to work to retain relatively more of their welfare benefit) and strong penalty incentives (strict time limits and strong sanctions) and found that both cash and penalty incentives were associated with higher income. The authors conclude that “it is the more lenient states with softer penalties where children’s income seems to have grown the least.”⁴¹ Although the authors interpret their findings as “good news,” their work is similar to Murray and Primus’s in showing that there is a group of mothers at the bottom—in this case about 8 percent of the distribution of female-headed families—that is worse off now than before welfare reform. This finding is reinforced by Census Bureau data analyzed by Richard Bavier of the Office of Management and Budget. Bavier finds a disconcerting increase in the number of mothers in the bottom fifth of income for female heads of families who report zero earnings and zero income from cash welfare (ignoring SSI). The number of mothers in this category

³⁸ House Committee on Ways and Means, *2004 Green Book*, pp. L24–L31.

³⁹ Andrew J. Cherlin and others, “Operating within the Rules: Welfare Recipients’ Experiences with Sanctions and Case Closings,” *Social Services Review* 76 (2002): 387–405. Thirty-six states have a policy that allows them to completely terminate cash benefits for rule infractions. See Department of Health and Human Services, *Temporary Assistance to Needy Families Program (TANF): Fourth Annual Report to Congress*, May 2002, p. 346. But see Jeffrey Grogger and Lynn A. Karoly, *Welfare Reform: Effects of a Decade of Change* (Harvard University Press, 2005), pp. 235–36, who conclude that there are too few studies to draw firm conclusions about the effect of sanctions.

⁴⁰ Kasia O’Neill Murray and Wendell E. Primus, “Recent Data Trends Show Welfare Reform to Be a Mixed Success: Significant Policy Changes Should Accompany Reauthorization,” *Review of Policy Research* 22 (2005): 301–24.

⁴¹ *Ibid.*, pp. 307, 308.

increased in every year between 2000 and 2004, jumping by 60 percent over the period.⁴²

Several other researchers, including Robert Moffitt and Katie Winder at Johns Hopkins; Pamela Loprest, Sheila Zedlewski, and others at the Urban Institute; Sandra Danziger and Sheldon Danziger of the University of Michigan; and Robert G. Wood and Anu Rangarajan at Mathematica Policy Research report similar findings on increased hardship among mothers who leave welfare, live in a household without another adult, and do not have earnings.⁴³ The studies by Wood and Rangarajan and the Danzigers and their colleagues are especially interesting because they both have many years of longitudinal data (data collected on the same subjects over time) on mothers who had been on welfare. Wood and Rangarajan followed a representative group of 2,000 recipients who had received welfare in 1997 or 1998 in New Jersey. Although the group that was off welfare and employed increased from about one-third to one-half over the fifty-four-month follow-up period, the group of greatest concern—those who were off welfare but without a job—was consistently a little more than one quarter of the sample. Of this group, about 60 percent had other sources of income, including SSI, unemployment compensation, a working spouse or partner, or recent employment. Thus the mothers who were the least financially stable constituted about 40 percent of those who were off welfare and unemployed, or around 11 percent of the total sample.

All the evidence reviewed above, showing that mothers and children at the bottom of the distribution experience hardship, is based on income data. Surprisingly, consumption data provide a different picture. In studies using two nationally representative data sets, Bruce Meyer and James Sullivan show that the material conditions of low-income mothers, as measured by their consumption, improved somewhat after welfare reform.⁴⁴ On the other hand, a large part of the additional consumption in the late 1990s appears to be related to work. More specifically, the mothers spent more on housing, food away from home, and transportation. Additional housing costs could well be explained by the fact that the federal housing programs in which many of these mothers participate charge families 30 percent of their income, with the remainder of the family's rent being paid by the government. If mothers earn additional money, they must pay 30 percent of it on housing; in effect, federal housing policy all by itself imposes a 30 percent tax on increased earnings. Additional spending on food away from home and transportation could also be associated with mothers working and needing to use some of their increased earnings to get to work and to eat out because of time pressures.⁴⁵

Evidence on the well-being of mothers and children can also be gleaned from information on food consumption. Christopher Jencks, one of the major critics of the 1996 reforms, and his colleague Scott Winship conducted extensive analyses on the Food Security Supplement to the Current Population Survey for the years 1995–2001. Based on twenty-eight questions related to food security, Jencks and Winship conclude that single mothers had fewer problems related to food in 2001 than in 1995, the last year before welfare reform. Further analyses shows that, although the number of low-income mothers receiving welfare between 1995 and 1999 fell from 58 percent to 29 percent, food-related problems dropped dramatically. The decline in food problems leveled off in the 1999–2001 period, but food problems in 2001 were still substantially below the level of problems reported in 1995. Similarly, based on the Department of Agriculture's definition of food security, the percentage of food-insecure female-headed families declined from around 31 percent in 1995 to about 27 percent in 1999, as the welfare rolls were declining rapidly. Even during the period following the mild recession of 2001, the percentage of food-insecure families did not increase significantly, remaining below the 1995 level. The authors con-

⁴²These figures are from unpublished tables of demographic and economic characteristics of female family heads, distributed by income quintile, that are prepared by Richard Bavier of the Office of Management and Budget using the Census Bureau's Current Population Survey. All figures are given in 2004 dollars.

⁴³Robert Moffitt and Katie Winder, "Does It Pay to Move from Welfare to Work? A Comment on Danziger, Heflin, Corcoran, Oltmans, and Wang," *Journal of Policy Analysis and Management* 24 (2005): 399–409; Pamela Loprest, "Disconnected Welfare Leavers Face Serious Risks," Report 7, *Snapshots of America's Families III* (Washington: Urban Institute, 2003); Sandra Danziger, Elizabeth Oltmans Ananat, and Kimberly G. Browning, "Childcare Subsidies and the Transition from Welfare to Work," *Family Relations* 52 (2004): 219–28; Robert G. Wood and Anu Rangarajan, "What's Happening to TANF Leavers Who Are Not Employed?" Issue Brief 6 (Princeton, N.J.: Mathematica Policy Research, 2003).

⁴⁴Bruce D. Meyer and James X. Sullivan, *The Well-Being of Single-Mother Families after Welfare Reform*, Policy Brief 33, Welfare Reform & Beyond (Brookings, 2005).

⁴⁵Christopher Jencks, Scott Winship, and Joseph Swingle, "Welfare Redux," *American Prospect* 17 (2006): 36–40.

clude that “single mothers’ material standard of living probably improved more during [the economic expansion of the 1990s] than during earlier ones.”⁴⁶ In an op-ed piece published in the *Christian Science Monitor*, the authors state flatly that their study of food problems led them to conclude that “welfare reform worked.”⁴⁷

Income data thus suggest that there was a group of single mothers, comprising perhaps 10 percent of all single-mother families that had been on welfare, who were worse off following welfare reform. Data based on consumption and on food insecurity tend to offset this conclusion, although even here there is some evidence of problems at the bottom of the distribution. On balance, it seems prudent to conclude that scholars should examine this problem in much greater detail and search for solutions that will help mothers hold jobs. Given the research reviewed above showing an increase in the number of poor mothers with no obvious sources of income, more public and private funds should be devoted to conducting research and demonstration programs to determine how these floundering mothers can be helped. The trick will be to maintain a demanding welfare system that strongly discourages welfare dependency while simultaneously allowing states, counties, and cities enough flexibility to identify and help these mothers. Some mothers may never be able to achieve steady employment. Welfare programs should figure out how to help them without reducing the pressure on more capable mothers to leave welfare for work or to avoid welfare in the first place.

Compared to any major change in social policy in the last several decades, I think it fair to conclude that welfare reform stands out as federal legislation that actually met its goals. The entire political spectrum was in agreement that mothers on welfare should become self-sufficient. All but the left-most part of the spectrum agreed to support legislation that terminated entitlement cash welfare and replaced it with a system that required work. The data summarized above show that poor mothers on welfare responded exactly as they were expected to do—they went to work in droves. In addition, as Republicans predicted, they increased their family income and reduced the poverty rate of their children in the process. They left welfare for work, but government continues to support their efforts through child care subsidies, health insurance, food stamps, and above all, the Earned Income Tax Credit. There’s something here for everybody to like: both more work and lots of government support—except now the bulk of government support is for those working, not those avoiding work. The results of major changes in public policy rarely work out this well.

Now the question is: What’s next? The obvious part of the answer is that states must continue to aggressively implement the work requirements in the TANF program. This Committee wisely led the way to fixing a glitch in the 1996 legislation that weakened the work requirement in the 1996 law. The first priority of this committee should be to ensure that states aggressively implement the new requirements. A second priority should be for this committee to work with the Agriculture Committee and the Banking Committee to strengthen the work requirements in the Food Stamp program and create strong work requirements for able-bodied adults in housing programs. If work requirements are successful in one program, I can see no reason why they cannot be successful in other programs.

Beyond these obvious next steps, I think this committee has already taken the most important action that holds great promise for further reductions in poverty and improvements in child development and well-being; namely, stimulating a national marriage movement. Years of research on poverty have convinced me that there are only three ways to reliably reduce poverty: economic growth, increased work, and increased marriage rates. Unfortunately, primarily because of low and often declining wages at the bottom of the income distribution, economic growth is less effective than in the past at reducing poverty.⁴⁸ However, the nation’s experience with increasing work levels following the 1996 welfare reforms shows unequivocally that increased work by mothers heading families drives down the poverty rate. Now comes marriage. Work that we have undertaken at Brookings provides solid evidence that increasing marriage rates to the level the nation enjoyed

⁴⁶Scott Winship and Christopher Jencks, “How Did the Social Policy Changes of the 1990s Affect Material Hardship among Single Mothers? Evidence from the CPS Food Security Supplement,” Faculty Research Paper RWP04-027 (Cambridge, Mass.: John F. Kennedy School of Government, 2004), p. 2.

⁴⁷Scott Winship and Christopher Jencks, “Welfare Reform Worked: Don’t Fix It,” *Christian Science Monitor*, July 21, 2004, p. 9.

⁴⁸Sheldon Danziger and Peter Gottschalk, *Diverging Fortunes: Trends in Poverty and Inequality* (New York: Russell Sage Foundation, 2006).

in 1970 would reduce poverty by almost 30 percent.⁴⁹ In addition, as shown in a recent volume of the *Future of Children*, published by Brookings and Princeton University, the academic world is in almost unanimous agreement that increasing marriage rates would be good for children. This committee should provide strong oversight of its recent legislation that provides \$150 million per year to stimulate healthy marriage and responsible fatherhood programs around the nation. In addition, the Committee should keep a close eye on the ground-breaking experimental research the Department of Health and Human Services is funding to test marriage education and other approaches to strengthening marriage. If some of these programs are successful, the Committee should make funds available to expand them throughout the nation. I believe the evidence strongly supports the view that if we can increase the nation's marriage rates, especially among poor and minority parents, the parents themselves, children, and the nation will greatly benefit. Not least among these benefits will be a declining need for government welfare programs.

Mr. SHAW. Bishop Riley.

STATEMENT OF BISHOP ROY RILEY, CHAIR, CONFERENCE OF BISHOPS FOR THE EVANGELICAL LUTHERAN CHURCH OF AMERICA, TRENTON, NEW JERSEY

Bishop RILEY. Thank you. On behalf of the Evangelical Lutheran Church in America, the ELCA, a church of 5 million members and 10,000-plus congregations, we are truly grateful for this opportunity to testify about the implications of the Welfare Reform Act of 1996.

I am Roy Riley. I serve as the Lutheran Bishop in New Jersey and as Chair of the ELCA Conference of Bishops, including 65 dioceses spread across the 50 States and the Caribbean. More importantly, I represent a faith community that is on the ground, engaged daily with people who live in financial poverty.

In addition to those 10,000-plus congregations, Lutheran Services in America provides over \$8 billion in services annually, services that touch the lives of 1 in 50 Americans. Lutheran Social Ministries in New Jersey has been the largest nonprofit provider of affordable housing in our State for a number of years. Individual congregations provide food and band together to provide shelter for the homeless, after-school programs for latchkey children of working parents, and the list goes on and on, but these determined efforts are not enough to stem the increasing tide of hungry, poor, and uninsured people in our communities.

The Welfare Reform Act 1996 marked a fundamental shift in the way our government addresses antipoverty spending and seeks to help millions of Americans living in poverty. Among its stated aims were the strengthening of American families through various initiatives and the promotion of a work first culture. The question for the ELCA in 1996 was not about the necessity of welfare reform, nor in 2006 about maintaining a culture of reform. Our concern was then and is now the welfare reform that truly operates to strengthen American family life and creates meaningful work opportunities, moving people from poverty to sustainable livelihood. The spirit of this testimony, therefore, cannot be a celebration of

⁴⁹Ron Haskins and Isabel Sawhill, "Work and Marriage: The Way to End Poverty and Welfare" (Brief #28), Washington, DC, Brookings Institution, September 2003; and Adam Thomas and Isabel Sawhill, "For Richer or for Poorer: Marriage as an Antipoverty Strategy," *Journal of Policy Analysis and Management*, 2002, 21 (4), 587-599.

unqualified success, but an acknowledgment of important commitments made but not yet realized.

Our Christian faith communities—and here with your permission I will add a statement prepared by the leaders of five of these communities, Episcopal, Methodist, Church of Christ, Presbyterian, and Lutheran, our faith communities—understand the witness of scripture to God’s concern for the poor and oppressed and God’s call to us to speak for them. The Bible describes the ministry of Jesus as good news for the poor and calls us to care for the least among us, but we are falling short of what God asks of us.

Thirty-seven million Americans live below the poverty line, and 13 million of them are children. We have seen a 13 percent increase in requests for emergency food assistance. Many of the people that we are feeding in our soup kitchens are working poor, many of them working two jobs trying to make ends meet.

Currently the national minimum wage of \$5.15 per hour is about 68 percent of the poverty line, a \$4,000 annual shortfall for a single parent with two children. The truth is that in most of our States, people cannot live on what we have defined as the poverty line.

That welfare caseloads have been reduced dramatically is not finally the proof of successful welfare reform. Yesterday morning I was in Camden, New Jersey, the second poorest city in this country. Pastor Margaret Hertz Lane has served there for 25 years in Camden, and she told me that one of the best components of the Welfare Reform Act was the job training programs that came early on, but in recent years, funding for those have been reduced.

Child care, safe, affordable child care, has been critical to helping parents move from welfare to work. Thankfully, the funding for child care was increased for this year. Even so, due to inflation, this will not be sufficient to maintain the present levels of service.

Finally, the stark realities are these: Many people in this Nation, especially the working poor, are only one health crisis and one missed paycheck away from homelessness and hunger. Too many families have one or both parents working two jobs because of the minimal hourly wage they earn, most of them without health insurance. That is not good for a family, and it is not good for children not to have that needed time with their parents.

There will always be people in our society who need assistance because of mental and emotional challenges, addictions of all kinds. Some will not be able to support themselves. These are the chronically homeless. Welfare reform will never be a zero sum game. Our society will always have to maintain a safety net for the least of these. That is what compassion is all about. At the end of the day, the bottom line is this: Nearly 20 percent of the children in this, the richest Nation in the world, nearly 20 percent of the children live in poverty. Whatever else we have accomplished, whatever claims we make for our reforms, that fact remains.

We can end poverty. We can do this together, government and faith communities together, but we must stay focused on the bottom line: It is those children. They are the first priority. The gap between the rich and the poor in this country gets wider every year. We must not hide from that truth.

I thank you for your attention and your help.

[The prepared statement of Bishop Riley follows:]

**Statement of Bishop Roy Riley, Chair, Conference of Bishops for the
Evangelical Lutheran Church of America, Trenton, New Jersey**

Good Morning Chairman Thomas, Ranking Member Rangel, Distinguished Committee Members and Fellow Panelists. On behalf of the Evangelical Lutheran Church in America (ELCA), a church of 5 million members and 10,000 congregations, we are truly grateful for the opportunity to testify about the implications of the Personal Responsibility and Work Opportunity Reconciliation or “Welfare Reform” Act of 1996. I am Roy Riley, Bishop of the New Jersey Synod of the ELCA, and Chair of the ELCA Conference of Bishops, our national governing board of 65 Bishops.

1. The Welfare Reform Act of 1996 marked a fundamental shift in the way our government addresses anti-poverty spending and seeks to help the millions of Americans living in poverty. Among its stated aims were the strengthening of American families through various initiatives and the promotion of a work-first culture—a reminder that the Temporary Assistance to Needy Families (TANF) block grant is indeed a temporary means of support for people moving from welfare caseloads.

As a national church with ministries including advocacy, education, grant-making and social service, the question for the ELCA in 1996 was not about the necessity of reform nor in 2006 about maintaining a culture of reform. We can in principle support an emphasis on healthy family relations and the personal value of meaningful work and did so in our 1994 document “Working Principles for Welfare Reform”. Instead, our concern was then and is now for welfare reform that truly operates to strengthen American family life and create meaningful work opportunities; that resulting policies truly improve the economy and move people from poverty to opportunity, from mere existence in forgotten alleys and shelters into meaningful and productive life together.

The spirit of this testimony, therefore, unfortunately can not be a celebration of unqualified success but an acknowledgement of important commitments set down but not yet realized.

2. The Scriptural witness on which the Lutheran tradition stands declares thematically God’s concern for the poor and oppressed and God’s call to speak for them. The Bible describes the ministry of Jesus as “good news for the poor” and details the content of biblical judgment as our awareness and treatment of “the least among us.” It bears noting that this well-known passage about judgment found in Matthew refers precisely to a gathering of nations, not individuals, and bears out Jesus’ sense of concern that political and economic powers keep in mind the interests of those struggling to be heard.

In addition, the long development of Lutheran theology envisions government structures as God’s own potential good gift and instrument for ordered societies when it works from the broad interests of the common good. From our perspective therefore, public programs and government structures can be means to the greater ends of economic and social opportunity—particularly for the poor and oppressed whom God favors.

From this biblical perspective, we can support welfare reform policies that aim to give families more meaningful time together and that seek to define work opportunities as valuable for the human experience. Our document “Working Principles for Welfare Reform” affirms that “human beings have been created with moral agency and freedom and a power to act responsibly in light of particular circumstances.” It also outlines the importance of work for human dignity and well-being. However, from this same Christian perspective, we can neither support nor celebrate welfare policy that maintains and expands a perpetual working underclass in our nation—that is, a significant part of American society pushed into jobs that keep families vulnerable and in low-income conditions, often below the poverty line itself.

We are also in long-standing alliance with Lutheran Services in America, a health and human services network of almost 300 members providing services throughout all 50 states and the Caribbean. Its members deliver over \$8 billion in services annually. A significant part of their important work is funded with public dollars and these are used efficiently and effectively to transform lives. However, even their courageous effort is not enough to stem the increasing tide of hungry, poor and uninsured people in our society.

3. According to recent Census figures, the number of Americans living below the poverty line has increased every year since 2000 from 11.3% in 2000 to 12.7 % in 2004. This now represents 37 million Americans. More particularly, this number includes about 13 million children representing about 18% of all children in the U.S. We also saw a 13% increase in requests for emergency food assistance, 54% of which

came from families and 40% of which came from people with jobs. The Catholic Campaign for Human Development reports that in 2003, the middle year of the current poverty increase, more than two-thirds of all poor families with children included one or more individuals who worked. These individuals typically worked for combined family totals of 46 weeks per year.

Yet our Lutheran state policy offices report dramatic reductions in state caseloads. In this context, it is difficult to herald caseload reduction as a measure of success. People are leaving welfare caseloads in dramatic numbers—so much is true. But where are they going? That question should haunt us and propel us forward toward better solutions.

4. Helpful ways forward should relate to the current network of work supports to make work more meaningful and truly strengthen families of all shapes and sizes by giving them meaningful time together.

Real wage values for low-wage workers have been stagnant at best and have fallen slightly since 2001 after a significant increase 1996–2000. An emphasis on the importance of work therefore would be helped by raising the real value of the minimum wage on which most people cycling off of welfare rely. Currently, the national minimum wage of \$5.15 is about 68% of the poverty line, a \$4,000 annual shortfall, for a single parent with two children. Even states with a higher minimum wage could do more to reward work with an expanded Earned Income Tax Credit (EITC).

In this same period, programs providing money for child care (CCDBG), social services (SSBG), and job-training (WIA) have lost value while the federal government has continued to impose restrictions—most recently work participation guidelines—that will squeeze state budgets further. We were pleased to see an increase for child care this year but note that this will not even meet present levels of service plus inflation. The new work participation guidelines for states are a strange development given the touted catalyst of state empowerment for the 1996 TANF law. In addition to those reductions mentioned, our annual budget process has further decreased benefits making it harder for TANF itself to make work work and support family life.

5. In summary, welfare reform principles represent the best of our common purpose as Americans—supporting those who need help, emphasizing the dignity and importance of work, and attempting to strengthen family life. The ELCA affirms these principles and would like to testify to their manifestation among us. Unfortunately the economic reality in 2006 undermines broad claims at success. Families are stretched to the breaking point while working full-time for wages that keep them in a low-income status. There are an increasing number of poor, hungry, and uninsured Americans. Family and work are not well-served by these policies and we can do better by our fellow citizens.

The ELCA is grateful for the opportunity to testify this morning among these distinguished panelists. Our faith compels us to speak about social policy to civic leaders in terms of their own instrumental purpose and power. More specifically, however, we are compelled as Christians by Jesus who first publicly defined his own ministry in the words of the prophet Isaiah, “I have been anointed to bring good news to the poor . . .” Let’s work to reshape welfare reform policy toward its own best intentions so that the poor among us also might see it as good news.

Mr. SHAW. Thank you.

STATEMENT OF JUNE O’NEILL, WOLLMAN PROFESSOR OF ECONOMICS AND FINANCE, DIRECTOR OF THE CENTER FOR THE STUDY OF BUSINESS AND GOVERNMENT, BARUCH COLLEGE, CITY UNIVERSITY OF NEW YORK, AND FORMER DIRECTOR, CONGRESSIONAL BUDGET OFFICE, NEW YORK, NEW YORK

Dr. O’NEILL. Mr. Chairman and Members of the Committee, I am pleased to be here today to comment on the outcomes of the 1996 Welfare Reform Act. The 1996 legislation fundamentally changed welfare in the United States, and I believe the results have been truly gratifying.

Within 5 years after enactment of reform, the number of families receiving welfare nationwide fell by half and continue to decline, despite the recession that began after 2000. Even in New York City, with its long history of high welfare participation, the caseload plummeted. In 1996, 10 percent of the city's population received welfare, double the national level. By 2006, the caseload in New York had declined by more than 60 percent.

Initially many were concerned that efforts to move families off welfare would lead to wide-scale increases in child poverty, but those fears have not been realized. Single mothers increased their work participation, and their increased income from employment helped to reduce child poverty significantly. In short, the 1996 Welfare Reform Act worked in stark contrast to the decades of failed attempts.

Why did the 1996 reform succeed when those before it had failed? The main policy response to the growth in welfare participation over the years was the provision of employment and training programs for welfare recipients, but those programs were ineffective because they never changed the incentives that encouraged welfare participation.

Under the AFDC program, an eligible family was entitled to an income from welfare as long as it had a child under the age of 18 present in the home. Although the cash benefit provided by the program was usually modest, it was enhanced over the years by the addition of noncash benefits such as food stamps, Medicaid, and housing subsidies. Incidentally, those programs are not counted in the official poverty definition. A definition that includes those shows quite different percentages in poverty.

At the same time, there were no demands made on adult recipients to work. The AFDC program was started in the thirties, when few women with children worked, and was intended to lend assistance when the father's support was lost through death or disability. Then and now the caseload has been mainly made up of female-headed families with children. Over the years the reason for lack of a father's support changed dramatically, and the vast majority of cases became eligible as a result of having had no marriage tie.

The growth of the AFDC caseload was likely influenced by many factors; however, the financial incentive of the guaranteed income with no work requirement was clearly important.

The welfare caseload grew explosively during the sixties and seventies, as the total benefit package was enhanced and eligibility liberalized. A large increase in the number of single-mother families was an important force sustaining caseload growth. A key issue, however, is the extent to which the AFDC program encouraged the formation of single-mother families, particularly those formed as a result of out-of-wedlock childbearing.

The 1996 reform brought a radical change to welfare, building on State experiments begun under AFDC waivers. Under the new law, welfare is no longer an entitlement either in terms of its financing or its philosophy. The TANF program is a block grant, and it is intended to serve as a temporary helping hand. Benefits are now restricted to a lifetime limit of 5 years, and all adult recipients must fulfill a strict work requirement. The option of long-term welfare

support has been eliminated, and work responsibilities now limit discretionary time while receiving benefits.

My prepared statement reports in detail on the changes that have occurred in single mothers' welfare and work participation, wages and income, as well as on child poverty and the relation between those outcomes and welfare reform. I will note here only that there is now considerable agreement among those who have studied these issues that the positive outcomes we have observed are attributable, in large part, to welfare reform.

By reducing welfare participation and increasing work participation, the 1996 welfare reform has succeeded in connecting a significant number of disadvantaged single mothers with the mainstream culture. In addition to increasing family income, one hopes that the broader knowledge and experience that comes from work will help these mothers become better role models for their children, thereby improving their life chances.

Mothers who struggle with work are more likely to see the rewards that come from persistence in school and from appropriate behavior and will therefore provide wiser guidance for their children. This result is probably the single most important outcome. It is difficult, however, to care for a family as the lone provider and care giver. Although the increase in female-headed families has abated, we have not yet observed a significant increase in marriage and a decline in out-of-wedlock child bearing.

The rise in out-of-wedlock births and the welfare culture that were at the center of the underclass did not occur overnight. I remain optimistic that the fading of welfare will in time spur an increase in marriage and planned marital births. There has been a sharp decline in teenage births, particularly among black teenagers, and that decline should enhance options for increased education and a more promising future for these young women. The recent spread of enthusiasm for reform in children's education also should be helpful for future generations.

The reauthorization of the legislation and the continued emphasis on strict work requirements will help to sustain the gains that have already been made. Thank you.

[The prepared statement of Dr. O'Neill follows:]

Statement of June O'Neill, Ph.D., Wollman Distinguished Professor of Economics, Zicklin School of Business, Baruch College, New York, New York, and Former Director of the Congressional Budget Office

Mr. Chairman and Members of the Committee, I am pleased to be here today to comment on the outcomes of the landmark welfare legislation of 1996.

The 1996 legislation fundamentally changed welfare in the United States. The results in many respects have exceeded the expectations of even the most optimistic supporters of the reforms. The most immediate and dramatic effect was the decline in the welfare caseload. After decades of caseload growth, within five years after enactment of the legislation, the number of families receiving welfare nationwide fell by 50% (Figure 1). Despite the recession that began after 2000, welfare caseloads have continued to decline. Concerns that the emphasis on reducing welfare participation would result in wide scale increases in child poverty have not been realized. Single mothers increased their work participation and their increased income from earnings helped to sharply reduce child poverty. In short, the 1996 welfare reform worked, in stark contrast to the decades of failed attempts to reform the AFDC program (Aid to Families with Dependent Children)—the nation's prior welfare program, in place since the 1930s and terminated by the 1996 welfare reform. In my testimony today I will summarize the findings of research that I and my colleagues have conducted analyzing the changes that have occurred in the economic well being

of single mothers and their children and the role played by welfare reform after factoring in the effects of the economic expansion of the 1990s and other trends.

Why did the 1996 reform succeed when so many before it had failed? The goal of welfare reform is to reduce welfare dependency by encouraging those already on welfare to find jobs and discouraging welfare entrance by reducing the incentive to go on welfare in the first place. The AFDC program as it was structured, however, encouraged welfare dependency. Under AFDC an eligible family was entitled to an income from welfare as long as it had a child under the age of 18 present in the home. Although the cash benefit provided by the program was usually modest, it was enhanced over the years by the addition of non-cash benefits—food stamps, Medicaid, housing subsidies, WIC benefits. Moreover, no demands were put on the adult recipient to work.

AFDC was started in the 1930s when few women with children worked and was intended to lend assistance when the father's support was lost through death or disability. Eligibility then and now has been based on both family structure and income; and the composition of the caseload has been mostly made up of female-headed families with children under the age of 18. But over the years the reason for lack of the father's support changed and the vast majority of cases became eligible as a result of having had no marriage tie.¹

The growth of the AFDC caseload was likely to have been influenced by many factors—demographic, economic, cultural and programmatic. However, the financial incentive of a guaranteed income with no work requirement was clearly important. The welfare caseload grew explosively during the late 1960s and 1970s as welfare benefits were enhanced and eligibility liberalized.² The increase in the number of single-mother families was an important force sustaining caseload growth. A key issue, however, is the extent to which the AFDC program encouraged the formation of single-mother families, particularly those formed as a result of out-of wedlock childbearing by teenage girls.

The main policy response to AFDC caseload growth over the years was a series of initiatives providing employment and training programs for welfare recipients. The hope was to encourage caseload reduction by enhancing the skills and therefore the potential earnings of welfare recipients. In addition, new financial incentives to work were provided by “disregarding” a portion of earnings in determining financial eligibility. But these programs never proved effective because they provided no real incentive to leave welfare for work.³

The 1996 welfare reform brought a radical change to welfare, building on experiments begun under AFDC waivers in a number of states. Under the new law, welfare is no longer an entitlement either in terms of its financing or its philosophy. As its name suggests, TANF (Temporary Assistance to Needy Families) is intended to serve as a temporary helping hand. TANF benefits are restricted to a lifetime limit of five years and all adult recipients must fulfill a strict work requirement. It is no longer possible for a single mother to count on guaranteed long-term income support without any work responsibilities. The choice of being on welfare is ultimately eliminated and work responsibilities limit discretionary time.

The discussion that follows reports on the changes that have occurred in single mothers' welfare and work participation, their earnings and income, child poverty and the relation between those outcomes and welfare reform.⁴

Changes in Welfare Participation and Work Participation

Figure 2 depicts the dramatic decline in welfare participation and rise in the work participation of single mothers after the introduction of welfare reforms (indicated by the line showing the percentage of single mothers exposed to state welfare waivers prior to the implementation of TANF and then to TANF, which was universally implemented by the start of 1998). The pattern of change suggests that the economy alone is unlikely to have been the motivation for the changes after 1996. Welfare

¹Dave M. O'Neill and June E. O'Neill, “Lessons for Welfare Reform: An Analysis of the AFDC Caseload and Past Welfare-to-Work Programs,” W.E. Upjohn Institute for Employment Research, Kalamazoo, Michigan, 1997.

²O'Neill and O'Neill. *Ibid.* (Ch.2).

³There is reason to believe that the disregards actually increased the caseload. O'Neill and O'Neill, *ibid.*

⁴The research reported on here is based on a series of Civic Reports published by the Manhattan Institute, suitably updated: June O'Neill and M. Anne Hill, “Gaining Ground? Measuring the Impact of Welfare Reform on Welfare and Work,” Civic Report #17, July 2001; June O'Neill and M. Anne Hill, “Gaining Ground, Moving Up: The Change in the Economic Status of Single Mothers Under Welfare Reform,” Civic Report #35, March 2003; June O'Neill and Sanders Korenman, “Child Poverty and Welfare Reform: Stay the Course,” Civic Report #44 December 2004.

participation only slightly declined and work participation only slightly rose during the expansion of the 1980s and then reversed course during the weaker economy of the early 1990s. With the improvement of the economy aided somewhat by the implementation of state waivers after 1992, welfare participation again began to decline and employment to rise. But the changes after the implementation of TANF are of much larger magnitudes than had been seen before. The welfare participation rate dropped from 34% in 1995 to 10% in 2001 and has since remained at about that level.⁵ The percent employed rose from 61% in 1995 to 73% in 2000. With the weakening in the economy after 2000, the percent employed declined to about 69% in 2003 and has remained at about that level through 2005. That is still a remarkable change from 1995 when the unemployment rate was 5.6%, about the level of the past three years.

Single mothers with weak work related skills and other deterrents to labor market success have always had the highest rates of welfare participation. It was commonly thought that these women would lag behind as they were expected to have the greatest problems finding and keeping jobs. Yet disadvantaged groups have experienced larger declines in welfare participation and larger increases in work than more advantaged single mothers. In the decade before the 1996 reform more than half of single mothers who are high school dropouts were typically on welfare; by 2004, only 19% were on welfare—more than a 60% decline. At the same time, the employment of these women rose sharply. Only about a third of single mothers who were high school dropouts were employed before the reform. In the last three years close to half were employed.

The trends in welfare and work participation by race are shown in Figures 3 and 4. In the years before welfare reform, black and Hispanic single mothers were much more likely to be on welfare than white non-Hispanic women. The decline in their welfare participation after reform was huge, narrowing the racial difference. The gains in employment made by black and Hispanic mothers are equally impressive. Between 1995 and 2005, Hispanic single mothers increased their employment participation by 17 percentage points (from 47% to 64%); black single mothers increased their employment rates from 55% to 65%. Single mothers who are white and non-Hispanic increased their employment rates over the same period by only four percentage points—from 69% to 73%. But their employment participation had always been higher and their exposure to welfare lower.

Earnings and Income

How has the large exodus from welfare influenced the economic well being of single mothers? Do they earn enough to compensate for the loss of welfare benefits? Women on welfare typically have less education than the general population, and if they have been on welfare for a number of years and have little work experience they are likely to start with low wages when they do go to work. Yet despite the influx of former welfare recipients into the workforce of single mothers, the average hourly earnings of single mothers did increase moderately after 1995 (Fig. 5). Among all single mothers ages 18–44, the hourly wage increased by 7% after adjusting for inflation. Among single mothers with the least education—high school dropouts—the real wage increased by 4%.

The Earned Income Tax Credit (EITC) is an important supplement to the incomes of low wage earners. The total cash income of single mothers including enhancement from the EITC increased by 12 % between 1995 and 2004 after adjusting for inflation, even though the percent receiving welfare declined from 29% to 10% (Table 1). Single mothers also receive non-cash benefits and many live in a household with a partner or relatives. These other sources greatly increase the resources available to single mothers. In 2005 the comprehensive measure of income—what I call “full income” added 70 percent to the mother’s own cash income (line 5 of Table 1).

Among single mothers who were high school dropouts the percent receiving welfare benefits declined sharply and the percent receiving earnings rose from 48% in 1995 to 59% in 2004. Also as shown in Table 1, their total cash incomes including the EITC increased by 10% in real terms over the 1995–2004 period. Again, their cash incomes were substantially enhanced by non-cash benefits and by income from partners or others with whom they shared a household.

⁵The rise in 2003 to 12.6% was undoubtedly influenced by the recession and likely reflects receipt of state funded public assistance as well as TANF. The welfare participation rate is based on receipt of welfare or cash public assistance reported to the census. The caseload data shown in figure 1 are based on the number of recipient families on the AFDC/TANF caseload as shown on state administrative records

Child Poverty

The poverty rate of children in single-mother families has always been higher than the poverty rate of children in married couple families, in part because of the obvious fact that married couples potentially, and nowadays mostly, have two earners (Figure 6). In addition, the relative dependence of single mothers on welfare for a long time meant that a major source of the cash income of single mothers was a relatively low benefit that was unlikely to grow with the economy. During the 1980s and early 1990s the poverty rate of children in single mother families was close to 50% compared to about 10–12% for children in married couple families. Starting in 1994, the poverty rate of children in both kinds of families began to decline with the onset of economic recovery. But this time the poverty rate of children in single mother families fell more rapidly, narrowing the gap in poverty between the two groups of children. Between 1995 and 2000 the child poverty rate for those in single mother families declined from 43% to 33%. With the weakening of the economy the poverty rate of children in single mother families increased to 35% in 2003 and rose a bit more in 2004, but still remains well below the child poverty rate that prevailed in the pre-TANF period.

In evaluating poverty rates it is important to note that the way income is measured substantially affects the rate. Figure 6 shows poverty calculated two ways. One is based on a definition of income that counts only the cash income of the household. The other is based on “full household income,” a measure that includes the EITC and the value of non cash benefits and also deducts tax payments. The percentage of children in poverty is considerably lower based on the full income definition, particularly for children in single mother families.

The poverty rates of black and Hispanic children have long been considerably higher than the poverty rates of white non-Hispanic children in part because of lower earnings of parents but also importantly because of the higher proportion of single mother families and their greater reliance on welfare. The sharpest declines in child poverty have been among black and Hispanic children (Table 2).

The Contribution of Welfare Reform

The close association between the enactment of the 1996 reforms and the ensuing decline in welfare participation, the rise in the employment of single mothers and the decline in child poverty point to the reform as a prime mover in these trends. The particularly pronounced changes in these outcomes for groups with greater welfare participation reinforces the point. The fact that the recession that began after 2000 did not erode these gains strongly suggests that the economy was not the main reason for the changes, although it undoubtedly was a contributing factor. It is difficult statistically to estimate the effect of a program change over time. Nonetheless, I and others have conducted analyses to estimate the contribution of reform, the economy and other forces to the various outcomes of concern. Although the estimates vary, most find that reform has been a major force.⁶

Concluding Thoughts

By reducing welfare participation and increasing work participation, the 1996 welfare reform has succeeded in connecting a significant number of single mothers with the mainstream culture. In addition to increasing family income, one hopes that the broader knowledge and experience that comes from work, will help these mothers become better role models for their children, thereby improving their life chances. Mothers who struggle with work are more likely to see the rewards from persistence in school and appropriate behavior, and provide wiser guidance to their children.

It is difficult, however, to care for a family as the lone provider and caregiver. One of the outcomes that many have hoped would emerge from welfare reform is an increase in marriage and decline in out-of-wedlock childbearing as the marriage alternative of long-term government support was significantly weakened. A surge in marriage has not occurred, though the increase in female-headed families has abated.

Most encouraging though is the sharp decline in teen birth rates, which fell by 33% between 1991 and 2004 (by nearly 50% for black teenage girls). Women with an out-of-wedlock first birth as teenagers have had a high probability of going on welfare and of becoming welfare dependent.

The rise in out-of-wedlock-births and the welfare culture that was at the center of the underclass did not occur overnight. I remain optimistic that welfare reform

⁶See the review in Rebecca Blank, “Evaluating Welfare reform in the United States,” *Journal of Economic Literature*, Vol. 40, No.4, 1105–1166. Dec. 2002.

will spur a reversal of those trends. The recent spread of enthusiasm for reform in children's education should be helpful along those lines as well.

Figure 1: Total Families Receiving AFDC/TANF, Years 1936-2006 *

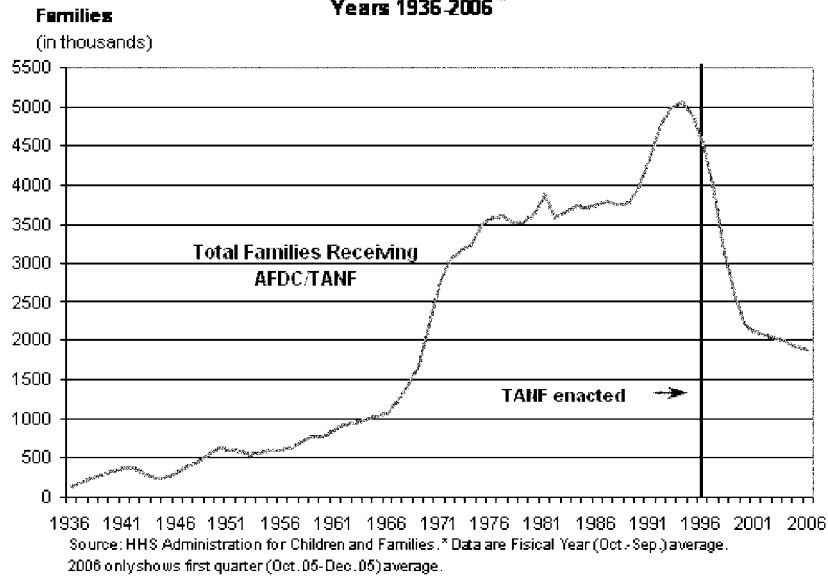


Figure 2: Single Mothers Reduced their Welfare Participation and Increased their Work Participation as their Exposure to Welfare Reform Grew

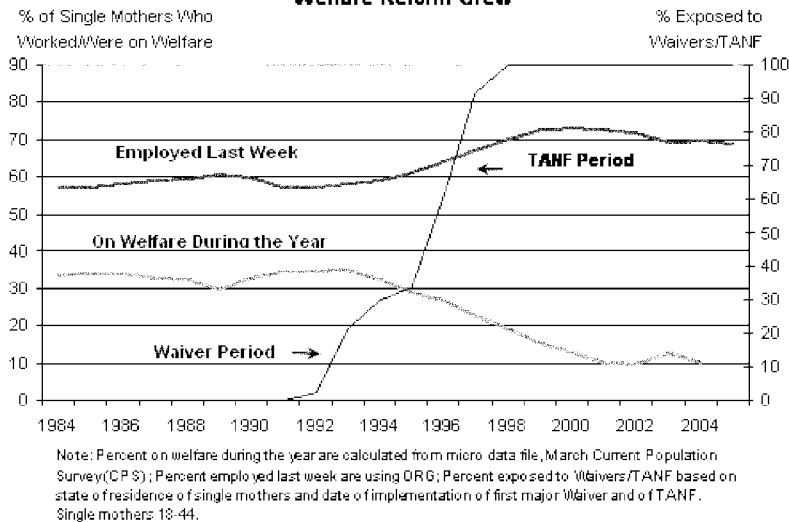


Figure 3: Welfare Participation Has Declined for All Race-Ethnicity Groups But the Decline is Larger for Black and Hispanic Mothers

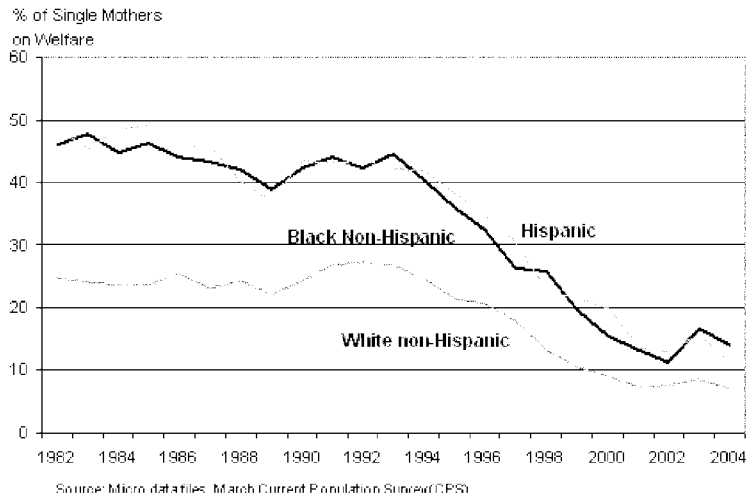


Figure 4: Percent of Single Mothers Employed Last Week by Race

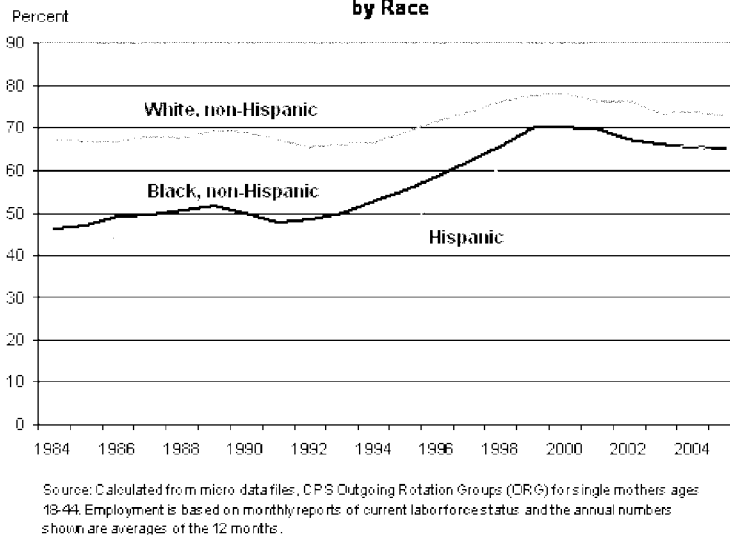


Figure 5: Mean Hourly Wage of Single Mothers: All Single Mothers and Single Mothers Who Are High School Dropouts

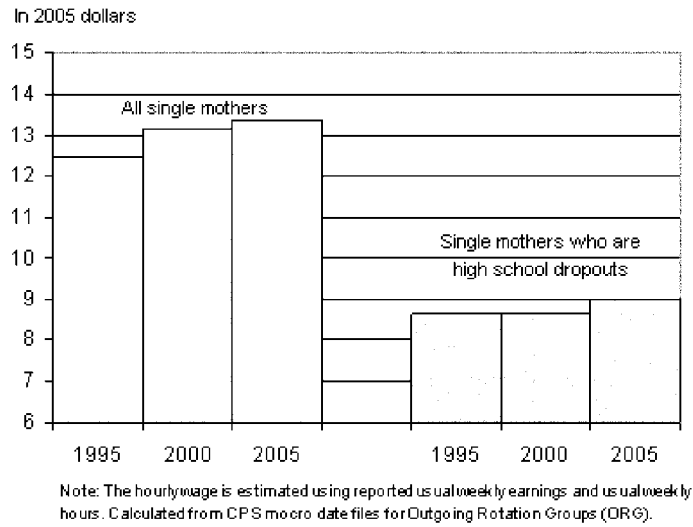


Figure 6: Poverty Status of Children in Single Mother Families and Married Couple Families Under Different Definitions of Poverty

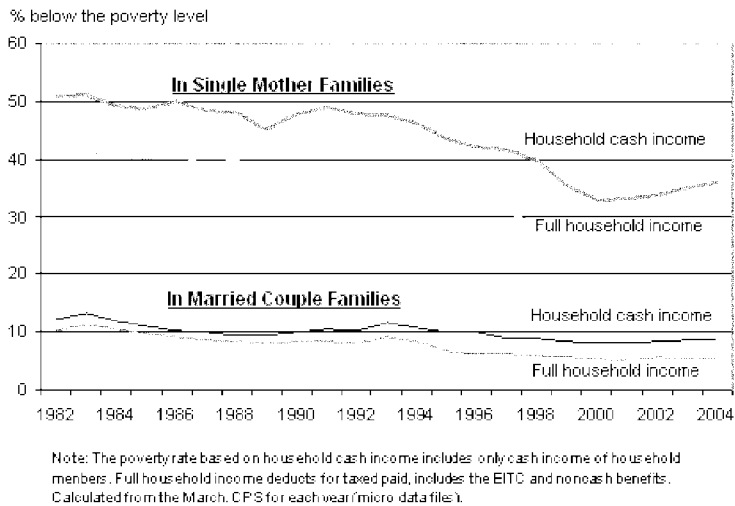


Table 1
Changes in Sources of Cash Income of Single Mothers and
Changes in Their Total Cash Income and in Their
Full Household Income
(income in 2005 dollars)

	All Single Mothers			Single Mothers Who Are High School Dropouts		
	1995	2000	2004	1995	2000	2004
Percent receiving income from source:						
Earnings	72.8	83.6	75.6	49.7	67.9	58.5
Welfare	28.8	12.9	10.1	47.8	25.9	18.7
Mother's own cash income plus EITC	20,741	25,038	23,320	10,730	13,417	11,789
Full household income after taxes, including cash income, EITC and noncash income¹⁾	35,195	39,862	40,301	27,175	29,003	29,088

¹⁾ We use the estimates of taxes and the EITC provided in the CPS. Noncash income is based on Census Bureau valuations of the following: employer contribution for health insurance, market value of housing subsidy, food stamps and school lunch, fungible value of medicare and medicaid, and the amount of energy assistance.

Source: Calculated from micro data files, March CPS.

Table 2
Percent of Children in Poverty by Race

	1990	1993	1995	2000	2004
Household cash income only					
Total	19.4	21.3	19.1	14.5	16.1
Black, non-Hispanic	42.8	44.1	39.4	28.5	32.2
Hispanic	36.8	39.3	37.9	26.0	26.6
White, non-Hispanic	11.3	12.4	9.8	8.0	8.9
Total household income after-tax including cash and noncash income¹⁾					
Total	15.7	17.3	13.8	10.3	11.3
Black, non-Hispanic	33.3	36.2	28.9	20.7	23.8
Hispanic	29.4	30.3	28.1	18.7	18.4
White, non-Hispanic	9.6	10.2	6.7	5.5	6.1

¹⁾ See footnote to Table 1.

Mr. SHAW. Thank you, Dr. O'Neill. Ms. Parrott.

STATEMENT OF SHARON PARROTT, DIRECTOR, WELFARE REFORM AND INCOME SUPPORT DIVISION, CENTER ON BUDGET AND POLICY PRIORITIES

Ms. PARROTT. Good afternoon, Mr. Chairman and Members of the Committee, and thank you for this opportunity to appear before you today.

I am Sharon Parrott, and I am the director of welfare reform and income support policy at the Center on Budget and Policy Priorities. The center is a nonpartisan research and policy organization here in Washington.

The last decade has seen significant changes, both positive and negative, in the system of supports for low-income families with children. Many of the successes have been detailed by other panelists, so in my limited time I will concentrate on some of the more troubling trends, because those are an important part of the story and framework for future improvements.

I will make three key points. First, the effects of the 1996 welfare law have been more mixed than many people may realize. Second, States adopted some policies that promoted work and others that restricted poor families' access to assistance. Finally, there are steps Congress can and should take that could help ensure that fewer families are left behind.

Point one: The traditional story told about TANF—caseloads fell, employment rates rose, child poverty fell—is incomplete. Throughout the nineties, TANF caseloads and child poverty did both fall. The reasons for this are varied. Welfare reform was certainly one piece of the story, as was the strong economy and the expansions in those work supports that both Dr. Haskins and Governor Thompson talked about this morning. After 2000, when the economy fell into recession and the labor market softened, unemployment rose, and child poverty, including deep child poverty, children living below half the poverty line, increased.

During that period, though, TANF caseloads continued to fall. This meant an increasing number of very poor families with children did not receive TANF assistance or the employment-related help that should come with that assistance. The TANF program now serves a much smaller share of the families that are poor enough to qualify to receive it as compared to the former AFDC program.

In the mid-nineties, 80 percent of families poor enough to qualify for AFDC and meet the other eligibility requirements participated in the program. In 2002, just 48 percent of families poor enough to qualify for TANF under their State's eligibility rules received that assistance. As a result, a growing number of single mothers now fall into a no work and no welfare category.

In fact, and this key point is not widely understood, more than half of the decline in the number of families receiving TANF reflects a drop in TANF receipt among families poor enough to qualify for it, rather than a drop in the number of families poor enough to qualify for TANF.

Now my second point. Over the past decade States have adopted a number of generally positive TANF-related policies that promote work. These include expanding welfare-to-work programs, adopting make-work-pay policies, and expanding child care assistance, as well as improving the collection of child support.

States also have adopted some policies that restrict poor families' access to assistance, such as making it difficult for families to complete the application process and aggressive sanctioning of families off of TANF when they don't meet program requirements.

Now, what is important about the sanctions story is that research has consistently shown that a significant share of those sanctioned have serious barriers to employment that are impeding their ability to meet program requirements. These are not, the research tells us, primarily families that are thumbing their noses at requirements, but families with serious problems that aren't getting the help they need.

Unfortunately, the inflexible nature of the TANF requirements in the recent Deficit Reduction Act and restrictive new regulations increases the risk that States will adopt new strategies for reducing TANF caseloads rather than reducing need.

Simply stated, the cheapest and easiest way for a State to meet the new work requirements is to help fewer poor families. States may or may not act accordingly, but the incentive is quite clear.

A recent report by Mathematica Policy Research, Incorporated, provides new information about the problems faced by the families left behind by welfare reform. This was a study of long-term TANF recipients in St. Paul, Minnesota, and it found that a large share of these recipients had low levels of basic cognitive functioning, IQs of less than 80, as well as high rates of serious mental and physical health problems, and very little education. Some parents could not read simple words, some could not lift a gallon of milk, some could not leave their homes due to anxiety disorders or had debilitating bouts of depression, and some were unable to follow simple instructions or tell time.

In many cases, parents with these kinds of problems around the country have been terminated from the TANF program. If we are serious about ensuring that children's basic needs are met, then the very real limitations of some of the poorest parents in our country, as well as their capabilities, will have to be addressed. States will need both resources and flexibility to do the right thing.

The final point I would leave you with is that there are steps the Federal Government can and should take to ameliorate some of the negative consequences of the 1996 law that will not undermine some of the positive effects the law has had.

Most States clearly do not think that the Deficit Reduction Act and the new TANF regulations give them the flexibility they need to create appropriate employment programs for those hardest to serve. It is not too late to revisit the inflexible nature of these Federal rules, or, at the very least, monitor their impacts closely.

Congress also can promote welfare reform goals by improving other supports outside of TANF, including the unemployment insurance system, so low-wage workers can qualify; and doing more to provide work supports, like child care, health care, and housing assistance; and expanding training opportunities, as Governor

Thompson talked about, for both low-skilled mothers as well as men.

Finally, the 1996 law's treatment of legal immigrants was quite troubling. I want to commend to the Committee H.R. 899, a bipartisan bill introduced by Representatives Cardin and English, which would provide a modest extension of the SSI eligibility period for refugees and other humanitarian immigrants who are elderly or have serious disabilities. The 1996 law set an artificially short deadline for refugees to naturalize, one that is particularly inappropriate in a post-9/11 world.

Thank you again for the opportunity to testify today.
[The prepared statement of Ms. Parrott follows:]

Statement of Sharon Parrott, Director, Welfare Reform and Income Support Division, Center on Budget and Policy Priorities

Good morning, Mr. Chairman and Members of the Committee, and thank you for this opportunity to appear before you today.

My name is Sharon Parrott, and I am the Director of Welfare Reform and Income Support Policy at the Center on Budget and Policy Priorities. The Center is a non-partisan research and policy organization based in Washington, D.C. I have researched and analyzed welfare reform issues for more than 12 years. In addition to my work at the Center, in 1999 I was detailed for almost two years to the District of Columbia's Department of Human Services, where I helped to implement the 1996 welfare law and was able to get a first-hand look at the opportunities and challenges that the law created.

The 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) established the Temporary Assistance for Needy Families block grant, changed the way in which child care assistance was financed, created new tools for collecting child support owed to families and changed how child support collections are distributed, and made a set of cuts in other low-income programs, including the Food Stamp Program and the Supplemental Security Income program. Over the past ten years, a number of changes have been made to these provisions. Some (though certainly not all) of the cuts in benefits to certain legal immigrants have been restored; some cuts to the Food Stamp Program have been reversed; regulatory changes have been made that reduced the number of children who could have lost SSI benefits under the 1996 law; and the recent Deficit Reduction Act has made important changes to TANF in reauthorizing the program.

The impacts of all of these aspects of the 1996 law are important and worthy of discussion, but this hearing—and this testimony—focus on the impact of the TANF-related aspects of the legislation. This testimony discusses four areas:

- **Trends in TANF caseloads, employment rates, and poverty:** It is widely known that TANF caseloads have dropped dramatically since 1996. It is not well known that more than half of this drop reflects a sharp decline in TANF receipt among eligible families, rather than a decline in the number of families poor enough to qualify for TANF. TANF caseloads have continued to decline since 2000, despite increases in poverty and deep poverty (families living below half of the poverty line) and declines in employment among single mothers that have occurred since 2000. In other words, TANF has become less effective at serving those who are eligible for the program and need help both in making ends meet and preparing for employment.
- **The choices states have made in their TANF programs:** Under TANF, states have adopted various policies to promote employment among single mothers. These include new employment and training activities, income-disregard policies that help “make work pay,” expanded work supports (most notably child care assistance), and improved child support enforcement. Some of these policies also benefited low-income families not receiving TANF benefits, helping them remain employed and off of TANF. Some states also have adopted policies and procedures that have served to restrict poor families' access to assistance, including aggressive sanction policies and policies that make it difficult for families to apply for assistance.
- **How families that find employment, and those that do not, are faring:** In part as a result of TANF, employment rates among single mothers are higher today than in the mid-1990s (though they have fallen in recent years). Most TANF recipients who find jobs are financially better off than when they were

on TANF. However, most earn low wages and experience periods of joblessness. Many other families are unable to move from welfare to work; some join the growing group of poor families that have neither jobs nor assistance from TANF or another income support program. Research shows that a large share of families that are unable to move from welfare to work have serious barriers to employment, including significant physical and mental disabilities.

- **Next steps for improving outcomes for families and children:** Many of the TANF provisions included in the Deficit Reduction Act (DRA) passed earlier this year could exacerbate the decline in TANF participation among eligible families and further increase the number of poor families with neither a job nor income support. The DRA gives states a strong incentive to assist fewer families—especially the families that most need help, those with barriers to employment—because it raises states’ work participation targets while simultaneously narrowing the range of welfare-to-work activities that can be counted toward those targets. These restrictions will make it considerably harder for states to design welfare-to-work programs tailored to recipients’ needs.

Congress can take a number of steps to ameliorate the DRA’s potential negative effects and address some of the disturbing trends that have emerged over the last decade. It can revisit some of the detailed rules related to the work participation rate and, in particular, give states more flexibility in designing welfare-to-work activities. Congress also can take steps to require that state TANF programs are measured not only by how well they engage recipients in work activities, but also by how well they provide a safety net for the most vulnerable children. Congress also can strengthen work supports such as child care assistance and health care, change Unemployment Insurance rules so that more low-wage workers qualify, invest in building workers’ skills, and raise the minimum wage. And, Congress should modify the punitive time limit on SSI assistance that the 1996 law imposed on extremely poor refugees and asylees who are either elderly or have serious disabilities.

This testimony focuses primarily on TANF programs (and programs funded with maintenance-of-effort [MOE] funds) that provide basic income assistance to poor families with children. It is important to note, however, that the TANF block grant and associated MOE funds are used to fund a broad array of human service programs, including child care and other work supports, services to abused and neglected children and families at risk of abuse and neglect, youth development programs, and more. Nationally, spending on cash assistance and welfare-to-work programs comprised just 41 percent of overall TANF and MOE spending in 2004 (the last year for which data are available). While the federal rules for programs that provide TANF or MOE-funded income assistance to low-income families with children are very detailed, there are few rules and little oversight on how states spend TANF and MOE resources in other areas. A discussion of the issues related to how TANF and MOE funds are spent in other program areas is outside the scope of this testimony, however.

Trends: Caseloads, Employment, and Poverty

Most discussions of TANF focus on three sets of trends—the decline in the TANF caseload, the increase in employment rates of single mothers during the 1990s and the subsequent decline in employment rates since 2000, and the decline in child poverty during the 1990s and the subsequent increase in poverty since 2000.

While important, these three sets of trends miss important additional information about the functioning of the TANF program and the impacts on low-income families over the last decade. Examining a broader set of indicators reveals these important facts:

- *Child poverty fell during the 1990s, but has increased significantly in recent years as has the number of children living below half the poverty line.* This suggests that a combination of economic factors and benefit policies have resulted in worsening conditions for the poorest families with children in recent years. This trend also suggests that the TANF program is not serving as an effective bulwark against deep poverty for many families. Overall child poverty remains lower today than in the mid-1990s.
- *Employment rates among single mothers are higher today than in the mid-1990s, but they have fallen in recent years.* This shows that both public policies and the broader labor market are both important factors affecting the employment rate for this group.
- *TANF programs now serve a smaller share of very poor families than were served in the former AFDC program.* This means that there is a growing number of poor families in which the parent is not working and the family is receiving neither income assistance nor help in finding employment through TANF.

Indeed, more than half (57 percent) of the decline in the number of families receiving assistance through AFDC or TANF since 1996 is attributable to the decline in the proportion of families eligible for assistance who are served by TANF, rather than to a decline in the number of families poor enough to qualify for TANF.

The following is a more detailed description of the important trends related to employment rates, caseloads, and poverty:

- **Caseloads:** As has been well documented, the number of families receiving assistance (in either a TANF—or MOE-funded program) has fallen dramatically since 1994. Caseload decline began prior to the enactment of PRWORA and accelerated after the enactment of PRWORA.

Caseloads continued to fall after 2000, even as poverty—and deep poverty—among children began to rise. Between 2000 and 2004, the number of children living in families with cash incomes below half of the poverty line increased by 758,000, while the number receiving assistance through TANF or MOE programs *fell* by 509,000. In other words, at a time of rising need, states' TANF programs were assisting *fewer* children.

- **Employment rates:** Employment rates among single mothers rose during the late 1990s, from 61.7 percent in 1995 to 73 percent in 2000. Since 2000, though, employment rates among this group have fallen, reaching 69.1 percent in 2005.
- **Poverty:** Child poverty overall and poverty among single mother families fell during the 1990s. In 1993, some 22.5 percent of children were poor according to the official Census definition of poverty; in 2000, child poverty stood at 15.9 percent. After 2000, however, poverty began to rise. In 2004—the latest year for which data are available—child poverty had risen to 17.5 percent, still below its levels in 1993 and 1996, but significantly above its 2000 level. Between 2000 and 2004, an additional 1.4 million children fell into poverty.
- **Deep poverty:** In recent years, the number of children living below half of the poverty line has increased substantially. Between 2000 and 2004, the number of children with cash incomes below one-half of the poverty line increased by 758,000. These are the families that could most benefit from TANF assistance programs and associated welfare-to-work programs, but as the number of children living in these very poor families increased since 2000, the number of children receiving TANF (or MOE funded) assistance declined. (Even when other noncash benefits such as food stamps are counted, the number of children in families with incomes below half the poverty line increased substantially over this time period.)
- **Proportion of families eligible for TANF assistance who receive aid:** Since the 1996 law was enacted, the proportion of families eligible for state TANF assistance that actually receive assistance has fallen dramatically. During the first half of the 1990s, data from the Department of Health and Human Services (HHS) show that more than 80 percent of families that met the eligibility criteria for the former AFDC program received assistance through that program. AFDC's participation rate had remained at about this level since at least 1981, the first year for which data are available. By 2002—the last year for which data are available—just 48 percent of families eligible for assistance received help through TANF or a separate MOE-funded state program.¹

This is a dramatic change. It means that *fewer than half* of the families that are poor enough to qualify for TANF—which, in most states, means that the family has income well below the poverty line—actually receive assistance from the program. Very poor families that do not receive TANF miss out not only on the income assistance that could help these families meet their children's basic needs, but also on programs that could help them prepare for and find employment.

The decline in the proportion of families eligible for TANF that receive assistance from the program is a significant factor behind the decline in the TANF caseloads. In fact, if TANF programs continued to serve the same proportion of eligible families that they did in the mid 1990s, the number of families receiving TANF (or aid through an MOE-funded program) would stand at roughly 3.2 million, rather than the current levels of roughly 2 million.

Stated another way, more than half—57 percent—of the decline in TANF caseloads since 1996 is due to a decline in the extent to which TANF programs serve families that are poor enough to qualify, rather than to a reduction in the number of families

¹U.S. Department of Health and Human Services, *Indicators of Welfare Dependence 2005*, http://aspe.hhs.gov/hsp/indicators05/ch2.htm#ch2_4.

who are poor enough to qualify for aid. Despite this dramatic change, little research has been done to understand why the change occurred and what it means for poor families and children.

- **Single-mother families that are jobless and not receiving TANF (or MOE) assistance:** As the proportion of very poor families that receive assistance through TANF programs has fallen in recent years, the number of single-mother families that are jobless and are not receiving TANF benefits has increased markedly. A recent Center analysis of TANF administrative data and Department of Labor data suggests that the average monthly number of single mothers who are neither employed nor receiving assistance through TANF increased by more than 1 million from 1995 to 2002. Similarly, annual Census survey data show a rise in jobless single mother families that do not receive assistance through TANF, Supplemental Security Income, Unemployment Insurance, or Social Security. Even after adjusting for the known problem of the undercounting of TANF and unemployment insurance recipients in the Census data, the number of single mothers working less than half the year and receiving no assistance from these income support programs increased by more than 700,000 between 1995 and 2004.

The Role of TANF and other Factors

The trends discussed above have no single cause. Several researchers have tried to disentangle the causes of the rise in employment rates and declines in TANF receipt among single mothers during the 1990s. Most have concluded that a combination of factors contributed to the increased employment rates, including the strong labor market, TANF policies, improved work supports such as increased child care assistance, a strengthened EITC, and the expansion of Medicaid and SCHIP to children in low-income working families. Determining the relative importance of each factor and the synergy among them has proven difficult, but conservative and progressive researchers alike typically ascribe less than half of the increase in employment rates to TANF-related policies.² (The ways in which TANF programs promoted work is discussed in more detail below.)

Similarly, the poverty trends discussed above—including both the reduction in child poverty in the 1990s, the rise in child poverty since 2000, and the increase in children in single-mother families living below half the poverty line—have multiple causes. These include the broader labor market and the effectiveness of assistance programs such as TANF, food stamps, EITC, the Unemployment Insurance program, and SSI in reducing the extent and depth of poverty.

The importance of work-promoting policies outside of TANF—such as the expansions of the EITC in 1990 and 1993, the Medicaid and SCHIP expansions of the late 1980s and 1990s that enabled parents to leave welfare for work without jeopardizing their children's health care coverage, and increased support for child care assistance (through both CCDBG and TANF funding)—should not be underestimated. These policies created an environment where work was rewarded and supported. Unfortunately, progress on this “make work pay” agenda has stalled in recent years. Funding shortfalls have resulted in a *contraction* of child care assistance, state and federal law changes may make health care for children in low-income working families less, rather than more, available, and the real value of the minimum wage now stands at its lowest level since 1955.

While TANF's role in some of the other recent trends—such as the extent to which families that are poor enough to qualify for TANF do not participate in the program—is easier to determine, it is not entirely clear which state programmatic choices have led to this trend. Many TANF programs now send a clear signal to applicants and recipients that the program is temporary and that they should do everything they can to find jobs and stay off the program. Some states discourage families from applying for assistance, place requirements on families before their TANF application can be approved, quickly terminate assistance to families for missing appointments with caseworkers or not completing paperwork, and/or end assistance to families that do not meet work or other requirements. Such policies and procedures can reduce the extent to which eligible families receive assistance from TANF.

²See, for example, “The Effects of Welfare Policy and the Economic Expansion on Welfare Caseloads: An Update,” Council of Economic Advisors, August 3, 1999, <http://clinton4.nara.gov/WH/EOP/CEA/html/welfare/nontechv3.html>; Gary Burtless, “The Labor Force Status of Mothers Who Are Most Likely to Receive Welfare: Changes Following Reform,” Brookings Web Editorial, March 30, 2004; and “The Past and Future of Welfare Reform,” by Douglas Besharov, the Public Interest, Winter 2003.

State TANF Policies Designed to Help Families Move from Welfare to Work

While work participation had long been required of many welfare recipients under AFDC, TANF brought a renewed emphasis that recipients were required and expected to participate in work activities. The work participation rates in the 1996 law spurred states to revamp their welfare-to-work programs. While the caseload reduction credit (which reduced the work participation rate that a state was required to meet) ultimately meant that the participation rates were not difficult for states to achieve, state employment and training programs often were designed around meeting the work rates and achieving caseload reduction.

States sought to enforce a strong work message and help families find work in several ways: through employment and training activities, policies that “make work pay,” supportive services that helped make work possible for many families (most notably child care assistance), and improved child support enforcement (which helped some families leave TANF due to a combination of earnings and child support). Some of these policies, such as expanded child care assistance and improved child support collections, also benefited low-income families *not* receiving TANF benefits, helping them remain employed and off of TANF.

- **Employment and training activities:** States increased their employment and training activities under TANF, although state investments were still limited—states spent less than 10 percent of federal TANF and state MOE funds on work-related programs in FY 2004, according to HHS data. Some states developed innovative programs to help those with the greatest barriers to employment prepare for and find jobs and to help recipients build their skills so they could secure more stable employment, with better wages and advancement opportunities. Others did little in these areas, focusing their programs on a narrow set of job search activities.
- **Making work pay:** Under AFDC, when a parent found a job the family’s AFDC benefit was soon reduced nearly dollar-for-dollar to offset the increased earnings. This meant that few AFDC recipients were employed, because even very low earnings made a family ineligible. Under TANF, in contrast, nearly all states expanded their earnings disregard policies (many had done so through waivers even before the 1996 law was passed) so that more families could work without losing eligibility for cash welfare, although families still lose eligibility in many states when their earnings reach very low levels.

Research has shown consistently that expanded earnings disregards improve employment outcomes for TANF recipients. Moreover, evaluations by the research institute MDRC show that the only welfare-to-work programs that consistently improve employment outcomes, reduce poverty, *and* improve children’s education outcomes are those that increase assistance to working families. The increased earnings disregards states put in place are one reason that among TANF recipients engaged in work activities, the most common activity they are participating in is private employment.

It is important to note that the make-work-pay policies that states adopted in their TANF programs supplemented a much large set of make-work-pay policies initiated at both the federal and state levels, such as Medicaid and SCHIP expansions and expansions in the EITC, discussed above.

- **Child care and other work supports:** The total amount spent on child care assistance for both TANF recipients and low-income working families increased substantially in the years following the enactment of PRWORA, though this progress has stalled in recent years. In 1997, some \$4 billion was spent on child care. This increased to \$11.9 billion in 2004. (The amount spent on child care actually peaked in 2003 and then declined somewhat as states began to reduce the amount of TANF spent on child care.)³

States increased child care assistance primarily for families *not* receiving TANF cash assistance. (Prior to the 1996 law most states provided child care assistance to AFDC recipients who were working or in employment programs.) Increasing the availability of child care to low-income working families—those who had recently left welfare for work as well as those who had not recently received TANF—helped those families retain employment. Research has shown that child care assistance

³These figures reflect nominal spending on child care and are not adjusted for inflation. If the figures are adjusted for inflation, the real increase in child care spending over this period totals more than 150 percent.

improves employment outcomes and can help families stay employed and off welfare.⁴

In addition to child care, some states provided other forms of work supports to families transitioning from welfare to work and other working-poor families. These supports, which included transportation assistance, help purchasing a car, and one-time help to cover work expenses such as new uniforms, were less widely available and extensive than child care assistance programs.

- **Improved child support enforcement:** As noted above, PRWORA made important changes to the child support enforcement program that significantly enhanced states' ability to collect child support from noncustodial parents. A report by the Center for Law and Social Policy summarized the results:

Child support collection rates have more than doubled since 1996, when Congress overhauled the program as a part of welfare reform. In 2004, 51 percent of families in the child support program received child support, up from 20 percent in 1996. Collected dollars increased from \$12 billion to \$22 billion. This amounts to an 82 percent increase in collections, despite an 18 percent decline in the child support caseload.⁵

The improvement in child support collections has enabled some families to leave TANF and other families to avoid applying for TANF assistance. Research has shown, for example, that former TANF recipients that receive child support payments are less likely to return to TANF and that families that receive child support income have better employment outcomes.⁶

In addition to these policies, states also used time limits and sanction policies to limit assistance to families and to enforce work requirements. Research on time limits is surprisingly limited and may reflect the fact that caseload declines were driven largely by policies other than time limits. There is substantial research on sanction policies—both on their effectiveness at improving participation in required activities and on the characteristics of sanctioned families. While sanctions appear an important part of enforcing work requirements, there is no research to suggest that full-family sanctions—which most states have now adopted—are more effective than partial sanctions at gaining compliance with work requirements. And, as is discussed below, there is substantial evidence that a significant share of recipients who are sanctioned for failing to comply with program activities have barriers to participation that may be impeding their *ability* to comply.

How Families That Left Welfare for Work—and Families Left Behind—Are Faring

As discussed above, employment rates among single mothers have increased since the mid-1990s, and TANF policies and programs played a role in that increase. During the 1990s, HHS sponsored a series of studies of families that left TANF programs. Taken together, these studies showed that about three in five former TANF recipients were employed at any given time during the year after they left TANF, and about three-quarters worked at some point during that year. Only about one-third worked all four quarters of the year.

Wages of former TANF recipients were low—typically \$7 to \$8 per hour—but employed former recipients nonetheless had higher incomes than when they were on TANF. Most former recipients worked nearly full time in the months in which they were employed.⁷ Employed former recipients benefited from an expanded EITC and other work supports that were strengthened in the 1990s.⁸

Most recipients who left TANF and found jobs saw some wage advancement, but it was typically limited, and many experienced significant spells of joblessness after leaving welfare for work. Evaluations have shown that, designed properly, welfare-to-work programs that include strong job development and skill-building components can improve the likelihood that recipients find “better” jobs—that is, jobs that pay higher wages, provide some benefits, and offer opportunities for advancement.

⁴For a brief review of the research on the impact of child care assistance programs on employment, see, “Child Care Assistance Helps Families Work: A Review of the Effects of Subsidy Receipt on Employment,” by Hannah Mathews, Center for Law and Social Policy, April 2006.

⁵Vicki Turetsky, “The Child Support Program: An Investment that Works,” July 2005.

⁶Ibid.

⁷Gregory Acs and Pamela Loprest, “Final Synthesis Report of Findings from ASPE ‘Leavers’ Grants, Urban Institute, 2001.

⁸The HHS-sponsored studies of former recipients were completed prior to the economic downturn and the subsequent rise in poverty and decline in employment rates among single mothers. Given the recent declines in employment rates among single mothers, employment rates among former TANF recipients may also be somewhat lower now than in the late 1990s.

The highly successful welfare-to-work program evaluated in Portland, for example, was able to help recipients secure higher paying jobs that offered more opportunities for advancement than the jobs that recipients typically find. The Portland program was able to do this by working with recipients to identify their career interests and job skills, providing training opportunities to recipients that enabled them to secure occupational certificates for high-demand jobs, and linking job training and job search activities so recipients were pursuing jobs that matched their new skills.

Families Left Behind

While many families make the transition from welfare to work, others do not. Some of these families become part of the growing group of poor families that are jobless and do not receive assistance from TANF or another income support program, while other families continue to receive TANF over long periods of time. Some families cycle between periods in which they receive TANF, periods in which they do not receive TANF and are working, and periods when they are neither working nor receiving TANF assistance (or aid from another income support program).

Families that are sanctioned for failing to comply with TANF program rules (typically work program requirements) often become part of the “no work, no welfare” group, at least for a period of time. An extensive body of research has emerged to suggest that these families often have serious barriers to employment—including disabilities—that may limit their ability to meet program requirements. For example, a study of sanctioned families in Illinois and South Carolina by Mathematica Policy Research, Inc. found that recipients with mental and physical health problems, those caring for family members or friends with health problems, and those with less education were significantly more likely to be sanctioned than other recipients.⁹

Research also has shown that families whose benefits are terminated for non-compliance with program requirements often remain jobless; employment rates are much lower for sanctioned families than for families that left TANF for other reasons.¹⁰ Many families experience significant material hardships after being sanctioned off TANF. A Mathematica review of research on sanctioned families concluded, “Sanctioned recipients are more likely to experience material hardships than their non-sanctioned counterparts. Material hardships TANF recipients face include borrowing money to pay bills or falling behind on payments, not having enough food, problems paying for medical care, and experiencing a utility shut-off, among others.”¹¹

Research on long-term TANF recipients also sheds light on the characteristics of families that are not successfully making the transition from welfare to work. A recent in-depth study of long-term TANF recipients in St. Paul, Minnesota found that a large share of long-term recipients—those about to reach the 60-month time limit—had low cognitive functioning (defined as an IQ of below 80) and serious physical or mental health problems that limited their ability to hold a job. The problems documented by caseworkers were severe. One parent was unable to lift a gallon of milk because of health problems; another suffered from depression so severe that she was unable to maintain basic hygiene. Some parents had such low cognitive functioning that they could not read simple words, identify numbers, or tell time.¹² It is important to note that families with these characteristics sometimes are among the long-term TANF recipients and sometimes are part of the “no work, no welfare” group, depending on a particular family’s circumstances and the time limit, sanction, and other policies in place in the state.

Some states have developed innovative programs to help recipients with disabilities and other barriers move toward employment. Vermont’s TANF agency, for example, has partnered with the state’s vocational rehabilitation agency to develop a set of specialized services for TANF recipients with disabilities. At a recent meeting of the American Public Human Services Association, a state agency official from Vermont noted that programs exist that can help many TANF recipients with disabilities, but they take time and resources. She noted that recipients who participate in the vocational rehabilitation agency’s program spend an average of 15 months in the program; many require modifications to the standard TANF work requirements because of their disabilities.

⁹ LaDonna Pavetti, et al., “The Use of TANF Work-Oriented Sanctions in Illinois, New Jersey, and South Carolina,” Mathematica Policy Research Inc., April 2004.

¹⁰ For a review of this research, see “Review of Sanction Policies and Research Studies,” by LaDonna Pavetti, 2003.

¹¹ *Ibid.*, page 17.

¹² LaDonna A. Pavetti and Jacqueline Kauff, “When Five Years Is Not Enough: Identifying and Addressing the Needs of Families Nearing the TANF Time Limit in Ramsey County, Minnesota,” Mathematica Policy Research, Inc, 2006.

The Next Ten Years

The TANF reauthorization provisions included in the Deficit Reduction Act (DRA) passed earlier this year are forcing states to reexamine their TANF programs. Renewed interest in welfare reform and innovation is welcome. However, many of the DRA's provisions could exacerbate the more troubling trends discussed above.

The DRA requires states to meet significantly higher work participation rates and, when coupled with the interim final regulations recently issued by HHS to implement the new law, will considerably reduce states' flexibility to design welfare-to-work programs tailored to the needs of individual recipients. In fact, programs that are designed to address two of the biggest problems that have emerged over TANF's first decade—that parents who leave welfare for work often earn low wages and have unstable employment, and that many families with the greatest barriers to employment are being left behind—often will *no longer count* toward states' TANF work participation requirements.

- **The new regulations severely restrict the extent to which states can receive credit toward the participation rate for welfare-to-work activities that are designed to help those with the greatest barriers to employment become job ready.** The regulations give states no credit toward their work requirements when parents with disabilities participate in welfare-to-work activities that have been modified (either the activity itself or the number of hours it must be performed) to reflect the recipients' disabilities. The regulations make clear that HHS wants states to try to help TANF recipients with disabilities prepare for employment and that states are obligated under the Americans with Disabilities Act to ensure that their programs make reasonable accommodations to ensure that program requirements are appropriate for individuals with disabilities. Yet the rules, themselves, inhibit states in both of these areas.
- **The DRA statute and regulations significantly restrict the extent to which states can count programs designed to improve parents' skills toward the work rate.** The statute limits vocational educational training programs to 12 months, and to no more than 30 percent of a state's welfare-to-work program participants. The regulations place further restrictions on the types of skill-building programs that can qualify as vocational educational training.

The new work participation rates in the DRA are not accompanied by any significant new resources. The \$200 million per year in additional child care resources included in the DRA is not even sufficient to ensure that federal child care funding simply keeps pace with inflation. In fact, the Administration's own 2007 budget documents show that it expects the number of low-income children receiving child care assistance to fall to 1.8 million in 2011, down 650,000 from the 2.45 million children who received child care assistance in 2000. This represents a projected *26 percent decline* in the number of children projected to be served in child care assistance programs.

The rigidity of states' new work rules, coupled with a lack of additional resources, gives states a clear incentive to reduce their caseloads further, regardless of whether the number of families in need declines as well. *The cheapest and easiest way for a state to meet the new work rules and avoid fiscal penalties is to assist fewer poor families.* As the last decade has shown, it is entirely possible for many states to implement policies and procedures that will drive very poor families from the TANF program and swell the already large group of families that are jobless and not receiving income assistance from TANF or other cash aid programs.

Over the past six months, I have talked to numerous state officials and others around the country about the new DRA requirements. All understand the incentives embodied in the law to reduce caseloads by any means. While many state officials express concerns about taking steps to further restrict access to assistance for poor families, the message being sent by the federal legislation and regulations is clear.

When asked what I think states should do in light of the DRA, I recommend that states consider their own welfare reform and anti-poverty goals and then design programs to meet those goals, with the federal work requirements as a constraint but not the driving force behind their decision making. With ingenuity and hard work, states can develop a set of programs—some supported by TANF and MOE funds, others entirely state funded—that can serve the needs of poor families and help the state meet its federal TANF requirements.

TANF, and in fact welfare reform in general, is at a crossroads. If states simply seek to meet the new TANF rules in the simplest and least expensive manner, then increasingly the nation's poorest families will not be able to obtain basic assistance and those with the greatest needs will be left further behind. If, on the other hand, states take this opportunity to establish high-quality programs that help parents

build their skills, address barriers to employment, and provide needed income support to families when they need it, perhaps some of the most disturbing trends discussed above, such as increases in deep poverty, could be ameliorated.

Unfortunately, without modifications to the DRA or the recently released interim final regulations, federal law will not encourage states to follow the better of the two paths.

Promoting Employment and Improving the Safety Net for the Poorest Families

There are steps Congress can take to ameliorate the DRA's potential negative effects and, more broadly, address some of the disturbing trends that have emerged over the last decade.

- **Provide states with greater flexibility to design welfare-to-work activities that can help recipients build skills so they can secure better jobs, including activities that can help those with the greatest problems overcome their barriers to employment.** States should be held accountable for helping parents find employment, but they should be given more latitude to develop programs that work and should then be judged on the outcomes.
- **Measure TANF programs not only by how well they engage recipients in work activities, but also by how well they provide a safety net for the most vulnerable children.** Some families need only temporary help during short periods of unemployment; others need help for longer periods of time; still others face very serious challenges that limit their ability to earn enough to support a family. While one goal of TANF is to help parents move from welfare to work, another should be to serve as a bulwark against deep poverty. State TANF programs should be measured to see how well they serve this safety-net function. Caseload declines that do not result from reductions in need should not be rewarded.
- **Ensure that the TANF block grant does not continue to lose pace to inflation.** The basic TANF block grant already has lost 22 percent of its purchasing power since 1996 and by 2011 its inflation-adjusted value will fall 30 percent below its 1996 level. As the value of the block grant erodes, states will have fewer resources to provide welfare-to-work, child care, and basic assistance to poor families with children.
- **Strengthen work supports.** Research has consistently shown that policies that make work pay and provide supports to working families—such as child care assistance that enables parents to work—improve employment and earnings among low-income families. Yet only a minority of families that qualify for child care assistance receive it, primarily as a result of the limited child care funds available. This limits parents' employment prospects and reduces low-income children's chances of receiving high-quality early education.

Providing more resources for child care and early education would promote employment and broadly shared education goals. Similarly, many low-income working parents lack health insurance; they are priced out of the private health insurance market and are ineligible for publicly subsidized coverage. Expanding health care coverage to these parents would help them get the health care they need to be more effective employees.

- **Improve the Unemployment Insurance program so more low-wage workers can qualify for UI during temporary periods of joblessness.** Many low-wage parents who lose their jobs must turn to TANF for help because they do not qualify for UI benefits as a result of the program's outdated rules. By changing UI rules related to the "base period" that is used to calculate UI eligibility, part-time workers, and the circumstances under which people who leave their jobs for family and other reasons can receive UI benefits, Congress could go a long way toward ensuring that low-wage workers who lose their jobs qualify for UI benefits.
- **Invest in skill building.** The data are clear: increasingly, the U.S. economy demands workers with skills. Workers without skills are consigned to low-wage jobs, often with declining real wages and few opportunities for advancement. Against this backdrop, it is important that we develop new ways to ensure that individuals of all ages—children, young adults, and adults—have opportunities to develop the skills needed to succeed in the workplace, including access to meaningful and quality vocational educational training, certificate programs, and college.
- **Raise the minimum wage.** The minimum wage has remained frozen since 1997 and has fallen to its lowest inflation-adjusted level since 1955. Available evidence suggests that modest increases in the minimum wage will not result

in employment losses and will provide a needed pay raise to millions of low-wage workers.

A final area of needed improvements concerns legal immigrants. A large share of the budget cuts contained in PRWORA fell on legal immigrants, many of whom were made ineligible for benefits such as food stamps and SSI. Immigrants are nearly twice as likely to experience poverty as citizens. Congress and both President Bush and President Clinton have taken some action over the last decade to curb some of these cuts, such as in SSI and food stamps. More needs to be done, however, to ensure that legal immigrant families have access to work supports that can help them make ends meet if they earn low wages, as well as a safety net if they fall on hard times.

Among the most vulnerable immigrants are extremely poor refugees and asylees (and other immigrants admitted for humanitarian reasons) who either are elderly or have serious disabilities. Under PRWORA, they were limited to seven years of SSI benefits unless they became naturalized citizens. The rationale behind the time limit was that refugees and other humanitarian immigrants should be able to complete the citizenship process in seven years.

Unfortunately, it often takes significantly longer than seven years to become a citizen—particularly after the events of September 11, which have placed new burdens on the immigration system. Some elderly individuals and individuals with severe disabilities face formidable challenges to completing the naturalization process within the time allotted. (Securing a waiver of this requirement can be difficult and time-consuming.) Currently pending before the committee is H.R. 899, a bipartisan bill introduced by Representatives Cardin and English, which would provide a modest extension of the SSI eligibility period for refugees. The Cardin-English bill would help to address the problems the time limit poses for these refugees and thereby to help an extremely poor and vulnerable group to avoid utter destitution.

Mr. SHAW. Thank you. Mr. Rector.

STATEMENT OF ROBERT RECTOR, SENIOR RESEARCH FELLOW, WELFARE AND FAMILY ISSUES, HERITAGE FOUNDATION

Mr. RECTOR. Thank you, Chairman Shaw.

The Welfare Reform Act 1996 had four principal goals: The first, to reduce debilitating long-term welfare dependence; the second, to increase employment among single mothers; the third, to reduce or at least slow the rapid increase of out-of-wedlock childbearing; and the fourth, to reduce child poverty.

The act was a resounding and unprecedented success in respect to all four of those measures, especially when compared to the old system of welfare which created a system of permissive entitlement which was very resilient and very, very difficult to change.

The Minority Members of this Committee had 25 years to alter that old system, and under that old system, child poverty over a quarter of a century actually increased. It is in that context of 25 years of unmitigated failure that the assessment of this welfare reform has to take place.

First of all, on caseloads, we are all aware that the caseload post-welfare reform dropped by 60 percent, but it is important to look back, all the way back to 1950, and to recognize that this was the first time the caseload had ever seriously declined. A lot of people attribute that caseload decline to a good economy, but in the charts I provided in my written testimony, we see eight periods of prior economic boom in which the caseloads either remained flat or actually dramatically increased during some of those periods. It is only in the nineties that the caseload goes down.

What is the difference? The difference is that welfare reform changes the incentive system. It makes it no longer possible to receive a welfare check by remaining idle, and it requires constructive activity as an obligation of receiving aid. As soon as you do that, the caseload begins to drop, and, more importantly, the number of new entrants into the new system goes down.

While the caseload is going down, coincident with that we see an unprecedented surge in the employment of single mothers that has been spoken to and documented overwhelmingly by many, many different witnesses, and as that employment goes up, the welfare caseload goes down.

Remember that every mother that was on AFDC was, by definition, poor, because the benefits weren't sufficient to raise the income above poverty.

As the caseload goes down, what we see is an unprecedented, absolutely historically unprecedented, decline in child poverty, particularly black child poverty, which had remained virtually unchanged for a quarter of a century. All of a sudden it drops from around 42 percent in 1995 down to 30 percent in 2001. Poverty of children in single-mother families, again, was basically unchanged for a quarter of a century, and drops an unprecedented 10 percentage points in about 5 years.

This is quite contrary to the predictions that were made by most of the Members of this Committee on the Minority and most opponents of this act. For example, Ms. Parrott predicted that the act would result in a large increase in poverty, especially among children, and that this increase in poverty would not occur during a recession, but it would actually occur even during good economic times.

If we were to look at the impact of this reform overall over the 10 years since it was enacted, what we see is that during the period of economic expansion, it was an unprecedented success in reducing poverty. Nothing could compare to it previously in the history of this program.

During the period of recession and recovery, the recession beginning in 2001, what we have to recognize is that in every previous period of recession, child poverty went up. In most recessions it went up quite sharply, particularly among black children.

So, how did this recession differ? Well, with the reform system, child poverty did go up, but it went up quite modestly, probably less than in most previous recessions. So, overall we could say that in the period of boom, the system dramatically outperformed pre-reform welfare. In the period of recession, it did at least as well if not better than the pre-reform system. This was overwhelmingly a huge success.

Finally, I would say something that we really haven't paid attention to. At the time of reform, one out of three children was born out-of-wedlock. The out-of-wedlock birthrate had been rising at roughly 1 percentage point per year for close to 25 years. Senator Moynihan used to say it looked like a line drawn with a ruler, going virtually straight up. In the mid-nineties, that straight-up increase all of a sudden pauses, and it goes up very little over the next 10 years.

If in fact the increase in out-of-wedlock childbearing continued in the pre-reform rate—today, we have 34 percent of children born out of wedlock—if it had continued in the pre-reform rate, we would today have around 43 or 44 percent of children born out of wedlock.

As a result of the change in the growth of out-of-wedlock births that occurred in the mid nineties, there have been 1.4 million fewer children born out of wedlock over the last 10 years. That is a huge success and one that is rarely talked about, but is of enormous importance. I would conclude by saying that the next step we have to do is look further in finding ways to increase marriage and reduce out-of-wedlock childbearing. Thank you.

[The prepared statement of Mr. Rector follows:]

Statement of Robert Rector, Senior Research Fellow, Welfare and Family Issues, Heritage Foundation

My name is Robert Rector. I am Senior Research Fellow in Welfare and Family Issues at The Heritage Foundation. The views I express in this testimony are my own, and should not be construed as representing any official position of The Heritage Foundation.

Ten years ago, President Bill Clinton signed legislation overhauling part of the nation's welfare system. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104—193) replaced the failed social program known as Aid to Families with Dependent Children (AFDC) with a new program called Temporary Assistance to Needy Families (TANF). The reform legislation had three goals: (1) to reduce welfare dependence and increase employment; (2) to reduce child poverty; and (3) to reduce illegitimacy and strengthen marriage.

At the time of its enactment, liberal groups passionately denounced the welfare reform legislation, predicting that it would result in substantial increases in poverty, hunger, and other social ills. Contrary to these alarming forecasts, welfare reform has been effective in meeting each of its goals.

- Child poverty has fallen. Although opponents of reform predicted it would increase child poverty, some 1.6 million fewer children live in poverty today than in 1995.
- Decreases in poverty have been greatest among black children. In the quarter century prior to welfare reform, the old welfare system failed to reduce poverty among black children. Since welfare reform, the poverty rate among black children has fallen at an unprecedented rate from 41.5 percent in 1995 to 32.9 percent in 2004.
- Unprecedented declines in poverty also occurred among children of single mothers. For a quarter-century before welfare reform, there was little net decline in poverty in this group. Poverty was only slightly lower in 1995 (50.3 percent) than it had been in 1971 (53.1 percent). After the enactment of welfare reform, the poverty rate for children of single mothers fell at a dramatic rate, from 50.3 percent in 1995 to 41.9 percent in 2004.
- Welfare caseloads were cut in half. The AFDC/TANF caseload dropped from 4.3 million families at the time PRWORA was enacted to 1.89 million today.
- Employment of single mothers has surged. The employment rate of the most disadvantaged single mothers increased from 50 percent to 100 percent.
- The explosive growth of out-of-wedlock childbearing has come to a near standstill. For thirty years prior to welfare reform, the percentage of births that were out-of-wedlock rose steadily at about one percentage point per year. The out-of-wedlock birthrate was 7.7 percent in 1965 when the War on Poverty started; by 1995 it had reached 32.2 percent. Following welfare reform, the long-term rapid growth in out-of-wedlock birth rate ended. Although the rate has continued to inch up slowly, the increase is far slower than in the pre-reform period.

Some attribute these positive trends to the strong economy in the late 1990s. Although a strong economy contributed to some of these trends, most of the positive changes greatly exceed similar trends that occurred in prior economic expansions. The difference this time is welfare reform.

Predictions of Social Disaster Due to Welfare Reform

Ten years ago, when the welfare reform legislation was signed into law, Senator Daniel Patrick Moynihan (D—NY) proclaimed the new law to be “the most brutal act

of social policy since reconstruction.”¹ He predicted, “Those involved will take this disgrace to their graves.”²

Marian Wright Edelman, president of the Children’s Defense Fund, declared the new reform law an “outrage . . . that will hurt and impoverish millions of American children.” The reform, she said, “will leave a moral blot on [Clinton’s] presidency and on our nation that will never be forgotten.”³

The Children’s Defense Fund predicted that the reform law would increase “child poverty nationwide by 12 percent . . . make children hungrier . . . [and] reduce the incomes of one-fifth of all families with children in the nation.”⁴

The Urban Institute issued a widely cited report predicting that the new law would push 2.6 million people, including 1.1 million children, into poverty. In addition, the study announced the new law would cause one-tenth of all American families, including 8 million families with children, to lose income.⁵

The Center on Budget and Policy Priorities asserted the new law would increase the number of children who are poor and “make many children who are already poor poorer still. . . . No piece of legislation in U.S. history has increased the severity of poverty so sharply [as the welfare reform will].”⁶

Patricia Ireland, then president of the National Organization for Women, stated that the new welfare law “places 12.8 million people on welfare at risk of sinking further into poverty and homelessness.”⁷

Peter Edelman, husband of Marian Wright Edelman and then Assistant Secretary for Planning and Evaluation at the Department of Health and Human Services, resigned from the Clinton Administration in protest over the signing of the new welfare law. In an article entitled “The Worst Thing Bill Clinton Has Done,” Edelman dubbed the new law “awful” policy that would do “serious injury to American children.”⁸

Peter Edelman believed the reform law would not merely throw millions into poverty, but also would actively worsen virtually every existing social problem. “There will be more malnutrition and more crime, increased infant mortality, and increased drug and alcohol abuse,” claimed Edelman. “There will be increased family violence and abuse against children and women.” Moreover, the bill would fail even in the simple task of “effectively” promoting work because “there simply are not enough jobs now.”⁹

What Actually Happened

In the decade since the welfare reform law was enacted, social conditions have changed in exactly the opposite direction from that predicted by liberal policy organizations. As noted above, child poverty, black child poverty, and poverty of single mothers have declined substantially. Employment of single mothers increased dramatically, and welfare rolls plummeted.

Opponents of reform would like to credit many of these positive changes to a “good economy.” However, according to their predictions in 1996 and 1997, liberals expected the welfare reform law to have disastrous results during good economic times. They expected reform to increase poverty substantially even during periods of economic growth; if a recession did occur, they expected that far greater increases in poverty than those mentioned above would follow. Thus, it is disingenuous for opponents to argue in retrospect that the good economy was responsible for the frustration of pessimistic forecasts since the predicted dire outcomes were expected to occur even in a strong economy.

Plummeting Welfare Dependence

The designers of welfare reform were concerned that prolonged welfare dependence had negative effects on the development of children. Their goal was to disrupt inter-generational dependence by moving families with children off the welfare rolls

¹ Cited in Arianna Huffington, “Where Liberals Fear to Tread,” August 26, 1996, at <http://www.arianaonline.com/columns/files/082696.html>.

² Cited in “Welfare as They Know It,” *The Wall Street Journal*, August 29, 2001, p. A14.

³ Children’s Defense Fund, “Edelman Decries President’s Betrayal of Promise ‘Not to Hurt Children,’” July 31, 1996.

⁴ Children’s Defense Fund, “How the Welfare Bill Profoundly Harms Children,” July 31, 1996.

⁵ Cited in “Urban Institute Study Confirms that Welfare Bills Would Increase Child Poverty,” Center on Budget and Policy Priorities, July 26, 1996.

⁶ David A. Super, Sharon Parrott, Susan Steinmetz, and Cindy Mann, “The New Welfare Law,” Center on Budget and Policy Priorities, August 13, 1996.

⁷ Quoted in Lisa Bennet-Haigney, “Welfare Bill Further Endangers Domestic Violence Survivor,” *National NOW Times*, January 1997.

⁸ Peter Edelman, “The Worst Thing Bill Clinton Has Done,” *The Atlantic Monthly*, Vol. 279, No. 3 (March 1997), pp. 43–58.

⁹ *Ibid.*

through increased work and marriage. Welfare reform produced unprecedented reductions in welfare dependence.

The caseload in the former AFDC (now TANF) program reached its all time high of 5.04 million families in March of 1994; it fell modestly over the next two years as states experimented with welfare to work programs in anticipation of the federal reform legislation. By the time PRWORA was enacted in August 1996, the caseload had fallen to 4.3 million. Passage of the national reform legislation was followed by a further dramatic plunge in caseloads. By June 2005, the caseload had fallen to 1.89 million, less than half the level at the time PRWORA was enacted.

Contrary to conventional wisdom, the decline in welfare dependence was greatest among the most disadvantaged and least employable single mothers—the group with the greatest tendency toward long-term dependence. Specifically, dependence fell most sharply among young never-married mothers who have low levels of education and young children.¹⁰ This is dramatic confirmation that welfare reform affected the whole welfare caseload, not merely the most employable mothers.

Some would argue that the positive effects noted above are the product of the robust economy during the 1990s rather than the results of welfare reform. However, the evidence supporting an economic interpretation of these changes is not strong.

Chart 1 shows the AFDC caseload from 1950 to 2004. On the chart, periods of economic recession are shaded, and periods of economic growth are shown in white. Historically, periods of economic growth have not resulted in lower welfare caseloads. The chart shows eight periods of economic expansion prior to the 1990s, yet none of these periods of growth led to a significant drop in AFDC caseload. Indeed, during two previous economic expansions (the late 1960s and the early 1970s), the welfare caseload grew substantially. Only during the expansion of the 1990s does the caseload drop appreciably.

How was the economic expansion of the 1990s different from the eight prior expansions? The answer is welfare reform.

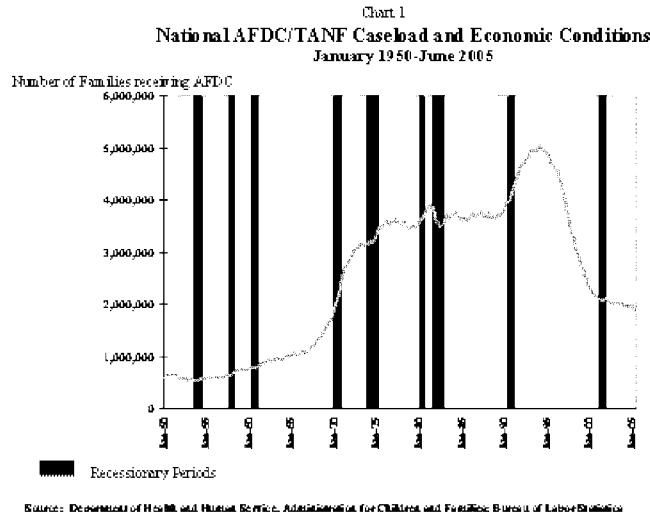


Chart 1 does show that the national TANF decline has slowed appreciably during and after the last recession, which began in March 2001. Critics of reform might argue that this shows the state of the economy has been the dominant factor in the reduction of dependence. While it is true that the slowdown in the economy has affected the decline in caseload, however, it is important to note the vast difference in trends before and after welfare reform. Prior to the mid-1990s, the AFDC caseload remained flat or rose during economic expansions and generally rose to a substantial degree during recessions. Since welfare reform, the welfare caseload has plummeted downward during good economic times and declined slowly during the recession.

¹⁰ June E. O'Neill and M. Anne Hill, "Gaining Ground? Measuring the Impact of Welfare Reform on Welfare and Work," Manhattan Institute *Civic Report* No. 17, July 2001, pp. 8, 9.

Thus, while the state of the economy does have an effect on AFDC/TANF caseloads, irrespective of economic conditions, the difference in caseload trends before and after reform is enormous. This difference is clearly due to the impact of welfare reform policies.

Another way to disentangle the effects of welfare policies and economic factors on declining caseloads is to examine the differences in state performance. The rate of caseload decline varied enormously among the 50 states. If improving economic conditions were the main factor driving down caseloads, the variation in state reduction rates should have been linked to variation in state economic conditions. On the other hand, if welfare policies are the key factor behind falling dependence, the differences in reduction rates would have been linked to specific state welfare policies.

A 1999 Heritage Foundation study, "The Determinants of Welfare Caseload Decline," examined the impact of economic factors and welfare policies on falling caseloads in the states.¹¹ This analysis showed that differences in state welfare reform policies were highly successful in explaining the rapid rates of caseload decline. By contrast, the relative vigor of state economies, as measured by unemployment rates, changes in unemployment, or state job growth, had no statistically significant effect on caseload decline.

One reason for the reduction in caseload decline after 2001 was a lack of vigor in state work programs in recent years. By 2001 most states had met their federal goals for caseload reduction. In the absence of federal pressure to further reduce dependence and increase work, state welfare bureaucracies slackened their efforts and many began to drift back toward a traditional role of mailing out welfare checks.

Welfare Reform and Increased Employment

Welfare reform coincided with dramatic increases in the employment of single mothers. Contrary to conventional wisdom, employment has increased most rapidly among the most disadvantaged, least employable groups. During the late 1990's:

- Employment of never-married mothers increased nearly 50 percent.
- Employment of single mothers who are high school dropouts rose by two-thirds.
- Employment of young single mothers (ages 18 to 24) nearly doubled.¹²

Thus, against conventional wisdom, the effects of welfare reform have been the greatest among the most disadvantaged single parents—those with the greatest barriers to self-sufficiency. Both decreases in dependence and increases in employment have been most dramatic among those who have the greatest tendency to long-term dependence; that is, among the younger never-married mothers with little education.

How important was a strong economy to these employment increases? Dr. June O'Neill, former Director of the Congressional Budget Office, examined changes in welfare caseload and employment from 1983 to 1999. Her analysis showed that in the period after the enactment of welfare reform, policy changes accounted for roughly three-quarters of the increase in employment and decrease in dependence. By contrast, economic conditions explained only about one-quarter of the changes in employment and dependence.¹³

Welfare Reform and Reductions in Child Poverty

Mothers on welfare are automatically poor since in no state are welfare benefits high enough to give a family an income above the official poverty thresholds. Consequently, it should be no surprise that, as families left welfare and the employment of single mothers dramatically increased, poverty decreased. The decrease in poverty among the two groups most affected by reform, black children and children of single mothers, was steep and unprecedented.

- **Less Child Poverty.** The child poverty rate has fallen from 20.8 percent in 1995 to 17.8 percent in 2004. Though liberals predicted that welfare reform would throw more than 1 million additional children into poverty, there are some 1.6 million fewer children living in poverty today than there were when welfare reform was enacted.¹⁴

¹¹ Robert E. Rector and Sarah E. Youssef, "The Determinants of Welfare Caseload Decline," Heritage Foundation *Center for Data Analysis Report* No. CDA99-04, May 11, 1999.

¹² O'Neill and Hill, "Gaining Ground? Measuring the Impact of Welfare Reform on Welfare and Work," pp. 10-14.

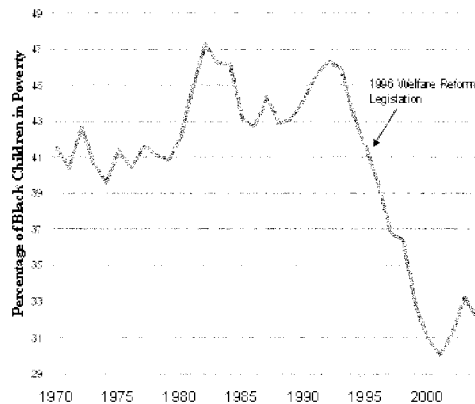
¹³ *Ibid.*, Table 4, p. 22.

¹⁴ U.S. Census Bureau, *Income, Poverty, and Health Insurance Coverage in the United States: 2004*, August, 2005, p. 52.

- **Less Black Child Poverty.** The decline in poverty since welfare reform has been particularly dramatic among black children. As Chart 2 shows, for a quarter-century prior to welfare reform, there was little change in black child poverty. Black child poverty was actually higher in 1995 (41.5 percent) than in 1971 (40.4 percent).

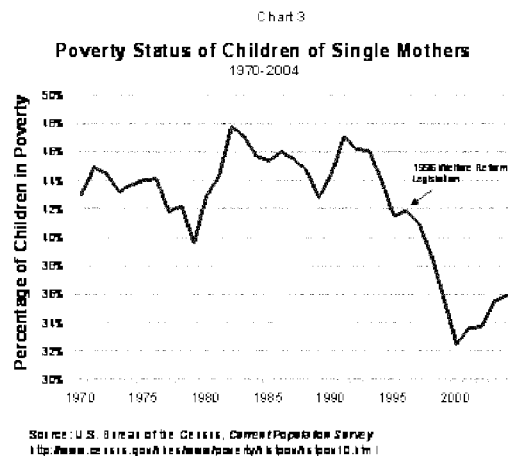
With the enactment of welfare reform in 1996, black child poverty plummeted at an unprecedented rate, falling to 30.0 percent in 2001. Over a six-year period after welfare reform, 1.2 million black children were lifted out of poverty. In 2001, despite the recession, the poverty rate for black children was at the lowest point in national history.¹⁵ In the last few years, the recession and its aftermath has pushed the black child poverty rate up slightly (to 32.9 percent in 2004), but the rate remains roughly one fifth lower than in the period prior to reform.

Chart 2
Poverty Status of Black Children 1970 to 2004



Source: U.S. Census Bureau, *Poverty in the United States*, various years

¹⁵ *Ibid.*, pp. 53, 54. The figures in the text refer to black “related children in families.” These figures are used because they are the only figures for black child poverty that are available back to 1970. The poverty rates for black “related” children are nearly identical to the poverty rate figures for all black children but are consistently 0.2 to 0.4 percentage points lower.



- Less Poverty Among Children of Single Mothers.** Since the enactment of welfare reform, the drop in child poverty among children in single-mother families has been equally dramatic. For a quarter-century before welfare reform, there was little net decline in poverty in this group. Poverty was only slightly lower in 1995 (50.3 percent) than it had been in 1971 (53.1 percent). After the enactment of welfare reform, the poverty rate for children of single mothers fell at a dramatic rate, from 50.3 percent in 1995 to 39.8 percent in 2001. In 2001, the poverty rate for children in single-mother families was at the lowest point in U.S. history.¹⁶ Although the poverty rate for children of single mothers has inched up slightly during the recent recession and its aftermath, reaching 41.9 percent in 2004, it still remains far below the pre-reform levels. (See Chart 3.)

What was the contribution of a strong economy to the dramatic drop on child poverty in the late 1990's? Overall, the health of the economy in the mid and late 1990s did serve as a positive background factor contributing to positive changes in welfare dependence, employment, and poverty. It is very unlikely, for example, that dramatic drops in dependence and increases in employment would have occurred during a prolonged recession. However, it is also certain that good economic conditions alone would not have produced the striking changes that occurred in the late 1990s. It is only when welfare reform was coupled with a growing economy that these dramatic positive changes occurred.

Further Research on Welfare Reform and Child Poverty

An important paper by Dr. Rebecca M. Blank, former member of the Council of Economic Advisers in the Clinton White House, examined the link between welfare reform and child poverty.¹⁷ Professor Blank analyzed the income of families with children from 1992 to 2000 and found that incomes rose for all but the bottom 2 percent of families with children. Moreover, poor families showed greater income gains than higher-income families, "suggesting that most poor families experienced larger income gains than did most middle and upper-middle income families."¹⁸

Dr. Blank's analysis showed a direct link between state welfare reform policies and rising incomes among poor families. States with welfare reform programs that offered "strong work incentives" showed greater increases in the income of single parents with children than did states with weak work incentives. Moreover, at the bottom of the distribution, states with strong work incentives have the smallest share of children in families with negative changes in income, while states with the

¹⁶ Calculated from the Historical Poverty Tables, Table 10, on the U.S. Census Bureau Web site at www.census.gov/hhes/poverty/hstpov10.html.

¹⁷ Rebecca M. Blank and Robert F. Schoeni, "Changes in the Distribution of Children's Family Income over the 1990's," paper prepared for annual meetings of the American Economic Association, Washington, D.C., January 2003.

weakest work incentives show the highest share of children with [decreases in income].¹⁹

In other words, states with strong welfare work incentives had fewer families that lost income than did states with weak welfare work incentives. Blank found that these income differences were the result of state welfare policies rather than differences in state economies.

In addition, Dr. Blank examined the effects of tough welfare reform “penalties” on the incomes of poor single-parent families. Examining the impact of stricter time limits and strong sanction policies that “provide a strong enforcement mechanism for women to participate in welfare-to-work programs,” she found that tough welfare policies had a positive effect in raising the incomes of poor families. Overall, states with stricter time limits and stronger sanction policies were more successful in raising the incomes of poor children than were states with lenient policies. Dr. Blank concluded that states with strict or moderate penalties for not working consistently show higher income gains among poor children throughout the income distribution than do states with lenient penalties. . . . [I]t is the more lenient states with softer penalties where children’s income seems to have grown least.²⁰

Welfare Reform and the Recent Recession

When welfare reform was enacted, liberal opponents predicted that it would yield sharp increases in poverty even in good economic times; the effects of reform during a recession were expected to be disastrous. As noted, liberal predictions about the negative effects of reform during good economic times have been proven completely erroneous. In addition, the disastrous effects expected of welfare reform during an economic downturn failed to materialize during the last recession.

Historically, during a recession, overall child poverty rises by two to three percentage points. For example, during the economic downturn in the early 1990s, the overall child poverty rate rose from 19.6 percent to 22.7 percent. Historically, black child poverty rises more sharply during a recession. During the back-to-back recessions in the early 1980s, for example, black child poverty rose by more than six percentage points, from 40.8 percent in 1979 to 47.3 percent in 1982. During the recession of the early 1990s, black child poverty rose by roughly three percentage points from 43.2 percent to 46.3.

By historic standards the increase in child poverty during the last recession has been fairly modest. Overall child poverty rose by 1.6 percentage points from 16.2 percent in 2000 to 17.8 in 2004. Black child poverty actually declined in the first year of the recession and then rose by almost three percentage points, from 30.0 percent in 2001 to 32.9 percent in 2004.²¹

In terms of its impact on child poverty, we may assess welfare reform as follows.

- During the period of economic growth in the late 1990’s the post-reform welfare system dramatically out-performed the pre-reform welfare in reducing poverty.
- During the recent recession and slow recovery, welfare reform did at least as well as, or slightly better than, the pre-reform system in its impact on poverty.

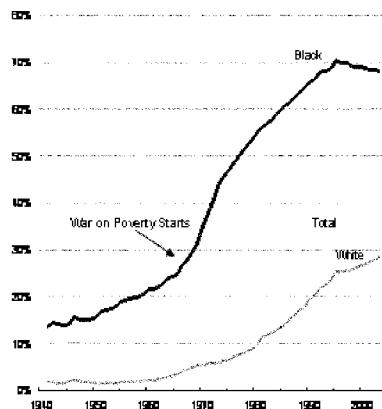
¹⁸ *Ibid.*, pp. 3, 4.

¹⁹ *Ibid.*, p. 7.

²⁰ *Ibid.*, pp. 8, 9.

²¹ U.S. Census Bureau, *op. cit.*, pp. 52–55. Black poverty figures are for related children in

Chart 4
**Out-of-Wedlock Births Have Risen to a Third of All Births
 1940 to 2003**



Out-of-wedlock births were 7 percent of all births at the beginning of the War on Poverty in the mid-1960s, but have risen to 33 percent today.

Note: *1968-1996 data represent black births; 1940-1968 data represent very similar figures for non-white births.

Source: Centers for Disease Control, National Center for Health Statistics, Division of Vital Statistics.

Slowdown in the Rise of Out-of-Wedlock Childbearing

After the beginning of the War on Poverty, the illegitimacy rate (the percentage of births outside of marriage) increased enormously. For nearly three decades, out-of-wedlock births as a share of all births rose steadily at a rate of almost one percentage point per year. Overall, out-of-wedlock births rose from 7.7 percent of all births in 1965 to an astonishing 32.2 percent in 1995.

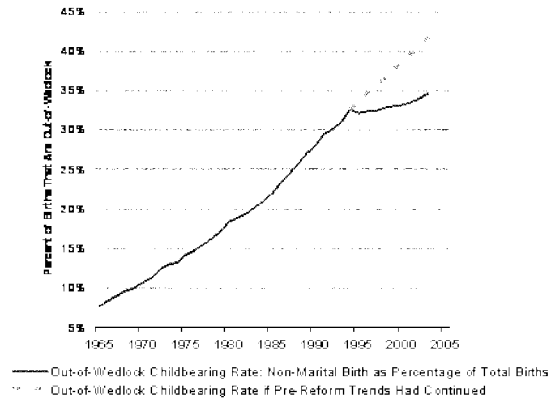
However, as Chart 4 shows, in the mid-nineties the explosive growth in illegitimacy came to an end. Although the percentage of births that were out-of-wedlock inched slowly upward, the rate of increase in recent years has been only a fraction of the rapid annual increase that occurred routinely in the three decades before welfare reform. Between 1995 and 2003, the overall out-of-wedlock childbearing rate rose slightly from 32.2 percent to 34.6 percent. This was about a fourth of the rate of increase that occurred annually prior to welfare reform. The black out-of-wedlock childbearing rate actually fell from 69.9 percent in 1995 to 68.2 percent in 2003. The white non-Hispanic rate rose modestly from 21.2 percent in 1995 to 23.6 percent in 2003.

As noted, between 1965 and 1995, out-of-wedlock childbearing increased at roughly one percentage point per year. As Chart 5 shows, if this rate of increase had been sustained, out-of-wedlock childbearing would have risen to 41.6 percent by 2003. Due to the slowdown from the mid-1990's on, the actual increase was far lower; 34.6 percent of children were born out-of-wedlock in 2003. The actual rate was thus seven percentage points lower than it would have been if the pre-reform trends had continued.

As a result of the slowdown in the rise of illegitimacy over the last decade, around 1.4 million fewer children were born out-of-wedlock. This has enormous positive implications for child poverty and welfare dependence in the nation.

The shift in the growth rate of out-of-wedlock childbearing is quite dramatic. The onset of welfare reform is the most plausible explanation for this substantial change. Welfare reform affected out-of-wedlock childbearing and marriage in two ways.

Chart 5
Post-Welfare Reform Reduction In Out-of-Wedlock Childbearing



First, the public debate about welfare reform sent a strong symbolic message that, in the future, welfare would be time-limited and that single mothers would be expected to work and be self-reliant. This message communicated to potential single mothers that the welfare system would be less supportive of out-of-wedlock childbearing and that raising a child outside of marriage would be more challenging in the future. The reduction in out-of-wedlock births was, at least in part, a response to this message.

Critics might argue that illegitimacy initially slowed in 1994, two years before the enactment of PRWORA. But, as noted, much of the impact of welfare reform on childbearing was driven by strong symbolic messages sent to young women at risk of out-of-wedlock childbearing. These symbolic messages began well before the enactment of legislation. Symbolically, welfare reform began when candidate Bill Clinton promised to “end welfare as we know it” during his 1992 presidential election campaign. As president, Clinton repeated the “end welfare” promise, and he was the first president to speak forcefully about the harm of out-of-wedlock childbearing. The symbolic messages of welfare reform and personal responsibility were amplified as the Republicans took control of the House of Representatives in 1994 and continued loudly as reform was debated in Congress over the next two years. Thus throughout the mid-1990’s many young low income women would have been aware that a dramatic change in welfare was “in the air.” This is likely to have had a significant effect on child-bearing behavior.

Second, reform indirectly reduced welfare’s disincentives to marriage. Traditional welfare stood as an economic alternative to marriage, and mothers on welfare faced very stiff financial penalties if they did marry. As women leave AFDC/TANF as a result of welfare reform, fewer are affected by welfare’s financial penalties against marriage. In addition, some women may rely on husbands to provide income that is no longer available from welfare. Thus, as the number of women on welfare shrinks, marriage and cohabitation rates among low-income individuals can be expected to rise.

Future Policies

Welfare reform has been successful; however, that success has been limited by a number of factors. First, although the federal government operates over 50 means-tested welfare programs, reform was largely restricted to one: Aid to Families with Dependent Children. Second, the federal work requirements which pushed state welfare bureaucracies to promote work and reduce dependence were always too lenient. After 2000, most states had met their caseload reduction goals and few faced federal pressure to further reduce dependence or increase work. As a result, most state welfare bureaucracies coasted and began to slip back into a traditional check-mailing mode. Third, while the law set clear goals to reduce out-of-wedlock childbearing and increase marriage, nearly all state bureaucracies simply ignored these goals. In consequence, nearly a decade was lost that should have been spent experimenting with programs to strengthen marriage.

In the future, the following steps should be taken to advance the goals of welfare reform.

- TANF work requirements should be strengthened. In particular, states should not be permitted to give TANF benefits to recipients who consistently refuse to work or prepare for work.
- Work requirements should be established in parallel programs such as Food Stamps, public housing, and Medicaid.
- Marriage must be strengthened. In the TANF reauthorization passed in January of this year, Congress provided \$100 million per year in funding for a healthy marriage initiative to strengthen marriage in low income communities. This sum amounts to about one penny for marriage for every \$15.00 spent subsidizing single parents. Future funding for the healthy marriage initiative should be substantially increased to help develop vitally needed programs.

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Mr. SHAW. Thank you. I am going to commence with the Members that did not have a chance to question in the first round. I will start out with Mr. English.

Mr. ENGLISH. Thank you.

Dr. Haskins, it is a real privilege to have you back here. I hadn't planned to ask this question, but there is so much partisan smoke that seems to have intruded on this proceeding that I think it would be important maybe to clear the air.

We had one of the Members here say that they were there at the beginning, but I was there at the beginning, and I remember you being there at the beginning. I understand there were a series of versions of welfare reform that were actually vetoed before a final version was approved.

Now, I have heard this being described as, the other side voted against the flawed versions, but voted for the refined version at the end. Isn't it true that what the House produced initially included more funding for child care than the President had originally asked for, and weren't they essentially similar bills that were vetoed before we sent one to the President, that he finally in the election season approved. Is that a fair recount?

Dr. HASKINS. Yes, I believe it is. I would say the two most important changes in the bill the President finally signed, one was in Medicaid. The intent was the same in both cases, but the language

in the first version was a little short. It wasn't great language. We fixed that language, so that every kid would be covered by Medicaid. If you look at Medicaid coverages, they have skyrocketed since the bill passed. The intent of Mrs. Johnson and others was to make sure that no child lost Medicaid, and that was achieved.

The other change, which was bigger, and wasn't a change in the philosophy, was just more money for child care. I think we added something like \$3 billion or maybe \$3.5 billion, but I would point out to you that we added child care dollars to the bill at almost every stage in the legislative process. We added money on the House floor in Mrs. Johnson's amendment, money was added in the Senate, and then when the President said you needed more money, and more money was added to child care in the Senate.

So, other than those two changes, there may have been some fairly other cosmetic things, but I think it is correct to say the bills were similar. I think at the time, the Center for Budget and Policy Priorities put out a number of documents saying that the bills were essentially similar.

Mr. ENGLISH. I want to follow up on that, Dr. Haskins. That is, I think, an excellent objective take on what happened. Rather than focus on the political environment, I would like to maybe get your assessment on some of the statistics that we are considering in evaluating welfare reform.

We have heard a lot today about poverty and how the poorest of the poor who should be the focus of our concern continue to struggle despite our best efforts. What troubles me is, I know that there is also consumption data that shows that the material conditions of low-income mothers, as measured by their consumption, has improved significantly after welfare reform.

I wonder if you could talk a little bit more about the consumption data that you discuss in your testimony, and what it shows in terms of the improvements for these families; and perhaps how income data should maybe be viewed as a statistic that we view with a nuance. Can you respond?

Dr. HASKINS. I think there is a very substantial mystery here. If you look at income data and compare it to consumption data, especially at the bottom distribution, they tell a very different story, and it is hard to understand why.

The difference in the story is exactly the one that you mentioned. If you look at income data, there is a problem at the bottom of the distribution. This has showed up in study after study. Maybe 400,000 or 500,000 mothers have less income in constant dollars than they had when welfare reform was passed.

If you look at consumption data, their consumption patterns are not worse. So, they are apparently not worse off. Also, I would add at this point, one of the severest critics of welfare reform was Sandy Jencks at Harvard, who is easily one of the five most respected social scientists in the country, and he recently published an article, the headline was: Welfare Redux. That was based entirely on food consumption and food problems, which have declined, according to him, and even are lower in this recession than previous recessions.

So, again, if you look at consumption, the picture at the bottom looks better. Even so, I am somewhat taken by the income data,

and I am concerned about this. I think we should be concerned about those Moms at the bottom.

Mr. ENGLISH. My time has expired, but, Dr. Haskins, if you could, I would welcome a citation on that study because I would be very interested to read it.

Mr. Rector, I had intended to pose the same question to you, but if you wish, I would welcome you to respond in writing. Thank you, Mr. Chairman.

Mr. SHAW. Mr. Becerra.

Mr. BECERRA. Thank you, Mr. Chairman.

Thank you to all the witnesses for being here.

I wish I could have been here to ask the first panel some questions. I was very disappointed that two of the three panelists in the first panel were not able to stay to respond to questions.

Mr. Chairman, I think it is important that, when people come to testify, they don't forget that they are here also to field questions, so we can have a full discussion of the issues. It is unfortunate that Mr. Gingrich and Senator Santorum did not feel it important enough to stay, at least as long as the Members who are here, to try to respond to questions.

Mr. SHAW. Would the gentleman yield? Both the gentlemen told us in advance that they had schedule problems and did have to leave early. I tried to get as many Members on both sides of the aisle, not favoring one side of the aisle, before their departure.

Mr. BECERRA. Mr. Chairman, I would hope we in the Committee try to make sure that anyone who wishes to testify before the Committee recognizes that all of us would like to ask questions of the witnesses, especially when they make statements that we don't fully agree with at times.

Ms. HART. Would the gentleman would yield?

Mr. BECERRA. Certainly.

Ms. HART. Too many Members decided they needed to pontificate before the poor witnesses were allowed to speak, and that put us behind, unfortunately. That is really what the problem was. I yield back.

Mr. BECERRA. I would say to the gentlelady, the only folks who spoke before the witnesses were the people that are entitled to speak; that is the Chair, the Ranking Member, the chair of the Subcommittee and the Ranking Member of the Subcommittee. So, if there was pontificating, it was bipartisan pontificating.

It strikes me as odd that about the only thing missing from this hearing is the big banner that says "Mission Accomplished." It seems like we are patting ourselves on the back when all the numbers tell us that the situation is getting worse. It is almost as if we are reading the book, *The Tale of Two Cities*, but in this case, the tale of two periods.

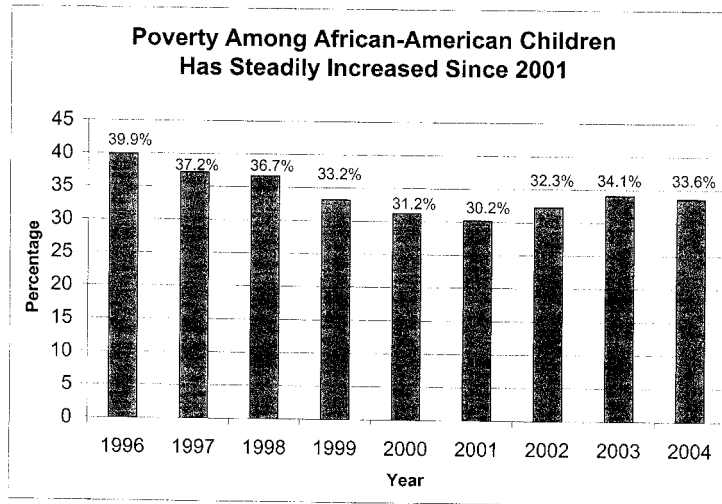
If you look at 1996 to 2000, you are right, the welfare rolls did decrease, poverty rates did decrease, children in poverty did decrease. Ever since 2000, in other words, ever since this President took office, those numbers have gone back up, so the progress that was made from 1996 to 2000 has been lost, and now we are in reverse.

So, like the previous "Mission Accomplished" sign, I hope that we recognize that there is still a great deal to do. I believe it was Sen-

ator Santorum—I wish he had been here so I could have asked the question, but I guess he was trying to say that the poverty rates for black children are getting better. Of course, if you look at this whole picture with a blurred lens from 1996 to present, perhaps it looks that way; but if you look at the reality of today and what is going on, the poverty rates for African-Americans and certainly for African-American children, as for Latino kids and Latino families and other people of color, are on the rise, and I would be deadly concerned about anyone who is trying to say that we have accomplished something there with regard to people who are struggling very hard to work and finding it very difficult.

I have a chart here that unfortunately is probably difficult to see that talks about poverty rates among African-American children. Again, it is the tale of two periods. From 1996 to 2000, they do drop. From 2000 to 2004, the latest numbers that we have, they have gone back up. So, I hope that we recognize that there is still a lot of work to do.

[The exhibit follows:]



Most of us are very concerned that the programs that also led toward that drop, and I think Ms. Parrott tried to make reference to some of those, are also empty from this tale that is being told. It is an incomplete story, as far as I am concerned, when you don't include the fact that during that period where we saw a decrease in poverty rates for America's kids—if you look at this, it correlates perfectly with when we passed an expansion of the EITC for low-income families so they could keep more of the money that they worked so hard to earn, and also, as was mentioned before, when we saw the last increase in the minimum wage. That is when you can see that the rates really begin to decline.

Unfortunately, even a modest increase in the minimum wage and even a modest allowance under the EITC for poor families to keep their take-home pay, at some point is eroded by inflation and sure enough, this is what you see; it is now beginning under the Bush years, poverty rates continue to increase.

So, I think what it says to us is, we still have lots of work to do. It should be done on a bipartisan basis. Before we put up that "Mission Accomplished" sign, I hope we recognize that there is still much for us to do.

I would hope that, and maybe I can end with this one question to Ms. Parrott, and that is, what do we do to try to meld what was done through welfare reform with policies that will help in the area of child care, which, I think, is where we desperately need some assistance for women who are on welfare?

Ms. PARROTT. I think there is no question that the work support system that, again, Dr. Haskins did talk about was a major factor in some of the improvements that we saw in the late nineties; the EITC, as you mentioned, expansions in Medicaid and CHIP, and also child care. The amounts on child care went up quite substantially during the nineties and into the early part of this decade and have since started to decline, and in fact we are now in a situation where States are actually cutting back their child care programs, so that they can provide child care to fewer children in low-income working families than they once did because of funding constraints.

As you may know, the President's 2007 budget documents actually show a decline in the number of children that will receive child care assistance under current funding levels. In fact, by 2011, the number of children that would receive child care assistance is more than 600,000 fewer children than received it in 2004.

So, what that means is that this is a real gap. We have a minority of children who need child care assistance, who qualify for child care assistance under the child care eligibility rules that get help paying for child care. That is a problem for two reasons. It is a problem because parents, if they don't have access to child care assistance, may not be able to hold their jobs with stability, and it is holding a job with stability that can help them move forward in the labor market.

It is also a problem on the child development side, that if we want young children in poor families to show up to kindergarten ready to learn, they need the same kinds of quality early education programs that their more affluent counterparts receive.

It is really important that, at the Federal and State levels, additional resources be devoted to child care and that it be viewed both as a work support as well as something that is good for education and good for child development. Thank you.

Mr. BECERRA. Thank you, Mr. Chairman.

Mr. SHAW. Your time has expired. Mr. Beauprez.

Mr. BEAUPREZ. Thank you, Mr. Chairman. I believe my colleague, Mr. Camp, has a question, so I will yield.

Mr. CAMP. I thank the gentlemen for yielding. I would just like to submit for the record a 2005-2006 civil grand jury final report in the State of California which found that up to half of the money appropriated for CalWorks, which is the child care program in Cali-

fornia, is lost due to fraud and poor oversight as estimated by the County of Los Angeles Department of Public Social Services.

[The information follows:]

MILLIONS OF TAX DOLLARS LOST TO CHILD CARE FRAUD

EXECUTIVE SUMMARY

Millions of tax dollars have been lost to fraud from child care funds allocated by the State of California and administered by the County of Los Angeles Department of Public Social Services (DPSS) in a program entitled California Work Opportunity and Responsibility to Kids (CalWORKS). As currently administered, the program is equivalent to an A TM for thieves. Our research included previous civil grand jury reports, audits, contracts, other documents, and interviews with over 100 individuals involved in the CalWORKS program.

This 2005–2006 County of Los Angeles Civil Grand Jury investigation revealed:

- Only 28% of the children placed with license-exempt child care providers were verified as present with their child care provider, according to the April 2005 California Department of Education (CDE) Error Rate Study Report.
- Forty-nine (49) individuals who cheated the CalWORKS child care program of \$3,421,578, between September 2004 and February 2006, have been successfully prosecuted by the County of Los Angeles District Attorney.

DATE	DISPOSITION	AMOUNT
September 9, 2004	13 Convictions	\$925,000
December 9, 2004	12 Convictions	\$500,000
January 26, 2006	10 Convictions	\$1,200,000
February 23, 2006	14 Convictions	\$796,578

- Up to 50% of the more than one billion dollar CalWORKS program may be lost due to fraud and poor oversight as estimated by several of the DPSS personnel.

The 2005–2006 County of Los Angeles Civil Grand Jury recommends that DPSS require verification in each step of the CalWORKS process to ensure that parents have the work opportunity intended, that children are cared for in healthy, safe environments while their parents are working, and that tax dollars are used as authorized. Our study shows that child care welfare fraud is a continuing burden on the taxpayer. There is an urgent need for prompt and thorough implementation of our recommendations.

BACKGROUND

In 1996, the Federal Personal Responsibility and Work Opportunities Reconciliation Act combined Federal funds for child care for welfare recipients. In 1998, California enacted the CalWORKS welfare to work program to conform to this law. The CalWORKS program includes monthly cash aid for eligible welfare recipients and former recipients, including child care support, and monthly cash aid for certain children until the age of 18.

- CalWORKS Stage 1 is administered in the County of Los Angeles by DPSS which receives its funds from the California Department of Social Services (CDSS). The funds include monthly cash aid to a parent in the welfare to work program who is enrolled in a job training, work, or school program. In addition to cash aid, paid child care and ancillary services are available for up to 6 months or until work and child care become stable enough for the parent to achieve independence. When the work income level increases to a predetermined amount, cash aid is discontinued but child care support can continue for up to 24 months.
- CalWORKS Stages 2 AND 3, administered by the California Department of Education (CDE), provide child care to parents whose stable circumstances permit them to transition off cash aid but still need child care support. CalWORKS allows parents or guardians of eligible children under the age of 18 to receive monthly cash aid. Until the age of 18, the child or children of an undocumented parent, a handicapped parent, or a child being raised by someone other than the parent, if approved for eligibility, can receive monthly payments up to: 1 child—\$359, 2 Children—\$584, 3 children—\$723. . . .

This 2005–2006 County of Los Angeles Civil Grand Jury chose to study the Stage 1 program administered by the Department of Public Social Services.

The County of Los Angeles DPSS contracts with 13 Alternative Payment Providers (APPs) for the administration of the Stage 1 CalWORKS program. The APPs receive \$127.69 per month per case to manage the child care program and process payments. CDE contracts with the same APPs to administer the Stage 2 and Stage 3 programs.

The DPSS contract with the APPs provides funds for outreach to inform the citizens of the County of Los Angeles of the availability of this child care welfare program, in order to increase the number of parents and children in the program. We are not aware of any DPSS direction or any studies to evaluate the effectiveness of this outreach program.

In Stage 1, parents are not required to sign their children in and out at their child care provider's site, although Stage 2 and 3 have this requirement. The absence of these attendance sheets and the failure of DPSS to require the APPs to verify and copy only original documents, rather than accepting copies by mail, provides an opportunity for fraud. Verification that signatures match signatures on file is not always done. Procedures for processing records are not routinely followed. Our investigation found a multiplicity of procedural errors and omissions. The APP contracts lack specificity and controls. Widespread abuse of this process has created a program culture that encourages fraud by parents, child care providers, and agency employees.

Several studies have been conducted during the past two years documenting problems with the CalWORKS program. These studies include:

1. The California Legislature directed the CDE to perform an analysis of administrative error and the potential for fraud in the local operations of CalWORKS and APP Child Care Programs. The CalWORKS Error Rate Study Report completed in April, 2005 revealed the following results.

	Attendance Verified		Attendance Not Verified		Visit Could Not Be Arranged	
	Percent	Number	Percent	Number	Percent	Number
Licensed Family Child Care Home	44.6	123	17.8	49	37.7	104
License-Exempt Trustline Approved	28.4	42	16.9	25	54.7	81
License-Exempt and Trustline Exempt	28.4	113	16.3	65	55.3	220

The study included random visits during the hours the, “. . . child was expected to be present.” Providers were first contacted by phone to explain the child's name had been randomly selected, the caller was to confirm the provider's current address, and the caller asked permission to verify whether the, “. . . children were in attendance during the certified hours of care.”

“If the provider declined a visit or if the provider could not be contacted, the reviewer classified the case as ‘visit could not be arranged.’ In some instances where the provider could not be contacted, if time were available, reviewers drove to the facility. If there was no one at home to contact, or if the occupants did not answer the door, cases were recorded as ‘visit could not be arranged.’ In a few instances, the provider's address may have been in a locked complex that was not accessible to the reviewer or the environment may have posed safety issues for the reviewer. In these instances, the case was also recorded as ‘visit could not be arranged.’”

Children's attendance could be verified in 44.6% of Licensed Family Child Care Homes and in only 28.4% of both License-Exempt Trustline Approved and Trustline Exempt.

2. As reported to the Board of Supervisors, on August 3, 2005, DPSS recognized a need to employ an outside auditor to study the APP payment system. The results of this study have not yet been released.

The CalWORKS eligibility determination and enrollment process involves: a receptionist, a case opening clerk, an eligibility worker (screener), an intake worker, a Home Interview Program (HIP) worker, an eligibility worker supervisor, a Greater Avenues to Independence (GAIN) worker, and a case maintenance worker. After the case is approved, the GAIN worker provides the orientation and appraisal: motivational training and supportive services and evaluation of the applicant's need for child care. If appropriate, the GAIN worker refers the parent to an APP child care

resource and referral representative. The APPs administer the child care portion of the program as specified in a contract between DPSS and an APP.

This complex process triggers concern about actions taken. How often does DPSS verify that actions are performed at the proper time or done at all? Can DPSS verify the existence of a child care facility or that children assigned to that facility were there as reported? Do the APPs monitor the child care provider's performance for DPSS? Does the agreement between the APPs and the child care providers protect the interests of the child, the parent, the County and the State?

The parents eligible for the welfare-to-work program receive monthly cash payments and are provided with child care support determined necessary to enable them to work and become independent. Parents are allowed to choose the child care provider for their children. These child care providers are considered "an employee of the parent." The providers are classified as:

(1) Non-exempt (State) Licensed Family Child Care facilities: These child care providers are on the APPs' resource and referral list. Parents are given a choice of child care providers from this resource and referral list.

(2) License-exempt, Trustline approved: These child care providers are family Members or anyone other than licensed providers chosen by the parents to supervise their children. "Trustline approved" means a background check is conducted which includes fingerprinting the child care provider.

(3) License-exempt, Trustline-exempt: These child care providers do not have licenses and include only: aunt, uncle, grandmother, grandfather, great aunt, great uncle. There is no background check and no fingerprinting.

This category requires a "Health and Safety Self-Certification" form. All of the information on this form is provided by the child care provider and is approved by the parent who maintains all responsibility for the child care provided.

MAGNITUDE OF THE CalWORKS PROGRAM

The County of Los Angeles CAO's office provided the following data which shows the magnitude of the CalWORKS program.

Actual 2004–2005 revenue total of \$1,100,359,265.00 includes:

1. State appropriation, \$628,383,480.00
2. Federal appropriation, \$436,583,422.00
3. Miscellaneous Revenue, \$11,361,798.00, includes expired and never cashed warrants (checks) returned by the post office and return of overpayments.

4. Sales tax realignment, \$5,304,677.00, the state sets aside sales tax money to reimburse counties for social services and this amount is the CalWORKS portion.

Welfare fraud in the DPSS program has been studied many times. A July 8, 2003 study by the County of Los Angeles Auditor-Controller's office contains 20 recommendations for improved processing of claims. A response report dated February 7, 2006 titled "Department of Public Social Services Report to the Audit Committee, Regarding the Status of Recommendations in the Welfare Fraud Prevention Program Review" has been carefully reviewed by this Grand Jury. DPSS states all but one of the recommendations have been implemented for up to 3 years. In view of this report of implementation, there should have been a considerable decrease in the incidence of welfare fraud. THIS HAS NOT HAPPENED. Our study shows that welfare fraud is a continuing burden on the taxpayer.

METHODOLOGY

Previous Civil Grand Jury reports and the "CalWORKS Error Rate Study Report," prepared by the CDE, dated April 2005, show evidence of procedural failures. We studied other audits, reports, letters, documents, and contracts, together with information about child care welfare fraud arrests and prosecutions. Additionally, we met with and interviewed over 100 individuals involved in the CalWORKS process. Visits were made to DPSS offices, GAL N offices, and several APP facilities to observe the administrative process.

FINDINGS AND RECOMMENDATIONS

The first seven Findings and Recommendations refer to the contract between the County of Los Angeles Department of Public Social Services (DPSS) and the Alternative Payment Providers (APPs). By incorporating the recommendations into the contract, mandatory contract compliance will ensure a process that better serves the needs of all involved parties.

Finding 1. Although the child care payment amount is based on an approved number of child care hours, DPSS does not verify the actual number of attendance hours and does not require the APPs in the current contracts to verify the number of hours provided.

Recommendation 1. There should be random and unannounced visits at least once every ninety days to the child care sites to verify the childrens' presence. This

verification should be done either by DPSS or be required by the APPs in revised DPSS–APP contracts.

Finding 2. Although DPSS procedures require original documents from parents and child care providers, copies are often accepted.

Recommendation 2. DPSS should require the APPs to accept only original documents or copies that have been seen and annotated by DPSS.

Finding 3. Although the CalWORKS California-administered Stage 2 and 3 child care programs require sign-in and sign-out sheets for children in day care, the County of Los Angeles-administered child care Stage 1 program has no such requirement.

Recommendation 3. DPSS should require by incorporation in the APP contract daily parental sign-in and sign-out sheets.

Finding 4. Signatures of the parent or child care provider on forms being processed by the APPs are not always matched to other documents in the file.

Recommendation 4. DPSS should ensure by monthly file reviews that signatures on signature cards in files match the signatures of the parent and child care provider. The Auditor-Controller and contracts department of DPSS must also have access to these records for audits. These requirements must also be included in the APP contract.

Finding 5. Agreements between the APPs and the child care providers may not stipulate all the requirements of DPSS and the State-required child health and safety issues.

Recommendation 5. DPSS should review the DPSS–APP contracts and agreements to ensure that child health and safety requirements are addressed by both the APPs and child care providers.

Finding 6. A Contract Monitoring Project and a Contract Monitoring Division Report, both completed by the County of Los Angeles Auditor/Controller, cited the following:

- A parent reported that neither she nor her child had received services from the child care provider for which the County was billed \$12,400.
- A parent case file did not contain a copy of the day care provider’s current business license, taxpayer identification number, or Social Security number as required by the contract.
- Child care payments were made to child care providers for parents who were not qualified or enrolled in any activity which qualified them for benefits.
- DPSS was billed twice for the same retroactive services.

Recommendation 6. Each step of the DPSS process should be verified, and APP contracts and files should be monitored and audited: to prevent paying for child care not provided, to ensure that parents are eligible for child care support, to eliminate double billing, and to ensure that documentation required by the contract is in place through random reviews of APP files. DPSS has the primary responsibility for verification and should request assistance as needed from the Auditor-Controller, District Attorney and Chief Administrative Office.

Finding 7. The APP child care outreach marketing program lacks County of Los Angeles direction. We are not aware of documentation as to the effectiveness of this program, the reach of the marketing, media used, or responses.

Recommendation 7. Marketing of the APP CalWORKS child care outreach program should be regularly evaluated by DPSS to determine its effectiveness.

Finding 8. DPSS and the APPs communicate primarily through the GAIN Employment Activity and Reporting System (GEARS) computer system which is maintained by DPSS. The APPs report that when the system is down, data communication with DPSS ends. The GEARS system is supposed to provide the APPs with correct and current information. However, we are told the data on the GEARS system may be out of date by as much as one to 2 weeks.

Recommendation 8. DPSS should designate staff and a contact phone number for the APPs to call for case information when the GEARS data system is down and circulate a memo to all APPs with this information. DPSS should ensure that participant data is entered into the GEARS system daily.

Finding 9. Some personnel of DPSS and APPs advise that changes in employment, job training, or school hours are entered into the GEARS system by DPSS only at the beginning of the month. If any of these hours of attendance change on the 2nd of the month or thereafter, the full payment for child care continues until the end of the month.

Recommendation 9. Any changes in attendance should be entered daily on the GEARS system by DPSS to eliminate overpayment.

Finding 10. The DPSS process requires that the parent report their attendance at school or training. APP personnel and DPSS investigators indicate that self-certification is not always reliable.

Recommendation 10. The school or the training site should send to DPSS a monthly attendance verification based on records which are retained by the school or training site and made available to county auditors.

Finding 11. Any changes in the parent's schedule that would affect child care hours are reported by the parent on a Quarterly Report (QR?) form supplied by DPSS.

Recommendation 11. Any changes in the parent's schedule that would affect child care hours should be reported monthly instead of quarterly and verified by DPSS to eliminate overpayment for child care. This monthly report and the record of its verification should also be available to county auditors.

Finding 12. Not all DPSS forms specify that the parent or child care provider is signing under penalty of perjury.

Recommendation 12. DPSS should require that all forms are signed under penalty of perjury.

Finding 13. Alleged child care fraud is referred by the APPs to the DPSS Welfare Fraud Prevention section. This section checks the referral to ensure that all pertinent documents are attached to the referral. DPSS investigates the allegations of fraud and may refer the case to the County of Los Angeles District Attorney for prosecution. The Civil Grand Jury is concerned that in a 1 year period hundreds of referrals from the APPs to the DPSS Welfare Fraud section resulted in only ten referrals to the District Attorney's office. Some DPSS Welfare Fraud Prevention section personnel have inadequate training to detect evidence of fraud.

Recommendation 13. DPSS should develop and implement an enhanced welfare fraud detection and investigation training program for employees in the Welfare Fraud Prevention section in conjunction with the Los Angeles County District Attorney and receive periodic State and local training. Personnel trained and employed by this program should be compensated commensurate with their increased responsibilities.

Finding 14. Misrepresentation of employment is a major source of welfare fraud: Some parents in the welfare-to-work program earn very little income—a few hundred dollars per month—but are reimbursed thousands of dollars per month for miles driven and child care expenses.

The same person (child care provider) who is paid by the County to provide child care services may also be receiving In Home Support Services (IHSS) from the County. The IHSS worker is provided to individuals to assist them in activities of daily living. A CalWORKS participant/parent could be employed to provide IHSS services to the same person (child care provider) providing their child care. There is no cross check.

- Fictitious names of employers and places of employment have been “verified” by phone calls made to co-conspirators.
- Some parents work as aides with the IHSS Program and receive thousands of dollars in mileage.
- Some parents claim to work for relatives.
- Some parents conspire with friends or relatives to fraudulently claim child care benefits and split the money.
- Some parents claim to provide tutoring during the hours the child is in school.
- Some child care providers claim hours for care during the hours the child is in school.

Recommendation 14. If the parent is working for cash or for relatives, the payer should sign, under penalty of perjury, certifying the hours, the amount paid, and the work accomplished. A cross check between child care provider services and IHSS services, requiring copies of tax returns, and random field checks at the employment location should be mandatory. DPSS should eliminate child care allowance if employment legitimacy cannot be determined.

Finding 15. DPSS has stated that: “There is no limit, currently, to the number of hours allowed to the parent for paid child care per day.”

Recommendation 15. Any paid child care in excess of 10 hours per day for 5 days per week or 12 hours per day for 4 days per week should be monitored and verified on site by DPSS.

Finding 16. Trustline Registry Form: this form “. . . was created by the California Legislature to offer parents, employment agencies, Child Care Resource and Referral Programs (APPs and DPSS), and child care providers access to a background check conducted by the California Department of Social Services (CDSS) which includes checks of the California Criminal History System and Child Abuse

Central Index (CACI) at the DOC and FBI records.” This form is processed for DPSS by the appropriate State licensing department and the State advises that it may take 6 weeks or more to complete.

Recommendation 16. Trustline Registry Form background check must be approved and received by DPSS prior to any authorization for child care (including License-exempt and Trustline Exempt). DPSS should work with the State to expedite the Trustline Registry Form.

Finding 17. The County of Los Angeles Administrative Memorandum Number 0010, dated 5-22-00, defines a license-exempt provider’s own children in the following way: “The definition of a license-exempt child care provider’s own children include all grandchildren, nieces, nephews, and first cousins for whom child care services are being provided. These children are considered immediate family Members and there is no limitation on the number that may be cared for. In addition, the license-exempt provider may also provide child care services for the children of one other family. Child care payments may be authorized during the same time period for all of the children whose parents are participating in CalWORKS welfare-to-work activities or working.” This broad, unlimited definition of license-exempt provider’s own children encourages fraud and abuse of the system.

Recommendation 17. The definition of “own children” should be limited to only the biological or legally adopted children of the child care provider. A limit should be placed on the number of children cared for by one child care provider, based on the capacity of the provider and the site, to provide safe and healthy child care.

Finding 18. DPSS contracts with outside agencies to provide services for the GAIN case management in two new GAIN regional offices to perform vital steps in the CalWORKS process. These contract worker positions include caseworkers, supervisors, and clerk typists.

Recommendation 18. Contract agency employees should be required by DPSS to undergo the same background checks required of DPSS employees in the same job category.

CONCLUSION

The Los Angeles DPSS CalWORKS program, with a budget in excess of one billion dollars, is huge and complex. The California Department of Education Error Study Report statistics, interviews with individuals convicted of welfare fraud, and the continuing multiple arrests by the District Attorney’s office confirm the need for immediate tightening of program controls. As currently administered by DPSS, the CalWORKS program invites fraud estimated at 50% by some DPSS and APP personnel. Fraud is less likely to occur in a program with increased supervision, regularly scheduled training, and checks and balances for each step of the process. The citizens of Los Angeles County deserve better so their tax dollars are used wisely and more eligible parents and children can be helped.

GLOSSARY

APP—Alternative Payment Provider (State and County)
 CACI—Child Abuse Central Index (State)
 CalWORKS—California Work Opportunity and Responsibility to Kids (State and County)
 CAO—Chief Administrative Office (County)
 CDE—California Department of Education (State)
 CDSS—California Department of Social Services (State)
 DOC—Department of Corrections (State)
 DPSS—Department of Public Social Services (County)
 DSS—Department of Social Services (State)
 FBI—Federal Bureau of Investigation (Federal)
 GAIN—Greater Avenues to Independence (County)
 GEARS—Gain Employment Activity and Reporting System (County)
 HIP—Home Interview Program (County)
 IHSS—In Home Support Services (County)

Mr. CAMP. I am certainly sympathetic to the call for more funding for child care. We did provide a billion dollars in additional child care funds over the next 5 years as part of the Deficit Reduction Act to which the President signed in February 2006 but this report suggests a significant amount of current child care spending in our Nation’s largest State is wasted, which is a major concern,

and I think that is something the Committee may want to take a look at. I thank the gentleman for yielding.

Mr. BEAUPREZ. Thank you. Reclaiming my time. Something that jumped out at me—and I honestly don't remember who made the point in the first panel—is that government is not very good at giving love. I saw a tragic statistic recently that in low-income families, the children who most desperately need a fighting chance at that thing we call the American dream—to get a good education, earn their way out of poverty—in the first 4 years of life they experience a total of a mere 25 hours of lap time; storytelling, reading to children.

Obviously, an education is necessary. I think the first panel emphasized that. I think we would all agree. So, too, is parents being parents. Bishop Riley, I am sure it is just a constraint on time, but I would guess in your profession that you agree with that, and that stronger marriages and especially fatherhood a bit beyond the biological part of fatherhood is something that you find important, strong marriages and parents being around. Mr. Rector, you opined on that need.

I would ask both of you, from your perspectives, which I guess is fairly expansive, now if we have made progress, and I submit that the evidence is pretty clear we have made progress since the 19nineties, since this act was put in place, and we want to take it to the next level, I think that is an area to target, improved education especially for the most needy. I think one of the ways to do that is by giving the little ones a fighting chance once they get to school to be ready to learn. So, that goes back to the parental responsibility.

How can we accomplish that mission? Bishop Riley first, and then Mr. Rector, time permitting.

Bishop RILEY. I think you are absolutely correct. I think probably the main way is to take as much stress off of those family situations at home as we can. One of the ways that I try to highlight it is the fact that so many of the working poor people, people who have jobs that are working or having to work two jobs and so the children are getting left out. You are absolutely right, at the youngest age, those first 4 years, which are critical; that is when we need the parents to be at home more.

You just can't make it at \$5.50, \$5.27 an hour. New Jersey is its own case. I understand that, but the living wage in New Jersey is between \$17 and \$19 an hour. That is what it costs if you rent a house or rent an apartment and pay for food and so forth.

Mr. BEAUPREZ. I understand that. If I can interject though, and I am working from memory here, so pardon me if I am wrong, but I believe in some of our minority communities, as much as 80 percent of the children are being born out of wedlock. I don't think that raising the minimum wage is necessarily going to solve that problem.

Don't we have a moral, cultural crisis going on in this country? I was hoping you of all people would tell us that.

Bishop RILEY. I don't have the statistics in my own State or across the country at hand. I can certainly get those. I think that if children—and children are born out of wedlock; I understand that. Part of that is because the children that are having the chil-

dren were not cared for appropriately as they were coming up. They didn't learn what they needed to learn coming up.

Mr. BEAUPREZ. I accept that. Mr. Rector, quickly if you care to.

Mr. RECTOR. You have hit the absolutely critical issue; 34 percent of children are born out of wedlock. In the United States, it is one child about every 20 seconds.

Mr. BEAUPREZ. Thirty-four in total.

Mr. RECTOR. Among minorities, 69 percent; Hispanics, 45 percent. This is the overwhelming cause of child poverty. It is the overwhelming cause of all the social problems that this Committee deals with, and this is the thing that we have to begin to address.

I really think that one of the failures in the last 10 years was that State governments were supposed to experiment with programs to increase marriage, and with the exception of Oklahoma, most did not. We really have to pursue this much more strongly.

I would commend to you a book called, *Promises I Can Keep*, by Kathryn Edin of Rutgers University. She is a liberal sociologist, but she is probably the greatest expert on single parents on welfare, and effectively, when you read this book, what you see, and out-of-wedlock child bearing is almost exclusively restricted to the least advantaged mothers, the ones with the lowest education, the ones that are going to have the most difficulty going it alone; those are the ones that go without marriage.

What you see among them is, in the middle class, typically the history is, you develop a relationship. You get married. Then you have children. Among the lower socio-economic white, black and Hispanic, that is actually reversed. They have children. They have children deliberately. It has nothing to do with an absence of birth control. They have children deliberately then they try to find a relationship, and then they think about getting married in their thirties. They don't see a problem with this. They are not hostile to marriage.

One of the most important things we can do for this group is to say, this is a really bad life plan, particularly for your children. You need to think about this in a different way. I think we will have a wonderful audience once we begin to communicate our concerns. They are looking for a better way to raise children. We just have to start to talk to them.

Mr. SHAW. Ms. Tubbs Jones.

Ms. TUBBS JONES. I am so happy this hearing on welfare has not become a sociological study of minority families and what they choose to do. The reality is there is a huge issue with regard to children being born out-of-wedlock, but we are not going to resolve it, as to whether or not what happens with that, in this 5 minute piece here, and I would ask my colleagues to think about some of the statements that they have made in this hearing and contemplate the impact that they will have on people who are listening to what they are saying.

I am just stunned, and you have kind of taken me out of the point where I wanted to go with this. The reality is, and I have a study that was done at Case Western Reserve University, which is the university that I graduated from, with regard to what has happened to welfare leavers in Cuyahoga County—a welfare leaver is someone who has left welfare—and the impact that it has had.

It says that 79 percent of welfare leavers were employed at some point during their first 6 months off welfare, but only 60 percent of the leavers were able to secure mainstream employment having an official State wage record.

I am so tired of hearing you all talk about people are off welfare and people are much better off. They are not better off. They are standing in lines at churches and all kinds of places looking for supplements for these minimum wage jobs that they have, and they are still in poverty even at work. They are at work without any type of support.

One of the things that we don't talk about is that if people are not receiving a welfare check, what type of income or support are they receiving from the government? Are they receiving child care? Are they receiving training? Are they receiving some type of medical care? The reality is, if we add those numbers up, it may be greater than the welfare check that they were receiving initially.

Let me go on to the report before I just go out of whack on you all with regard to the statements that you are making. The survey results indicate that low-level education, low-paying jobs, that people leaving welfare were left to—had low levels of education. They found low-paying jobs with limited access to benefits and experienced all kinds of hardships following their coming off of welfare.

They have problems with renting. They have problems with paying their electric, their utility bills. They have problems with being evicted. They have problems supporting their children. Part of the reason we are talking about families with children who have not been sat on a lap and read to, is because many of these parents work so many long hours that, by the time it is all over with, by the time they get home with a low amount of education, their ability to then have a discussion with their child may well be limited.

I would say to my colleagues, if we really want to address this issue, if we really want to be on point of what we are doing with low income and minority families, let's sit down collectively. I am awaiting the opportunity as a Democratic Member of the Committee on Ways and Means to sit down and have a discussion with my colleagues on any issue at all on any subject.

The 4 years I have been on the Committee, we have yet to sit down and have a lengthy discussion with regard to legislation. This is one of the issues that is key and very important to me and the constituents I represent. Because I happen to be the only African-American woman on this Committee, it is particularly important for me to be able to be a voice for the young minority women across this country who want to be heard and don't want to be identified as this group that doesn't want to go to work or this group that doesn't want to take care of their children or doesn't want to be educated.

One of the problems with the welfare program is that—TANF program—there are young women who want to be educated, but because of the rulings with regard to going to school instead of going to work, it restricts them from improving their education. That is a real problem within the welfare program. They can be educated, but it is not a long enough time. They still have to go to work without having the opportunity to take care of their children.

You all get a life here and stop identifying and pointing out problems with minority women across this country and get on the point of being morally correct. If you are morally correct, then you are going to take care of the least of those in this country. I yield back the balance of my time.

Mr. SHAW. Ms. Hart.

Ms. HART. Thank you, Mr. Chairman. I am going to yield to Mr. Beauprez 30 seconds. He wanted to follow up on something that wasn't quite finished.

Mr. BEAUPREZ. Dr. O'Neill, only if you have got a very brief answer to my question. You looked like you wanted to offer it. Otherwise, submit it for the record. Either way.

Dr. O'NEILL. It is a very brief answer. This really pertains to—it has to do with mothers reading to their children. I worked on an extensive research project using national level data that also had data on children's performance and I looked at the effect of parental background on performance.

This is a published article, and I can send you the citation for it. One thing that really struck me was that—this was before welfare reform—women on the AFDC program who did not work read to their children less than any other women, holding constant education, race, anything that you can think of.

So, it wasn't that they spent all their time taking care of their children; they were less likely to take their children to a park. They were less likely to do any kind of child development activity, and those children turned out really very badly. They started school so poorly prepared that it would be extremely difficult for those children to ever catch up.

I really believe that if you could do a similar study today, you would find that women who now work know the importance of education and, therefore, are spending more developmental time with their children because they don't want their children to follow in their footsteps.

Mr. BEAUPREZ. If you could get me that article, I would very much appreciate it. I thank the gentlelady from Pennsylvania.

[The information follows:]

At the hearing of July 19, 2006 on the outcomes of the 1996 welfare reform I alluded to research I had conducted on the determinants of cognitive achievement by pre-school children, with particular reference to disadvantaged children and those growing up in homes with welfare dependent mothers (prior to welfare reform). The article that contains this research is entitled "Family Endowments and the Achievement of young Children with Special Reference to the Underclass," authored by M. Anne Hill and June O'Neill, published in the Journal of Human Resources, XXIX.4. The relation between mother's welfare participation and a child's achievement is discussed starting on page 1089 (section V.4). As noted, one reason why children from welfare families had low levels of achievement is that their mothers were less likely to read to them than was the case in non-welfare families. (Women on welfare more than half the years since the birth of their first child read to their children on average 1.8 days a week compared to an average of 2.8 days a week for mothers who were never on welfare despite the fact that mothers with significant time on welfare worked less than other mothers.)

Ms. TUBBS JONES. Will with gentlewoman yield?

Ms. HART. Actually, no, because I have very little time. Sorry about that.

Ms. TUBBS JONES. I will get some time from someone else. Thank you.

Ms. HART. Okay. I am going to have to make a statement first, and then I am going to ask a question if I have time. I have spent a significant amount of time as an elected legislator on the State level while welfare reform was happening and implementing it and, then, of course, now for the last 6 years here, and have always held roundtables, small intimate groups of people who are involved in social services and also those who have been recipients of them, including welfare, to come and sit down and tell me how it works for them; tell me what the challenges are; tell me what the problems are; tell me what works for them; tell me what doesn't.

Invariably the people who have come in to talk to me who have moved from welfare to work have had positive things to say about their self-esteem and the confidence and hope for their future as a result of the welfare reform. I am going to put that out there because that is what I see; that is what I hear.

The negatives that I hear, which we have heard from the gentlewoman from Ohio, are that these women come in and want to have an education, and I think that is great because I wanted to have an education, too, and so does everyone else who is struggling and wants to move forward in the world. The difference is, I had to work and go to school so that I could pay for it. I think that the welfare reform's goal was to help people understand that you need to work to get the reward.

Now that I have said that, I am going to ask Dr. O'Neill to reflect upon a little bit of what I said, and please tell me if you believe it has resulted in more work and also along with that the opportunity to get—to move up the ladder, whether it is taking some classes and getting educated or just moving up the ladder and getting a better job where you start working.

Dr. O'NEILL. I teach at a city university, and many of my students, I would say most of my students, work, and most of them take classes at night. Many of the women have children—maybe the men have children, too—and it is very difficult, but they manage. It takes them longer to get their degrees than somebody who is able to go full time during the day.

I agree with you; there are people struggling to get an education, and they do so. Under the welfare reform initiatives of the past, the policy was to provide training—various kinds of training and education programs, but they had little or no impact. It is difficult for the government to know what kind of training program somebody needs.

When you go out to work, you get an idea of what it is you might like to do, and you learn what kind of training you would need to get there. You might work as a helper at a hospital and say, gee, I would really like to be a nurse, a registered nurse, and then you would have a goal for yourself. You don't know those things if you have never had any exposure to work.

Knowing that welfare is not a long-term option in itself will increase peoples' motivation. They know they are going to have to do something to support themselves, and they will think more about education. There has been an increase—the education of single mothers has increased, just looking over the past 10 years. I

wouldn't be surprised if the daughters growing up in homes with former welfare recipients—and I would hope the sons, too—are acquiring more education because they see what their mothers are going through.

Ms. HART. I am sure we can actually find some statistics that show that, but I see I have run out of time. If you can find some.

Dr. O'NEILL. It doesn't happen overnight.

Ms. HART. Thank you. I yield back.

Mr. SHAW. Mr. Thompson.

Mr. THOMPSON OF CALIFORNIA. Thank you, Mr. Chairman, thank the witnesses for coming.

I am really least concerned about who takes credit for doing what and more concerned about making sure that we can improve a welfare system that would provide opportunities for people to go to work and help for kids who are born into these families.

I did the—I wrote the welfare reform legislation for the State of California when welfare reform passed back in the early nineties, and I spent a lot of time involving myself, trying to figure out as much as I could, spent time with welfare recipients. I found that there were three basic types: There were those who had fairly good support and were clearly, with very little help, going to make it and not only leave welfare but stay off of welfare. There were some who didn't have the traditional family help and support, but with a little help from the government, they had a shot at breaking the cycle and getting into the workforce, and maybe if things fell their way, they would be able to stay employed and stay off the welfare rolls. The third group were people who were—just didn't have much of a shot.

We tried to craft a program in California that helped those folks get into the workforce and stay in the workforce. Those people who had the least chance at all of becoming employed and getting out and staying out, we tried to craft a program that would certainly recognize that children shouldn't be punished and needed to be given some direction.

We did it with bipartisan support. It was a Democratic legislature, a Republican Governor, and we did it by really emphasizing the need for State flexibility, something that has worked incredibly well in California.

The thing that worries me the most is, as we move forward, the reduction in that State flexibility. I think States have a pretty good handle, and we heard from Governor Thompson today who explained this specifically as it pertained to Wisconsin. I think States have a pretty good handle on how to make this happen. I believe if we truncate that flexibility, that we are going to find ourselves in a bigger mess than some suggest we were before this all happened.

The other thing that concerns me greatly is this push to increase the work hours and how that relates to communities. I represent some who are suffering economically right now. I have seen a loss in jobs, no reason of their own. This is something that has happened because of other things.

If there are fewer jobs, there are fewer work opportunities. The same thing can be said about some of the programs we have put in place to help in regard to substance abuse and mental health

problems. If we are going to reduce those and expect people to go out and become employed, we are just absolutely fooling ourselves. We need to be able to provide that support.

It was mentioned, health care, child care, training and transportation. If we skimp on this, it is going to come back to revisit us in a much more costly manner than it is right now.

So, I think whoever said it earlier, that we need to be working together on these things, and my point is, I hope I made clearly, that State flexibility and employment opportunities—we are just having a press opportunity. I think that is a grave mistake.

I yield the remainder of my time to Ms. Jones.

Ms. TUBBS JONES. Thank you very much, Mr. Thompson. I appreciate it.

What I wanted to read to you is a story out of the Cleveland Plain Dealer today, a study that was done by Margy Waller. In her study, she advised on welfare issues to the President of the United States, Bill Clinton. What her research focused on, was how much Ohio and two other States now spend on transportation, day care and other services that help poor people get to work.

In 2004, for example, Ohio spent 63 percent of its welfare budget on non-cash services. So, not only is welfare reform not lifting Americans out of poverty, it is also keeping them dependent on government handouts, she says. National data from the U.S. Department of Health and Human Services backs that up. In 1997, only 27 percent was spent, but by 2004, 57 percent was spent on these non-cash services.

Another point is that people receiving only those noncash benefits, such as day care, are not counted in the State's caseload numbers, so when officials say Ohio's caseload dropped from 186,000 families in 1996 to 82,000 last year, they are not including families who get bus passes, job training or any of the many other benefits besides the check.

I just want to register for the record that it is a fallacy to say that there is a drop in numbers, caseloads, when in fact people are still receiving benefits, so there are people who are still on welfare and working. Thank you.

Mr. SHAW. Mr. Chocola.

Mr. CHOCOLA. Thank you, Mr. Chairman. Thank you all for being here. Dr. Haskins, I wasn't here when welfare reform was passed. Today's hearing reminds me of something I read recently: They'll forgive you when you're wrong, but they'll never forgive you when you're right.

I do have an acquaintance that is involved in welfare reform and welfare-to-work programs every single day, and that is the mom of my chief of staff, and she actually asked me to pass along a story and see if she could get your insight on a question she had.

She is the manager of a workforce development program for a hospital in Arizona and has oversight responsibilities for a welfare-to-work program called Learn, Earn, Advance and Prosper (LEAP). She has seen a lot of great success stories. One of those was a woman who was living in her car with her four children; she had a drug dependency. She entered the 10-week job training program under the welfare-to-work program.

She then became employed by the hospital and continued her education and training in an 11-month program and became a surgical tech making \$14.18 an hour, which was a great success story, but unfortunately, it didn't end there.

After a year on the job, she decided she didn't like her work hours, and she had not used up her 5 years of eligibility under welfare and went back on welfare because she didn't like the hours.

So, the question that I was asked to pass along is, do any of you see a way to strengthen welfare to make sure that those situations don't happen where those people that have alternatives aren't on the welfare rolls at the expense of those that are truly needy and don't have those alternatives?

Dr. Haskins.

Dr. HASKINS. I think there is plenty of flexibility in the legislation that now exists. The State can require that mother to work. She doesn't have a choice; she has to work, or they cut off her benefits. That was the thing that was the most lacking from AFDC; the State did not have that control. Recipients were entitled to benefits, and there was very little you could do to force them to lose the benefit. In 36 States now, you can lose an entire benefit. In every State, under the Federal legislation, you must reduce the benefit if the mother refuses to meet the work requirements. So, Arizona could control that problem.

Mr. RECTOR. It is the same thing; the real answer there is that you should basically try to have no period in which a mother is simply collecting a check and required to do nothing in exchange for that check. Once you make the precondition for getting the check that you have to be engaged in community service or preparation or something, then this woman's options are to either work or get on welfare and do something that is an awful lot like work. To the extent that you do that, people will not stay on welfare; they will take jobs instead. That is the core of the reform; that is what drove this reform to success.

The problem is that it takes a lot of bureaucratic work to have this continuous engagement. It is hard to do administratively. So, in Arizona and most other States, at least half the caseload is not doing anything at any given point in time. What we have to do is continue to push them so that from the minute someone joins the system, the system can be more generous.

Tommy Thompson raised the TANF benefit in his State, but from the minute they get on the system, they have to be engaged in steps moving toward self-sufficiency. That would change the options that that woman had, and would have moved her in a much more positive direction.

Mr. CHOCOLA. Anybody else?

Bishop RILEY. It would be helpful to know what caused the hours to be difficult or disagreeable.

Mr. CHOCOLA. I don't have that specific information.

Bishop RILEY. I can imagine that that created concerns at home with her family. I think we really need to know more about what caused that person to drop out.

Mr. CHOCOLA. I think we have learned a lot of lessons in welfare reform. Do any of you have any suggestion on how we could

apply those lessons to other government reforms we need to implement, such as Medicare, Medicaid?

Mr. Rector, do you have any ideas?

Mr. RECTOR. Absolutely. One thing I would like to say is, I would commend this Committee because this Committee did welfare reform, but this Committee only reformed one of 50 major means-tested programs. The real failure in welfare reform was that the same reforms that Ways and Means did on AFDC should have been done in food stamps; they should have been done in public housing, which covers—in many cases, it is the same person getting both food stamps and AFDC.

We made AFDC into a work-based system with reciprocal obligations where we said: We want to aid you; in fact, we can even be more generous in aiding you, but we expect you to take activities to become self-sufficient. We have not done that in food stamps, and we have not done that in public housing, and that is really the next step of reform, as well as really taking the idea of trying to help couples have healthy marriages. Those are the two next steps in reform.

Mr. SHAW. The time of the gentleman has expired.

Mr. Rangel.

Mr. RANGEL. Thank you, Mr. Chairman. Welcome back, Dr. Haskins. Good to see you.

Dr. HASKINS. Mr. Rangel, good to see you, too.

Mr. RANGEL. If I recall, you were chief of staff in the Subcommittee on Welfare that drafted this legislation. Why do you think you are here this afternoon? What is this all about? You worked with this House; there is no legislation before us, no proposals here. Why are we here now before the election?

Dr. HASKINS. I think there is an aspect of a 10-year celebration, which is appropriate, but if all the witnesses and as far as I can tell most of the witnesses have done what I did, which is seize the occasion to mention things that need to be changed as well as things that are good; they are not incompatible.

Mr. RANGEL. Do you think it is time for a celebration?

Dr. HASKINS. Oh, absolutely. I think the bill has been very successful, and it can be more successful. There are still problems remaining.

Mr. RANGEL. Was it part of the objectives of the majority at that time to end aid to dependent children as an entitlement?

Dr. HASKINS. Yes.

Mr. RANGEL. Then you really don't believe that the Federal Government should have the responsibility for mothers and children.

Dr. HASKINS. Oh, no. That is a leap that I totally disagree with, and I have never said anything or written anything that would be consistent with that claim. The Federal Government still has the responsibility but does not have the responsibility to maintain people when they don't have to work.

Mr. RANGEL. No, no. I am talking about, if you didn't believe it should be an entitlement, that means the person is not entitled under Federal laws; we can tell them—

Dr. HASKINS. That is correct. Two points.

Mr. RANGEL. Basically, did the basic responsibility not shift to local and State government?

Dr. HASKINS. We still have Medicaid, still have food stamps, school lunch. We still have a lot of entitlement programs—

Mr. RANGEL. I am talking about welfare, Doctor.

Dr. HASKINS. They are means-tested programs.

Mr. RANGEL. Don't you think that should be ended, too?

Dr. HASKINS. No, Mr. Rangel, it was a deal. You are familiar with deals. We will keep an entitlement for Medicaid, for food stamps, but in the cash program, if you want the benefit, you have to work, end of story.

Mr. RANGEL. You are talking faster than I can think. Isn't the ultimate goal to end entitlements?

Dr. HASKINS. No, no. The ultimate goal was to end the entitlement to the cash benefit.

Mr. RANGEL. Forget the deal. Do you think Medicare should continue to be an entitlement?

Dr. HASKINS. Yes.

Mr. RANGEL. Medicaid?

Dr. HASKINS. Yes.

Mr. RANGEL. Welfare an entitlement.

Dr. HASKINS. What do you mean by welfare? Not cash?

Mr. RANGEL. Aid to dependent children.

Dr. HASKINS. No.

Mr. RANGEL. Okay. In other words, though, now we have shifted the responsibility to the State government, and we will decide how much money and under what conditions we give them. The reason why I am not prepared for a celebration is that everyone agrees that while you tackle one part of how families receive resources, no one can challenge the fact that poverty, living conditions, lack of education, unemployability, drugs and all of these things are part of this problem; and even though our Committee did not have jurisdiction, it is clear to me—and I will go to Dr. Rector—that if you are so concerned about kids having kids, isn't there a relationship, Doctor, between poverty and kids having kids, whether they are black or white? Isn't there a relationship between whether the parents had kids out of wedlock, isn't there a relationship between poor communities and bad schools with kids being out of wedlock? Someone said it was all morals, but isn't there statistically a connection between these things?

Mr. RECTOR. There is a strong connection between low levels of a woman's education and low socio-economic status and having children out of wedlock.

Mr. RANGEL. Kids who don't believe they have a future are more inclined to do these things?

Mr. RECTOR. I think it is a little more complicated than that, and I would really commend to you this book by Kathryn Edin at Rutgers called, *Promises I Can Keep*.

Mr. RANGEL. Wouldn't she say—

Mr. RECTOR. What she says is basically that these young women, white, black and Hispanic, are very, very pro-child. They have children as young adults, and it is the most important thing in the world to them.

Mr. RANGEL. Of course. My time is limited, but that is not inconsistent with what I am saying. I have seen some of these stupid kids. They want kids like they are dolls. They are not going to lose anything. There is no job to be lost. There is no college degree that is going to set them behind. So, we are saying the same thing. What I am hoping we can do, however, is to find some way, since you don't have just 2 years, as we do, and you don't have limited jurisdiction, to look at the broader question to see what we can do beyond welfare to avoid people from having to have the children to be on welfare.

To me, you all know that poverty and lack of education play a big role, and I don't know whether you were here when Speaker Gingrich was here, but I think the best thing that came out of this Committee was to talk about poverty.

Let me thank the religious leaders because sometimes, Bishop, this St. Matthews thing about the less among us when we are dealing with the moral majority is not included—we need a lot of help here from our spiritual leaders, a lot of help on the question of the lesser of our brothers and sisters. It could help us legislatively, and I thank you for your courageous presentation today.

Mr. SHAW. Mr. Levin.

Mr. LEVIN. As a gentleman who was actively involved in welfare reform 10 years ago, I want to say something, why I object to the partisan umbrella under which that has been put.

Dr. Haskins, you and I talked 10 years ago. I just wanted to review the changes that were made from the bill that was vetoed to the bill that was signed. You minimize it; \$4 billion in child care; that is not minimal. The provision essentially block granting food stamps was dropped. The provision that block granted school lunch programs was dropped. The two-tier system for SSI was dropped. The provisions regarding Medicaid were changed.

So, when Mr. English asked you the question, I just want to tell you point blank that I think you are going along with this effort to minimize the efforts that were made by the President and others to make some substantive, significant changes in the bill that he vetoed. I think that effort sells that effort short, and it sells you short.

Let me give you have my second objection to the way this—

Dr. HASKINS. Can I make a brief comment on that?

Mr. LEVIN. Very brief because I want to make another comment.

Dr. HASKINS. Thirty seconds: First of all, I think most of the changes you mentioned were made before it got to the President. A number of changes were made in the Senate, especially about the food stamp—

Mr. LEVIN. After the veto.

Dr. HASKINS. No, no, before the veto. We will go look it up, but I think that is correct. Second, this is the main point; I wrote a book about this. I gave the President immense credit at every stage along the way. I do not minimize his credit whatsoever.

Mr. LEVIN. You certainly minimized his and other efforts in your answer to Phil English, and it is very obvious—it was painful for me as someone who respected your interests to hear you go

along with it. You don't need to do that. You are no longer a Senate staffer or a House staffer.

Second, there is a legitimate issue here, and that is whether we need a second step in welfare reform and what it should be and whether there needs to be, now, a greater emphasis on as people move from welfare to work, they move out of poverty. There is a difference of opinion there.

Those of us on the Democratic side, however we voted 10 years ago, strongly feel that the facts show that there has to be a much greater emphasis, as people move from welfare to work, that they move out of poverty.

That is why in our bill we had different provisions for education and different provisions for medical care and more money for child care. I just want to refer to this data, and there are others. This is from the new hires database: 60 to 70 percent of the people who move from welfare to work earn less than 42 percent of the median average wage in their States.

There is a problem, as people move from welfare to work, whether they are going to become self-sufficient, income-wise, or whether simply you need to say to them, get to work and automatically something will happen. I think the data and the experience shows that it isn't automatic, and there have to be some other support systems. There is a legitimate difference there.

To celebrate, I think, in addition to marking the progress to date, we have to tackle the challenge ahead, and there is a difference of opinion here as to whether we should do that and how we should do it. I say forthrightly that there is a challenge ahead; there has to be a second stage. That has to be the opportunity for people to move up the ladder and not simply stay on the first rung. That isn't good enough; that isn't good enough.

I hope this Committee in the future will be able to do something we haven't done on a bipartisan basis. There was zero consultation between the majority and the minority on the bill that passed a few months ago, zilch, zilch, because there has been an effort to twist welfare reform for partisan purposes, instead of taking the next steps to make it work better.

Mr. SHAW. Mr. McDermott.

Mr. MCDERMOTT. Thank you, Mr. Chairman.

I can't help thinking about a book I read about the poor houses during the famine in Ireland when I listen to you, Mr. Rector. Sounds to me like that is what we ought to do is put them in there and separate the men from the women. They didn't get any kids born that way. It was really a very effective system.

I can't help but listen to Bishop Riley, and when you say, it takes \$17 an hour to live at a minimum level in New Jersey.

Ms. Parrott, what I want to know from you is, we have had increasing child poverty for the last 4 years under this Administration, and in this budget, we cut almost \$11, \$12 billion from student loans; we cut \$7 billion from Medicaid and CHIP.

Tell me what needs to be done to make this system begin to take children out of poverty, since that is really the focus here. It is not bad mothers and teenage pregnancy and all that stuff. That is all irrelevant. These are kids who need some kind of something, and we leave them in poverty. How do we get them out of it given the

system that is on the ground today? What should be the three or four things that you would put at the top of your list?

Ms. PARROTT. I think there are pretty clearly two groups—and people do sometimes move between these groups—that we really need to think about when it comes to poor families with children. One is the group of people that we have been talking about most recently in the exchange, which are low-income working families, working poor families, where parents work and work relatively consistently, although most working poor families have periods of unemployment and they remain poor, however one defines that, below poverty, just below the poverty line and really struggle to make ends meet.

I think there are ways we can strengthen the work support system so that they are better able to make ends meet and have more stability for their children, things like ensuring that families have the child care they need, strengthening the EITC, strengthening minimum wage.

Remember that, in the nineties, the goal was to have full-time minimum wage work, plus the EITC, plus food stamps bring a family to the poverty line.

Mr. MCDERMOTT. What would the minimum wage be today if it had been indexed to inflation like our salary is in the Congress? We get a COLA every year. What would it have been?

Ms. PARROTT. I didn't bring the numbers, but I am happy to provide them to you and the Committee.

Because of the erosion in the minimum wage, that full-time minimum wage work combined with EITC and food stamps now leaves a family of four below the poverty line. We have missed that target.

I think there are things in the work support system—and the other thing I would mention that is quite important is health care for parents. We have extended Medicaid eligibility to children in working poor families, and that has been a major improvement in our work support system. It is still the case in most States that parents, when they leave welfare for work, after a period of time aren't eligible for health care coverage. That means that they don't have access to the kinds of health care they need to remain productive employees in some circumstances.

Mr. MCDERMOTT. You mean, there is not an entitlement across the country for adults to receive Medicaid, that that is done State by State, as Mr. Rector says is the way to do it?

Ms. PARROTT. The eligibility threshold is done State by State. In most States, the eligibility threshold means you have to be well below the poverty line, often below 50 percent of the poverty line, in order to qualify for Medicaid. In fact, some States have started scaling back health care coverage for parents under budget pressure. That is certainly, I think, a big hole in our work support system.

I think there are two other things that are important to keep in mind when thinking about next steps, and one is this issue of an economy that increasingly demands skills. Some of you may have seen the Washington Post story in the last couple of days, maybe it was last week, that talked about—at least in this area and it is true around the country—the increasing extent to which the econ-

omy demands skills, and people without skills fall further and further behind.

So, I think that we have to take a step back and say, how do we create a system, a work development system that recognizes not everybody got the education they should have when they were children, not everybody went to college, for a whole variety of reasons, and how do we get people skills so they can succeed in a high-skill-demand economy? I think there is a lot of work to be done around that.

I do want to take a moment, though, to talk about a second group of families, and these are the families that Dr. Haskins mentioned and the people really left behind, the people that are doing worse.

I think we now have a lot of research to show what kinds of problems those families face. Very serious disabilities in some cases, very low cognitive functioning, substance abuse issues, domestic violence issues and that both the TANF system as well as other supports need to take those problems seriously, and States need both resources and flexibility to develop programs that make sense for those families and not have a one-size-fits-all “everybody goes into this work program or you are off;” that kind of structure is what leaves very poor families both without work and without welfare.

Mr. MCDERMOTT. Is that the work incentive block grant you are talking about or the social services block grant that we have cut? Are those the issues that you think should be increased or the money should be put back in?

Ms. PARROTT. I think there are several places where those most disadvantaged families could get more help. One is through a more flexible TANF structure, so States could use their TANF dollars in that way. The social services is certainly a place where some of those social services have historically been funded out of. On the training and workforce development side, it has seen significant budget cuts over time.

Mr. MCDERMOTT. Thank you, Mr. Chairman.

Mr. SHAW. The time of the gentleman has expired.

Ms. Parrott, in reviewing your testimony before the Center on Budget and Policy Priorities, you stated that most TANF recipients who find jobs are financially better off than when they were on TANF. You also stated that the wages of former TANF recipients were typically \$7 to \$8 an hour, well above the current minimum wage of \$5.15.

You further went on to testify that child poverty overall and poverty among single-mother families fell during the 1990s and overall child poverty remains lower today than in the mid 1990s.

In 1993, some 22—I am still quoting from you—22.5 percent of the children were poor, but by 2004, poverty was 7.5 percent, a 22-percent decline during the period which included a recession.

Those are your words, not mine, but I compliment you for making that observation then which emphasizes other than what you have testified to today.

Also, I think that there is a misimpression out there that we have slashed welfare benefits. In 1995, the typical family was receiving \$7,000. Today, that is up to \$16,000. One of the big dif-

ferences is that we are investing in people, investing in their future; we are not just subsidizing them. We are teaching them to fish, not just handing them fish and requiring they do not have a fishing poll. We have now \$4 billion of unspent TANF funds that are in the States awaiting to be spent.

The problem is—and I am troubled by the accusations of this being a partisan hearing. The minority party was entitled to invite anyone they wanted to testify on this panel, and they picked two very fine witnesses, Bishop Riley and Ms. Parrott. Then we get criticized for not inviting Mrs. Clinton. She certainly would have been welcome, and I think actually I would love to have seen President Clinton here.

I think I have tried to make it clear all the way through this hearing that this was a bipartisan effort as it ended up. It started as a partisan effort; there was no question about it. The Republicans pushed it, and in Committee, we were blocked by the Democrats.

That wasn't the final outcome. When you are talking about the success of a program that many of the Members of this Committee eventually voted for and supported and have talked about, that that is a partisan issue? We went through this debate yesterday on the floor, and I thought it was absolutely ridiculous because the bill that was on the floor yesterday said nothing about the Republican party, said nothing about the Democrat party, didn't trash President Clinton. As a matter of fact, I was very generous to him in my statement. I managed the time, and I was also very generous to him today in this hearing. Where in the world people get so defensive, I really don't know. I think it is indicative of the atmosphere that is up here on the Hill today, and I think it is something that we need to change because we are talking about people that Republicans and Democrats care about and care about deeply. We viewed welfare reform as a rescue mission, nothing more, nothing less. We did accomplish that.

Mr. Becerra referred to this as "mission accomplished." Yes, we accomplished the first part of that, but the terrorists are still out there, just as in Iraq. What we need to do is to work together and pull together to tie these strings up. This hearing wasn't captioned I don't believe as a celebration; it simply was a meeting to review the outcomes of the 1996 welfare reforms 10 years later.

It is something we should do on this Committee more often. We should go back and review just about everything this Committee does, whether it be tax policy or whatever it is, and we should meet and see what can bring us together rather than split us.

When we finally find something that both parties want to take credit for, for gosh sakes, what are we fighting about? We may have different views as to where we should go from here, but welfare reform has been a success, and it has been a great rescue program that has given people credit, given people control over their lives that they didn't have.

So, I think we need to do a better job in communicating with each other.

Dr. Haskins, I would like to give you the last word. You are very much responsible for why we are today.

Dr. HASKINS. Well, thank you for that. I would say the most important thing to say is that this—you can call it celebration or whatever—it is a very important function in Committees to provide oversight, and I think most Committees do far too little of it, and this law above all others is the most important welfare reform, most important social policy of our lifetime. So, the Committee has an obligation to look back over it.

Then I would conclude by saying that there is no legislation that has been as successful as welfare reform. It has done everything that its authors intended it to do. It was passed on a greater bipartisan basis than the Medicaid and Medicare legislation in 1965. So, I think celebration is appropriate, notwithstanding the fact that there is still a lot left to do.

Mr. SHAW. Thank you, Dr. Haskins. Thank you all for being here today. Your testimony was very helpful.

We are adjourned.

[Whereupon, at 2:03 p.m., the Committee was adjourned.]

[Submissions for the record follow:]

**Statement of Russell Sykes, Office of Temporary and Disability Assistance,
Albany, New York**

The Success of Welfare Reform in New York State

Chairman Thomas and distinguished members of the Committee on Ways and Means, thank you for the opportunity to provide testimony on the unprecedented success that New York State has achieved under welfare reform.

Under Governor Pataki's leadership, New York State has actively applied the principles of personal responsibility through implementation of a "require work—reward work" philosophy, even before it became a federal mandate through the 1996 Personal Responsibility and Work Opportunities Reconciliation Act. This philosophy is put into practice through the following primary elements of welfare reform in New York State:

First, we put the primary focus on work, rather than dependency and entitlement to benefits. Cash assistance is intended to be temporary and each adult is expected to participate in work activities and other services to support quick entry into the workforce.

Second, in order to ensure that work is rewarded, and that those who go to work are better off than they were on welfare, we strongly emphasize supports for those who leave welfare for work. These supports include a generous earned income tax credit to supplement low wages and significant investments in child care, transportation and health care coverage.

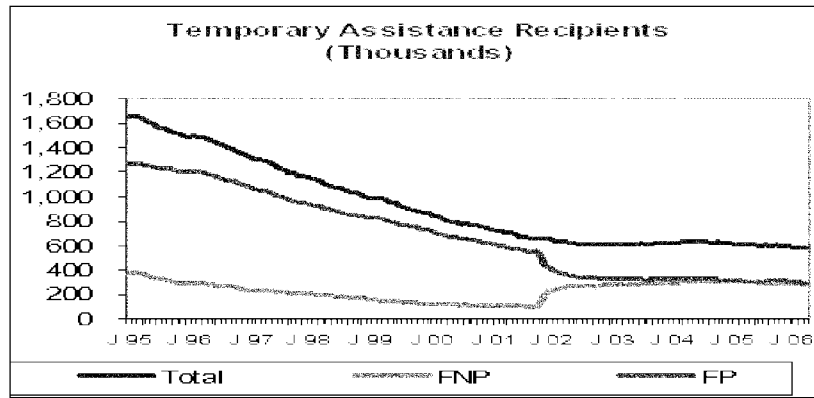
Last, New York has aggressively improved our performance in collecting child support from non-custodial parents. Far too many children in New York have had to depend on the earnings of just one parent, which is too often not sufficient to meet even basic needs. Economic and other types of support for these children from non-custodial parents—mostly fathers—are key to their well-being.

New York's "require work-reward work" philosophy has been validated by remarkable results and continues to be the underpinning for the major success of current welfare-to-work efforts along with numerous policy changes and the reinvestment of TANF block grant funds to spur ongoing caseload declines, help more low-income female heads of household to enter and retain employment and reduce both overall and child poverty.

I would like to take this opportunity to provide a brief summary of some of the achievements that New York State has accomplished under welfare reform.

New York's 'work first' approach has resulted in a historic reduction in welfare dependence.

When the Pataki Administration came into office in January 1995, 1,643,832 individuals in New York State received welfare cash assistance. This translated into roughly one in twelve individuals statewide who were receiving some form of welfare . . . and in NYC, it was one in seven.



Today, the number of individuals receiving case assistance has fallen by over one million to 577,246 individuals, a reduction of 64.9 percent. We can proudly state that only 1 in 32 people statewide receive welfare benefits, and in NYC only 1 in 20. People are moving away from a dependence on government and towards self reliance and productivity. I am please to report that the number of individuals dependent on welfare continues to decline.

Require Work, Reward Work: New York consistently emphasizes the importance of work.

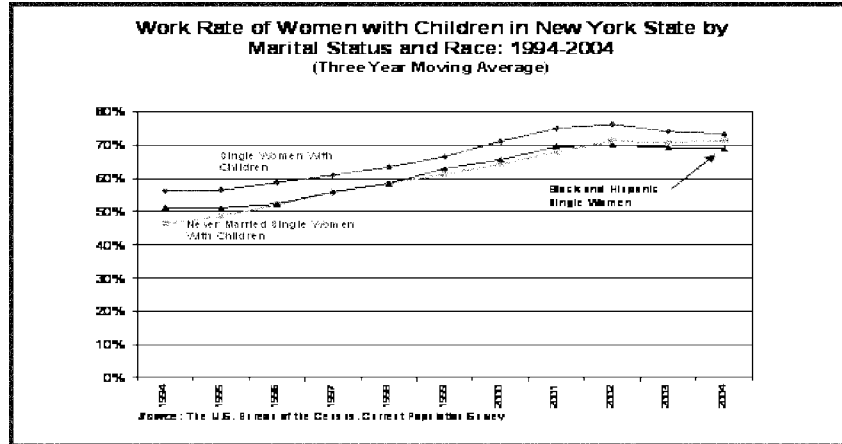
Prior to welfare reform, work was neither expected nor rewarded in the old system. Few families on welfare had earned income.

Today, those who can work must do so as soon as practicable. Those who do not immediately secure employment are required to participate in work preparation activities that incorporate work experience with other program supports. Lastly, those who are temporarily unable to work are expected to participate in rehabilitative services to restore the ability to work.

Under the old welfare system, less than 10 % of families on welfare in New York State had a parent or other adult engaged in work activities, including education, work experience or job search. Today, more than 45% of families receiving welfare are engaged in work activities, including employment.

In New York State, almost 20% of adult individuals in families receiving temporary assistance have been determined unable to participate in work requirements due to a medical or mental health condition. However, as I mentioned earlier, these individuals are not ignored. We expect those who can benefit from rehabilitation or treatment to participate in such treatment to improve their ability to participate in work activities and to become employed.

New York has also achieved a significant increase in the labor force participation and employment rates of single mothers, particularly single mothers with a strong likelihood of receiving welfare. As welfare use declined, work rates for women with children rose dramatically.



The work rate of single mothers in New York State, a group with high welfare rates, increased from a three year moving average of 54 percent in 1994, to 73 percent in 2004, a 35 percent increase in the employment rate of single mothers.

For never married single mothers—a group with a very high likelihood of receiving welfare and a low likelihood of working in 1994—work rates increased from 41 percent in 1994 to 71.5 percent in 2005, an increase of 74 percent in their employment rates.

Work has truly become the cultural expectation for those on welfare as the receipt of assistance has transformed from a permanent, dependency-based entitlement to a temporary benefit provided to those on the road to self-sufficiency.

Once employed, New York continued to support working families

New York's "require work, reward work" philosophy also provides significant ongoing income support to working families, most notably through the federal and state Earned Income Tax Credit (EITC) and child care subsidies to help ensure those who work are able to meet basic needs and are indeed better off than those on welfare.

Families have been able to make the transition to work as a result of our emphasis on work supports and strategies that decrease the need for welfare benefits. Those who are receiving assistance and enter the workforce receive a generous earned income disregard which enables the family to retain almost 50% of earnings before the welfare grant is reduced. This enhancement strongly encourages parents to work and helps families become economically independent as they work their way off welfare. The fact that over 20% of those still receiving cash assistance have earnings is evidence that work supports encourage individuals to enter the workforce.

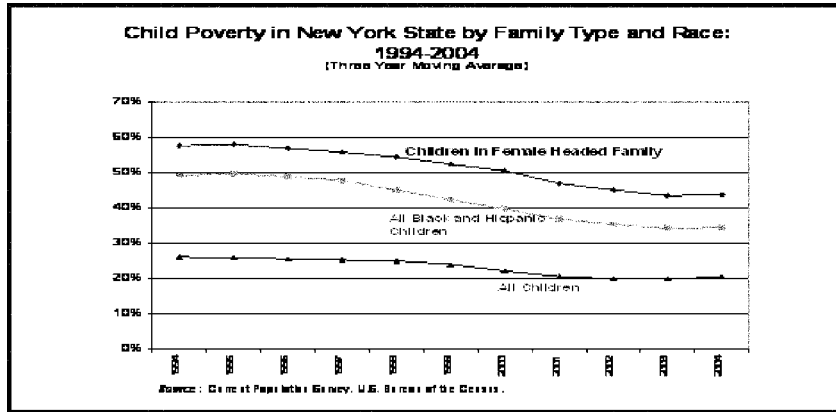
In addition to the earned income disregard, low-income families that work are also eligible for a range of work supports that they may receive without the trappings of welfare. These supports include the:

- **EITC:** New York's Earned Income Tax credits claimed rose from \$78M in Tax Year 1994 to \$681.4 M in Tax Year 2003. In the same period the number of claimants rose from 950,000 to 1,348,000. The maximum state benefit for a family with 2 or more children increased from \$190 in 1994 to \$1,320 in 2005. This is in addition to the maximum federal benefit for these same families of \$4,400. This maximum combined EITC turns a \$6.75/hour job into a \$9.68/hr. job in New York
- **Child Care:** Last year NY spent \$867 million on child care subsidies for NY families.
- **Food Stamps:** Federal food stamp benefits are an important tool to supplement the income of working families and New York has promoted the availability of such benefits. Since 2001, the number of food stamp recipients who do not receive cash assistance has increased by more than 365,000 or 77%.
- TANF funds are also appropriated each year to support State administered welfare-to-work (WTW) initiatives that support a range of services that help individuals obtain or maintain employment. Over 300 contracts are in place which provide a variety of WTW programs, activities and services that combine work

or work experience with services including adult basic education and training, offer employer wage subsidies, or provide auto loans and car repairs for employed individuals. These contracts provide an important resource for local districts seeking to engage public assistance families in activities that lead to employment and independence, while counting for federal participation rate purposes. Further, as part of their plan for self-sufficiency, former public assistance recipients who have gained employment can avail themselves of numerous services under these contracts during this transition period to promote job retention and advancement. And, many programs are available to low-income families not receiving welfare so they may upgrade basic skills.

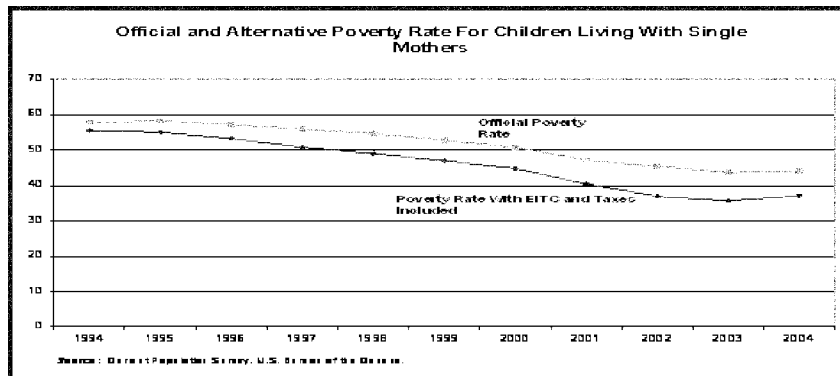
Reduction in Child Poverty

In addition to significant reductions in the number of individuals receiving cash assistance and increases in engagement, the large-scale substitution of work for welfare by single mothers has had another large and significant effect: major reductions in poverty for children in New York State.



The official poverty rate for children in female-headed families declined from 57.7 percent in 1994 to 43.9 percent in 2004, a decline of 14 percentage points or 24% lower than the rate in 1994.

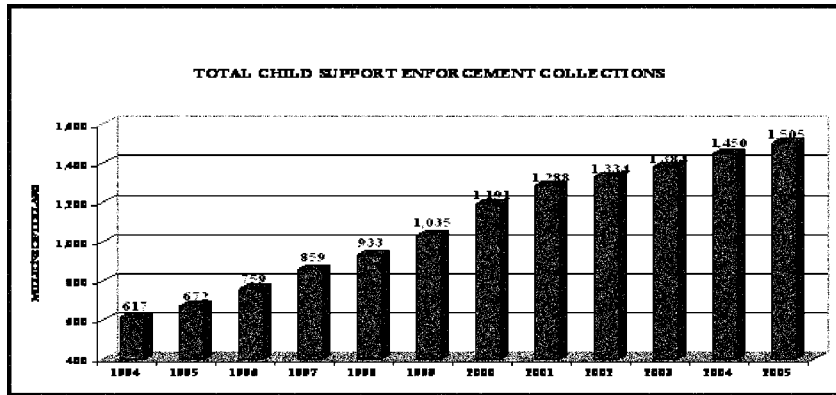
For all children, the official poverty rate declined from 26.2 percent in 1994 to 20.5 percent in 2004, a decline of 6 percentage points or 22% lower than the rate in 1994.



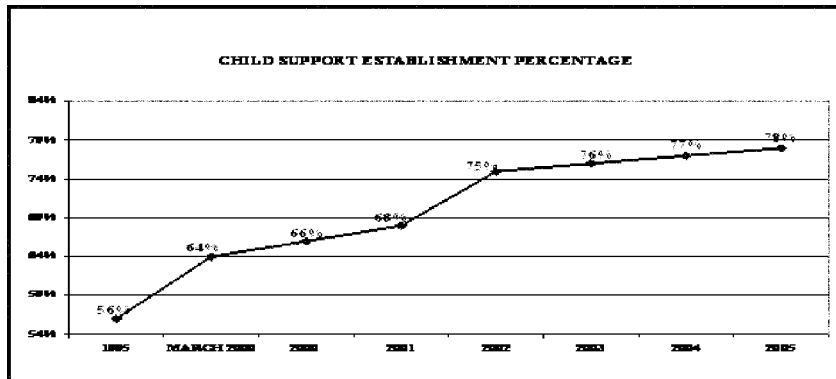
Increase in Child Support Collections

While many individuals are aware of the major changes in welfare use and labor force participation that have occurred as a result of reform, few are aware of the major improvements that have occurred in New York's ability to collect child support.

Child support collections, which help keep families out of poverty and off of welfare, have risen steadily since 1995. Last year, a record \$1.5 billion in child support was collected, with more than a half-billion dollars going to 226,000 families formerly on public assistance. There has also been a notable increase of more than \$1,100 in average yearly collections per case.



Additionally, the trends in support order establishment and paternity establishment show substantial improvements. Support order establishments have increased from 56 percent in 1995 to 78 percent in 2005.



Paternity establishments in New York have increased dramatically, from 45 percent in 1995 to 77 percent in 2005.

Increased Federal Requirements under TANF Reauthorization

The evidence I have presented today is encouraging. The work-focused welfare system of today is clearly a major improvement over the system of the past, which focused mainly on maintaining eligibility for aid. In the history of major government attempts to fight poverty, the welfare reforms initiated in 1995 clearly stand out as one of government's true successes.

The success of these reforms has benefited hundreds of thousands of children and families in our state.

New York has made great strides in assisting families to become self-sufficient through employment and achieving federal work participation rates and we have no quarrel with the philosophy of recently enacted TANF reauthorization or published interim final TANF regulations that urge us to dig deeper into our remaining caseload to extend the similar benefits of work and work supports. However, we are concerned with certain aspects of the interim final TANF regulations that unnecessarily limit the very flexibility that states have utilized to vastly reduce caseloads over the past ten years and move more female heads of households into the labor market than ever before. The failure to account for the necessary interaction among

some of the core work activities for instance could pose problems (e.g. the fact that incidental job search outside of the 4–6 week limits is and should be an embedded activity in work experience and community service). In some instances HHS has also too narrowly defined their regulatory authority under the DRA and therefore not looked at areas such as penalty provisions and relief. We are concerned that by not addressing necessary changes in this and several other areas the overall TANF regulations may become incongruent with current realities.

We agree that more can and should be done to improve our ability to help families transition from welfare to work, both because it makes them better off economically and will help the state meet increased federal participation rates. We are committed to achieving these federal requirements and are engaged currently in an ongoing dialogue with DHHS in order to clarify the intent of several areas of the interim regulations. I would encourage you to ensure that the requirements imposed by the interim final TANF regulations support States' efforts to help needy families and maintain the success that welfare reform has had to date. We are optimistic that we will meet the All Families Work Rate and will share our comments to HHS on the interim final TANF regulations with you when they are finalized.

I also respectfully request that Congress reconsider the benefit of a separate two-parent participation rate, especially a ninety percent participation rate which is almost certainly unattainable without a significant caseload reduction credit. We should support marriage with the same vigor we have supported work and not impose more stringent program requirements on two-parent families.

As a nation, each state, each locality and millions of families have benefited from the changes prompted by the welfare reform efforts of the past ten years. The results have led to unprecedented cultural changes regarding how temporary welfare benefits are delivered and the expectations we have of those who receive such benefits. While there is always room for further improvement, the outcomes to date under TANF are undeniably a success. I urge Congress to ensure continued program and funding flexibility to support the ability of states to continue and expand upon of these historic successes.

Thank you for this opportunity to highlight for the record some of the success that New York State under Governor Pataki's leadership has achieved under the initial stage of welfare reform.

United States Conference of Catholic Bishops
August 2, 2006

Representative Bill Thomas, Chairman
Ways and Means Committee
United States House of Representatives
Washington, DC 20515

Dear Chairman Thomas:

On behalf of the United States Conference of Catholic Bishops, I am pleased to submit these comments to be part of the record of the Ways and Means Committee's hearing on welfare reform and the Temporary Assistance for Needy Families (TANF) program. I would like to thank you and your committee for continuing to examine this very important topic. The welfare policies Congress helps to shape are an important part of our nation's effort to serve the common good by addressing the needs of the most vulnerable families among us.

Our nation, the most prosperous on earth, as a whole is blessed to enjoy material plenty—but too many among us still experience want in the midst of plenty. Too often, overcoming poverty has been neglected in the national dialogue. Our nation must focus on tackling the persistent problem of poverty, and that is the spirit which should animate our welfare policy.

As the U.S. bishops wrote in their statement, *A Place at the Table*, to truly address poverty in our nation we must recognize and build on the essential roles and responsibilities of four institutions. Debates about how to address poverty in the United States too often focus on just one of these four foundations, but all are essential:

- *Families and individuals* must work for and respect their own dignity, rights and responsibilities and those of others.
- *Community organizations and faith-based institutions* help families by helping them make good choices, assisting with material needs and working to overcome discrimination and injustice.

- The *private sector*—the marketplace and institutions of business, labor and commerce—contributes to the common good through production and the creation of jobs, and should do so in a way that reflects our society’s values and priorities. A key measure of the marketplace is whether it provides work at adequate wages, especially for those on the margins of economic life.
- Finally, *government* has an essential role and responsibility in serving the common good, providing a safety net for the vulnerable, helping to overcome injustice and addressing problems beyond the capacity of individual or community efforts

The bishops approach TANF in the context of the Church’s experience living with, serving, and including among its members the poor and vulnerable. We meet the poor in our parishes where we worship together and work together for the betterment of our communities. The Catholic Church is the largest non-governmental provider of human services to poor families, through our soup kitchens, shelters and Catholic Charities agencies. Our community has lived with the realities of welfare reform, encouraging and helping people to make the transition from welfare to work. But we also live with those who are left behind, who turn to our parishes, eat in our soup kitchens, sleep in our shelters and ask for our help.

Our advocacy on behalf of poor families, including welfare reform, reflects both our experience in serving the poor and Catholic social doctrine. The Catholic community has consistently worked for welfare reform policies which protect human life and dignity; strengthen family life; encourage and reward work; preserve a safety net for the vulnerable; build public/private partnerships to overcome poverty; and invest in human dignity.

Experts reviewing the impact of welfare reform over the past ten years can produce numbers backing up both the claims that reform was a wonderful success or a failure. Welfare caseloads have decreased dramatically, and both poverty rates and single mother employment rates have improved over ten years. On the other hand, not all those who leave welfare have gone on to find jobs. Child poverty has increased since 2000, and the number of children in deep poverty—below 50% of poverty—has also gone up. Single mother employment rates have also gone down recently. And while welfare reform is surely part of the reason for some of the success, the strong economy of the 1990s also played a part.

Statistics can be useful, but we must always look behind them and keep in mind the real families, real individuals, and real children whose lives have been and will be deeply affected by welfare policy. Policy makers face an ongoing opportunity and challenge: to tackle the persistent problem of poverty and the tragedy of so many families living without hope in our nation. The goals of national welfare policy should be to reduce poverty in this, the most prosperous of nations, and to improve the lives of our children.

The recent changes in TANF did include some positive steps forward. The U.S. bishops have supported funding for programs to support healthy marriages and strong families; research and technical assistance focusing on family formation and healthy marriage activities; and effective fatherhood programs, which was passed into law. The TANF changes also included some additional funding for child care, and did not increase the weekly work hours required of recipients.

However, there is room for more improvements in TANF. The additional child care funding will not be enough to meet the need. Changes in work rules could put additional burdens on both states and families, especially two-parent families. The U.S. bishops will continue to work to end the five-year waiting period imposed before legal immigrants can be eligible to receive TANF.

What is needed now is a broad commitment, by all our society’s institutions, to combat poverty. TANF is an important part of that commitment; so is making the refundable child tax credit available to more low-income working families, making sure all families eligible for the Earned Income Tax Credit receive it, and maintaining a strong food stamps program. We also need to find ways to create jobs that support a family; to increase affordable housing; and to ensure that everyone has access to health care. Families and individuals, government and the private sector, faith-based organizations and community groups, must strive in their own realms and work together towards the goal of ending poverty in our nation. We urge Congress to take the lead and forge a bipartisan dialogue that looks at both new and familiar ideas for fighting poverty.

Our faith teaches that the moral measure of our society is how we treat the least among us (Mt. 25). Our national policies, including welfare policies, should be judged on the basis of their effectiveness in alleviating the poverty of our sisters and

brothers and in helping their families to live in dignity. We look forward to working with Congress to achieve these goals.

Sincerely,

Most Reverend Nicholas DiMarzio, Ph.D., D.D.
Bishop of Brooklyn
Chairman, Domestic Policy Committee

