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THE SOCIAL SAFETY NET: IMPACT OF THE RECESSION AND OF THE RECOVERY ACT

HEARING

BEFORE THE

COMMITTEE ON THE BUDGET
HOUSE OF REPRESENTATIVES

ONE HUNDRED ELEVENTH CONGRESS

FIRST SESSION

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CONTENTS

THE SOCIAL SAFETY NET: IMPACT OF THE RECESSION AND OF THE RECOVERY ACT

WEDNESDAY, DECEMBER 9, 2009

HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE BUDGET,
Washington, DC.

The committee met, pursuant to call, at 10:04 a.m. in room 210, Cannon House Office Building, Hon. John Spratt [chairman of the committee] presiding.

Present: Representatives Spratt, Schwartz, Becerra, McGovern, Tsongas, Etheridge, McCollum, Andrews, DeLauro, Larsen, Moore, Connolly, Schrader, Ryan, Lummis, Nunes, and Latta.

Chairman SPRATT. I call the hearing to order. I want to welcome everyone to our hearing this morning on The Social Safety Net: Impact of the Recession and of the Recovery Act. And let me begin by thanking Congresswoman Gwen Moore for suggesting this hearing and for her role in bringing it about and putting it together.

At the beginning of this year, the economy was contracting, reeling would be a better word. Jobs were being lost at a rate of 741,000 per month in the month of January. With Democratic leadership, Congress moved swiftly to enact the American Recovery and Reinvestment Act. The Recovery Act has boosted the economy by making public investments and by raising the social safety net. CBO recently estimated that as many as 1.6 million jobs have been created or saved by the Recovery Act through September of this year. Last week, the November jobs report showed nonfarm job losses slowing to 11,000 per month, from 741,000 in January.

There is no question the labor market has improved. This improvement is welcome, but it is not nearly enough. The Nation still suffers the effects of the worst recession since the Great Depression. Looking to my own State of South Carolina, I can see the extreme hardship that is being caused by unemployment rates that are well above the national average.

As we consider what additional steps can be taken in response to the effects of this economic downturn, it is important we have a clear view of the effects of the recession on the social safety net, the positive impact that the Recovery Act has had on the economy, especially with respect to low-income individuals.

To pursue those questions, we have an excellent panel today, excellent for their own expertise in their individual fields and for the diversity they bring to this issue. I want to thank for participating LaDonna Pavetti from the Center on Budget and Policy Priorities, Sue Berkowitz from the State of South Carolina, South Carolina Appleseed Legal Justice Center, Pat Delessio of Legal Action of

Wisconsin, and Ron Haskins from the Brookings Institution. All four panelists are well versed in the social safety net and bring their own various perspectives on the economic and social impact of the recession and the Recovery Act.

Before turning to my colleague, Mr. Ryan, for his opening statement, let me yield to Congresswoman Moore for an amplification of the opening statement I just made. Ms. Moore.

[The prepared statement of Mr. Spratt follows:]

PREPARED STATEMENT OF HON. JOHN M. SPRATT, JR., CHAIRMAN, COMMITTEE ON THE BUDGET

When President Obama was sworn into office at the beginning of this year, the economy was in deep contraction and jobs were being lost at a rate of 741,000 per month. Failed Republican economic policies had brought the financial system dangerously close to a complete meltdown and had driven the economy into its deepest recession since the 1930s. Regrettably, the financial crisis and ensuing recession amplified a trend of falling incomes and rising poverty across the United States.

Under Democratic leadership, the 111th Congress moved swiftly to enact the American Recovery and Reinvestment Act, which has jump started economic activity by making much-needed public investments and by bolstering the social safety net of federal public services. The positive impact of the Recovery Act is already being made apparent, and more economic activity will be generated as stimulus dollars continue to spend out. The Congressional Budget Office recently estimated that as many as 1.6 million jobs had been created or saved by the Recovery Act through September. Last week, the November jobs report showed nonfarm job losses slowing to 11,000 for the month, highlighting the improved conditions in the labor market.

Of course, this improvement is not yet enough. The nation still faces brutal, lingering effects of the worst downturn since the Great Depression. Job losses are stabilizing, but double digit unemployment is unacceptable for a nation as prosperous as ours. Looking to my own state of South Carolina, I see the extreme hardship caused by unemployment rates that are, sadly, above the national average. Now that Recovery Act dollars are flowing into South Carolina, we hope to see significant improvements in the coming months, particularly to the lives of those individuals most adversely impacted by the recession.

In addition to creating jobs through infrastructure projects, the Recovery Act bolstered the safety net to help low-income families and individuals cope with the downturn and to boost consumer spending. The Center on Budget and Policy Priorities recently estimated that seven programs of the Recovery Act have kept 6.2 million Americans, including 2 million children, out of poverty in 2009 through new and expanded income support programs. The Recovery Act also cushioned the downturn in the labor market by providing temporary assistance to unemployed Americans while they search for new jobs. Because low-income individuals tend to quickly spend the benefits they receive, these Recovery Act programs also exhibit a particularly high bang-per-buck, helping to generate demand for goods and services throughout the economy.

Even though the Recovery Act has returned the economy to a path of growth and is providing much-needed assistance to unemployed and low-income Americans, the labor market is expected to remain highly distressed, and state budgets face increasing shortfalls that threaten greater harm to low-income populations. As provisions of the Recovery Act begin to expire, Congress may consider extending support to those hardest hit by the recession. Given the nation's tenuous fiscal situation inherited from the previous Administration, however, we must focus on the Recovery Act provisions that have proven most effective. This hearing provides the Budget Committee with an opportunity to examine the effect of the Recovery Act on the social safety net and to explore which programs could be most beneficial if they are extended.

We are very fortunate to be joined by an excellent panel of witnesses, and I want to thank them for their participation in this hearing. First, we have with us this morning LaDonna Pavetti from the Center on Budget and Policy Priorities. Dr. Pavetti is the Director of the Welfare Reform and Income Support Division at the Center. Second, we are joined by Sue Berkowitz, representing the South Carolina Appleseed Legal Justice Center. An old friend of the Committee, Ms. Berkowitz directs a non-profit law office dedicated to advocacy for low-income people in South Carolina. Third, we have Pat Delessio of Legal Action of Wisconsin. Ms. Delessio is an attorney who provides free civil legal services in Milwaukee to low-income people and senior citizens. Fourth, from the Brookings Institution, we have Ron Haskins. Dr. Haskins is a Senior Fellow and Co-Director of the Center on Children and Families. All four panelists are well versed in the social safety net and bring with them valuable perspectives on the economic and social impact of the Recovery Act.

We very much appreciate your joining us today. Before turning to you for your testimony, let me first turn to Mrs. Gwen Moore, who was instrumental in arranging this hearing, for any statement she cares to make.

Ms. MOORE. Well, thank you, Chairman Spratt and Ranking Member Ryan, and members of the Budget Committee, for participating in this important and timely hearing. I also want to thank all of our esteemed panelists and witnesses for being here today with a very special thanks to Pat Delessio from Legal Action of Wisconsin, who braved near blizzard conditions and doesn't know whether she will be able to get back. She flew out here from Milwaukee to be with us here today.

In January of this year, when President Obama took office, the Nation was at the brink of an economic crisis due to massive layoffs, business closings, and involuntary part-time employment. Many Americans were forced to foreclose on their homes and file for government assistance in order to provide for themselves and their families. Between January 2008 and June 2009, the economy lost roughly 6 million jobs. In 2008, 9.8 million people were counted as poor. And 14.6 percent of U.S. households were food insecure throughout the entire year, the highest recorded rate of food insecurity since the measurement began in 1995. Across the country, states were experiencing grave budget shortfalls. And to make matters worse, the social safety net had all but fallen through as more and more Americans saw their food stamps, child care benefits, and TANF benefits disappear.

The reality is that it is impossible to have a work-based safety net without work. It is the greatest oxymoron of all; it is like jumbo shrimp. In my State of Wisconsin employers cut nearly 129,600 jobs since 2008, the steepest year-to-year drop in 70 years of data, and TANF caseloads have gone from 9,366 in October 2008 to 11,118 in 2009. This is an increase of nearly 2,000 caseloads in just one year.

Faced with insurmountable odds and cumulative 3-month job losses of 2.1 million in early February, Congress passed the American Recovery and Reinvestment Act, ARRA, a bill that pumped nearly $800 billion of emergency funds into states and localities to stimulate our ailing economy and job market and provide funds to low-income communities experiencing dramatic shortfalls due to the economic downturn.

The Recovery Act created a new and temporary Temporary Assistance to Needy Families emergency contingency fund. Think of that, a temporary-temporary assistance of needy families, emergency contingency fund. I mean, you talk about temporizing. The fund was made available to states for increased expenditures for basic assistance, short-term, nonrecurrent benefits and subsidized employment. The Recovery Act included $20 billion for the Food Stamp Program, our Nation's most important food assistance program, which helps roughly 35 million Americans feed their families annually. And certainly that 35 million represents only a portion of those who are eligible and in need. Additional funds were necessary to meet the increased need, as well as to fund the 13.6 percent increase to maximum food stamp benefits, which went into effect in April 2009.

An analysis done by the CBO and the Council of Economic Advisers concluded that the Recovery Act saved or created between 600,000 and 1.6 million jobs as of August 2009. And in September, the Center on Budget and Policy Priorities released an analysis revealing that the Recovery Act prevented more than 6 million Americans from slipping into poverty. The CBPP also concluded that the bill has helped reduce the severity of poverty for 33 million more Americans.

The truth of the matter is that the Recovery Act not only worked to soften the blow of the recession on the Nation's poor by giving direct assistance to households through increased funding for education, health care, child care, child support collection, temporary assistance for needy families and homelessness assistance, but it also created and preserved public and private sector jobs.

In October, the Department of Labor estimated that the number of newly laid off workers seeking unemployment insurance fell by 1,000 to a seasonally adjusted 530,000 last week. DOL also revealed that the number of people continuing to claim benefits meanwhile had dropped sharply by 148,000 to 5.8 million, which was below analysts' expectations. While I am pleased with the drop in unemployment insurance claims, there is still work to be done. And we must continue to do all we can to continue to make these figures decline and come out of this recession.

As states continue to benefit from funding included in the Recovery Act, it is my hope that Congress will continue to work to reduce poverty, create jobs, and stabilize our economy. I really look forward to this distinguished panel and their testimony, and I yield back.

Chairman SPRATT. Thank you, ma'am. Mr. Ryan.

Mr. RYAN. Thank you, Chairman. I also want to welcome all of our witnesses. Pat, I wasn't sure you were going to make it here. I know what is going on back home. So nice of you to be here. I am sure you came out about a half a day earlier than you probably otherwise planned on doing it. And you have seen the impact of this recession up close, which brings valuable insight on the effectiveness of the various government safety net programs.

I also want to welcome back to the Committee Ron Haskins. Ron, as many of you know, was the Staff Director of the Ways and Means Subcommittee on Human Resources. He helped craft one of the most successful entitlement reforms in the federal government's history, the 1996 welfare reform law.

As is painfully obvious to all, American families have been struggling and they continue to struggle in this weakened economy. Since the official start of this recession back in December of 2007, nearly 6 million jobs have been lost. Regrettably, a trillion dollar stimulus added dramatically to the Nation's debt, but did little to improve the Nation's dire economic situation. Unemployment hovers at around 10 percent still and economists are forecasting a sluggish and mostly jobless recovery in the year to come. So at this point, even many formally middle class families have found themselves relying on some degree of public assistance for the first time in their lives.

Clearly it is critical that we here in Congress ensure the safety net programs remain available and strong for those who truly need and depend on them. But in responding to today's recession, we had better remain mindful of the even greater economic crisis we will face if we don't get a handle on Washington's ongoing explosion of spending and debt.

We must also reform our largest and least sustainable entitlement programs, which are today on a path to grow themselves right into extinction. These immense fiscal problems threaten to overwhelm the budget and smother any real hope for a strong economic recovery in the future. Incredibly, only plans likely to go anywhere here in Washington are those that will make these programs and problems dramatically worse.

I will again remind my colleagues that should we fail to get Washington's fiscal house in order, the biggest losers will be our Nation's most vulnerable, those who depend on the continuation of the very federal safety net programs that are going broke today. We can and we must reform these programs to preserve the safety net, and the sooner we get to work on these critical reforms, the better.

Again, I want to thank you, Chairman Spratt, and I want to thank my good friend, Congresswoman Moore, for putting this hearing together and the witnesses for their testimony today.

[The prepared statement of Mr. Ryan follows:]

PREPARED STATEMENT OF HON. PAUL RYAN, RANKING MINORITY MEMBER, COMMITTEE ON THE BUDGET

Thank Chairman Spratt.

I too would like to welcome all of our witnesses.

In particular, Pat Delessio from Wisconsin, who has seen the impact of this recession up close, and brings valuable insight on the effectiveness of the various government safety net programs.

I would also like to welcome back to this Committee Ron Haskins—who, as the former staff director for the Ways and Means' subcommittee on Human Resources, helped craft one of the most successful entitlement reforms in the Federal Government's history—the 1996 Welfare Reform law.

As is painfully obvious to all, American families have been struggling—and continue to struggle—in this weakened economy. Since the official start of this recession, back in December of 2007, nearly 7.2 million jobs have been lost.

Regrettably, the trillion-dollar 'stimulus' added dramatically to the nation's debt, but did little to improve the nation's dire economic situation: unemployment hovers at about 10%, and economists forecast a sluggish and mostly jobless recovery in the year to come.

So at this point, even many formerly-middle class families have found themselves relying on some degree of public assistance for the first time in their lives.

Clearly, it is critical that we here in Congress ensure these safety nets remain available—and strong—for those who truly need and depend on them.

But in responding to today's recession, we had better remain mindful of the even greater economic crisis we will face if we don't get a handle on Washington's ongoing explosion of spending and debt. We must also reform our largest—and least sustainable entitlement programs—which are today on path to grow themselves right into extinction.

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I will again remind my colleagues that—should we fail to get Washington's fiscal house in order—the biggest losers will be our nation's most vulnerable: those who depend on the continuation of the very federal safety net programs that are today going broke.

We can—and we must—reform these programs to preserve the safety net; and the sooner we get to work on these critical reforms, the better.

Again, thank you Chairman Spratt, and I thank our witnesses for their testimony today.

Chairman SPRATT. Thank you. Thank you, Mr. Ryan. Before going forward, a few housekeeping details. I first ask unanimous consent that all members be allowed to submit an opening statement for the record at this point. Without objection, so ordered.

Let me say to each of our witnesses that your entire statement has been copied and will be made part of the record, so you can summarize as you see fit but you are the only panel today. There are four of you. We welcome you to give a complete account of your testimony and take more than the typical 5 minutes that are allotted to witnesses. Thank you each of you for coming. We look forward to your testimony.

We will begin with Dr. Pavetti.

STATEMENTS OF LADONNA PAVETTI, DIRECTOR, WELFARE REFORM AND INCOME SUPPORT DIVISION, CENTER ON BUDGET AND POLICY PRIORITIES; SUE BERKOWITZ, DIRECTOR AND ATTORNEY, SOUTH CAROLINA APPLESEED LEGAL JUSTICE CENTER; PAT DELESSIO, ATTORNEY, LEGAL ACTION OF WISCONSIN; AND RON HASKINS, SENIOR FELLOW, ECONOMIC STUDIES, AND CO–DIRECTOR, CENTER ON CHILDREN AND FAMILIES, THE BROOKINGS INSTITUTION

STATEMENT OF LADONNA PAVETTI

Ms. PAVETTI. Thank you for inviting me. What I would like to do today is focus my testimony on three points. The first point is what role ARRA has played in keeping millions of individuals out of poverty and also in reducing hardship among others. The second is that I would really like to talk about our SNAP and the TANF program and contrast what has happened in those so we understand which parts of the safety net are working and which are not. And then what I would like to do is talk about the need for continued assistance and how we might think about as we move forward what still remains to be done.

So first talking about the impact of ARRA, the chairman and Congresswoman Moore both mentioned a study that the Center did on looking at ARRA and its impact on poverty. We looked at seven provisions of the Recovery Act that provide income directly to individuals or families. And when we did that, we found that there are 6.2 million fewer people who are in poverty and 33 million who have less poverty than they would otherwise have. I think the important part of that is that not only did ARRA have the impact of having less poverty, but it also provides income to people who are most likely to spend it, and what that does is it keeps the economy moving and it keeps people employed other than the people who are spending it. So I think that is sort of an important part. It is really doing two things at the same time.

I think that the other part of the ARRA I would like to talk about is state fiscal relief. ARRA provided $140 billion in fiscal relief to states through two mechanisms, through enhanced funding for Medicaid and through the Fiscal Stabilization Fund, which was targeted primarily to education. And state fiscal relief helped to mitigate the recession through several different means. First, it helped states to maintain critical services. When states received the enhanced Medicaid funding, they were able to do two things. One, they were able to keep people employed who were in the Medicaid program and are health providers, and they also were able to keep eligibility at the levels that it would have been without state budget cuts. So what we have seen is an increase or expected increase in Medicaid—in people receiving Medicaid because there was a maintenance of effort to get that enhance matched. They couldn't reduce eligibility. So we see more people who are actually receiving assistance from that program than we would have otherwise.

The other is that ARRA helps avoid layoffs of public employees, and one thing that I think many of us see and are concerned about is in education that has been especially true of teachers—there are many teachers that would have been laid off that are not and are still in our schools. And then the other is that it prevents the contraction of private sector economic activity again because that activity that supplies goods and services continues and it keeps the economy moving.

And I think that it is important that economist Mark Zandi has found that state fiscal relief has a very high multiplier effect and for every dollar spent by the federal government it results in a 1.41—a $1.41 increase in the gross domestic product. The Department of Education found that more than 255,000 education jobs and nearly 63,000 jobs in other areas have been retained.

I think one of the difficulties with some of what has happened in the stabilization is that it is hard to count what has been retained rather than what has been added. But I think an important point of what ARRA has done is that things are far less worse than they would have been had those provisions not been in place.

Now what I would like to do is talk about one last piece of ARRA, which is the TANF Emergency Contingency Fund. And as Congresswoman Moore again mentioned, there is $5 billion available to states and that money is very targeted so that it does go directly to families in need. It is a way to help states who have increases in their caseload to meet these increased payments. It allows states to provide emergency assistance to stave off crisis so that they can help families to avoid foreclosure or, if they are behind in their rent or their utility payments, to avoid them from becoming homeless and then to create new subsidized employment programs so that states really have been able to use this to maintain a work focus in their TANF programs, which otherwise would have been difficult.

One example that I would like to provide is just to give you a flavor of how states have used this is to use Oregon. Oregon has been hit very hard by the recession. There has been a huge increase in the number of people who are unemployed. In thier TANF program, they have been serving an additional 6,000 families a month and they are expecting to draw down almost $75 million from the TANF emergency fund for 2009 and 2010. And without that additional funding, Oregon would have eliminated their TANF program for two-parent programs and reduced eligibility for employment related day care, and they potentially would have had other cuts to be able to account for some of the—to be able to meet some of their budget gaps. So they have been able to avoid all of those cuts, families are continuing to receive assistance, and again Oregon is an example where the program that is very work focused was able to shift and provide a safety net for families who need it and it also did it very quickly.

Regarding subsidized employment, so far we have more than a dozen states that have received approval to create or expand their subsidized employment programs, and I think California is a good example, being a very large state. They are planning to draw down $300 million to create subsidized employment and L.A. alone is planning to provide 10,000 jobs to people who would otherwise not have them. But there will be programs throughout the state. New York State is also spending about $53 million on subsidized employment, and that is a combination. What they have done is taken some of the ARRA funds and added some of their state funds so that they can create funds to do health care outreach, they can do green jobs, and they can provide subsidized employment for people who otherwise would not be employed. So that I think is a good example of the ways in which the contingency fund is actually playing out in the states.

Now, what I would like to do is turn and talk a little bit about the safety net's overall response to the recession. So we had programs in place prior to ARRA that were really intended to be a safety net for families. So I think sort of thinking long-term, one thing we need to ask ourselves is how well have those programs actually been working. And I think there is both a good news and bad news story here. On the good news story, enrollment in the Food Stamp Program, also known as SNAP now, is at an all-time high. Caseloads have increased by 30 percent since the beginning of the economic downturn. And they have increased in every state. So the program has really responded to the increased demand and again they have done so very quickly.

The TANF story is a very different story. The TANF caseloads are starting to increase, but what happens is if you look at TANF nationally, there has been a very small increase. If you look from—we actually looked from March 2008 to March 2009 in a preliminary analysis, and nationally you see an increase of about 5 percent. If you look at that national increase it really masks what is going on in the states. And there is this extreme variation of what is going on in the states. There are some states that have had very, very substantial increases in TANF caseloads above 25 percent. So again Oregon being one of those, South Carolina is another. There are about six states that have had more than 15 percent increases. But there are more states that—where the caseload has either remained flat or is actually declining, was declining at start of the recession, and has continued to decline because states that have caseloads declines that are at 10 percent or greater, and again those have continued.

So I think we need to sort of ask ourselves why has TANF not been responsive given that we know there is greater need. And I think there are a lot of reasons, we don't know all the details, but

I think we can look and sort of draw some conclusions based on what we are seeing. One is that states for 13 years have been focusing on caseload decline, and they have really been slow to shift that focus. A measure of success for TANF was that the caseloads went down. The work participation rates really have discouraged states from serving people who can't get jobs quickly. And the easiest way to meet those work participation rates is not to serve people who can't be employed, and even in this economy states are still concerned about how they will meet those rates. And it affects their behavior about who they serve and how they actually operate their programs.

Many states have policies and procedures in place that make it very, very difficult for people to get on to assistance and especially difficult if they can't demonstrate that they can work 40 hours a week and meet those work requirements.

The other is that TANF does have a stigma attached to it for many families, and so there are some families who may need some assistance who don't pursue it because of the stigma attached, because they don't know that they are eligible and because of time limits that they may have already reached.

The other thing that I think is important in looking at sort of what is happening in food stamps and TANF, one of the things we are seeing in food stamps is an increase in what we refer to as zero income households. So they are households that have no other income. Those are—many of those families are families who historically or prior to reform would have been on TANF and are not on TANF. So again we have food stamps providing this safety net but food stamps cannot help people to pay their rent, it can't help them pay sort of—meet their basic needs. So again there is sort of a good side and a bad side story to that.

Finally, what I would like to do is talk about strategies for how can we strengthen the safety net and I am going to talk about three. There is more in my testimony. And I am going to focus on two that are short term and one that is longer term. But the short term, first, is to provide additional funding to states to really help them with the administrative costs of providing foods stamp benefits to individuals. One thing that has happened in states is that trying to meet the demand, and actually processing those applications, is creating just a huge problem administratively for states. And because of budget crises, people are being laid off even though there are more applications. So one thing we could do to help states meet that demand and get benefits in the hands of people more quickly is to help them on the administrative side.

The second is to provide—is to phase down state fiscal relief more gradually. When we consider how to provide a safety net for people, you shouldn't lose sight of the long-term consequences. If you look historically at what has happened in recessions, unemployment recovers slowly and poverty recovers more slowly. So that if we really believe what has happened historically will continue to happen, the need is going to continue for an extended period of time and we need to really sort of be prepared for thinking about that. So despite improvements in the economy and the fiscal relief that states have received, the fiscal conditions in states look almost as bad in fiscal 2011 and 2012 as they did for 2009 and 2010. And the current recovery funds helped them to take part of their gap and close that. But it is not going to go away.

So our recommendation is to really think about how we can gradually decrease the amount of money that goes to states but not put them in a position where they will have to close those gaps quickly and be unable to. We know that states have already started to plan their budgets so that it is important to do something quickly and we know that without additional fiscal relief, many of the services that have been helpful to families will be cut. states have already indicated that if the FMAP doesn't continue, that they will start to cut back eligibility so that they can again meet their budget requirements.

Finally, on the longer term is really thinking about what can we—how can we use TANF reauthorization, which comes up next year, to really improve TANF's responsiveness to economic downturns and also to improve its performance as a work program. I think that we have made—TANF is a very different program than when we instituted reform. And I think it requires a different discussion about what comes next. And I think that—I think we would be remiss if we didn't use the opportunity that is coming up to really take a step back and say where has it performed well, where is it falling short, and how can we make it a safety net that really is for the long term and really can deal with the ups and downs of people's lives as they happen.

So in just summary, what I would like to do is just say that the stimulus has provided important help to both states and to individuals and both of those mechanisms of getting money in the hands of poor people who will spend it is an important way to help the economy to recover as well as states to help them provide important services.

And second is that we really need to be thinking about this as a long-term issue. It is not going to go away in the short term. And so we need to really be thinking about what is the path—long-term path to recovery so we don't lose ground from what we have already accomplished, and I will stop there.

[The prepared statement of Ms. Pavetti follows:]

PREPARED STATEMENT OF LADONNA PAVETTI, DIRECTOR, WELFARE REFORM AND INCOME SUPPORT DIVISION, CENTER ON BUDGET AND POLICY PRIORITIES

Thank you for the opportunity to testify today. My testimony will focus on four points:

- Poverty was high at the start of the recession and it is likely to remain high for an extended period. Some of the most effective measures to boost employment (and reduce poverty) in a weak economy have and will continue to be those that provide financial relief to people struggling to make ends meet and to states facing large budget shortfalls.
- The recovery act passed in February has kept this serious recession from being even worse. It has not only moderated the decline in GDP and increase in unemployment, but also prevented millions of Americans from falling into poverty and has helped some states to forgo significant cuts that would have weakened the safety net for very poor families with children.
- The Supplemental Nutrition Assistance Program (SNAP), formerly food stamps, has responded quickly to rising need in all states, but the Temporary Assistance for Needy Families (TANF) cash assistance program has lagged behind and has been moderately or substantially responsive in only 20 states.
- To help ease hardship and avoid short-circuiting an economic recovery, Congress will need to adopt policy solutions that are responsive to both immediate needs and the long-term consequences of the recession.

RECENT AND HISTORICAL DATA ON POVERTY AND INCOMES UNDERSCORE CHALLENGE

Recent Census Bureau data show that the nation lost substantial ground in 2008 on poverty and incomes. The number of people living in poverty jumped by 2.6 million, to 39.8 million people. The poverty rate rose to 13.2 percent, the highest since 1997. Real median household income declined 3.6 percent, the largest single-year decline on record, and reached its lowest point since 1997.

History suggests that the road to recovery from the current economic crisis will be long. Unemployment has been slow to recover after recent recessions, and poverty even slower. In the recession of the early 1990s, unemployment did not peak until 15 months after the recession ended. In the 2001 recession, unemployment did not peak until 19 months after the recession ended. Poverty often takes even longer to start its recovery. After each of the last three recessions, poverty continued rising or failed to decline in the first year after unemployment began to fall:

- In 2004, the first year the annual unemployment rate declined following the 2001 recession, the poverty rate rose to 12.7 percent, up from 12.5 percent the year before. The number of poor persons rose 3.3 percent or 1.2 million.
- In 1993, the first year the annual unemployment rate declined following the 1991 recession, the poverty rate reached 15.1 percent, not statistically different from the prior year's 14.8 percent. The number of poor persons rose a statistically significant 3.3 percent.
- In 1983, the first year the annual unemployment rate declined following the 1981-82 recession, the poverty rate reached 15.2 percent, not statistically different from the prior year's 15.0 percent. The number of poor persons rose a statistically significant 2.5 percent.

The pattern suggests that poverty could take years to start falling, and even longer to return to its pre-recession levels. These figures are particularly grim because they come after the disappointing record of the 2001-2007 expansion. Poverty was actually higher—and median income for working-age households lower—at the end of that expansion than during the 2001 recession. Since the nation began collecting these data, such a dismal record during an expansion has never occurred before.

These data include only the early months of the recession. The figures for 2009, a year in which the economy has weakened further and unemployment has climbed substantially, will almost certainly look worse. The figures may worsen again in 2010 if unemployment rises somewhat further or even if it plateaus, as a growing numbers of individuals who are currently unemployed may exhaust their unemployment benefits during 2010 before they find new jobs. However, the expected increase in poverty would be substantially greater if not for the responsiveness of the social safety net and the additional assistance provided by the American Recovery and Re-Investment Act of 2009 (ARRA).

Recovery Act Keeping Millions of Americans Out of Poverty and Helping Forestall Cuts in Critical Human Services

The recovery act's primary goal was to help the broader economy, and evidence suggests it is having a significant positive impact. The Congressional Budget Office estimated in November that in the third quarter of calendar year 2009, "an additional 600,000 to 1.6 million people were employed in the United States, and real (inflation-adjusted) gross domestic product (GDP) was 1.2 percent to 3.2 percent higher, than would have been the case in the absence of ARRA."[1] CBO estimated this spring that "The boost to total employment [because of the recovery act] peaks at about 2½ million jobs in the second half of 2010."[2] In addition, the recovery act has had the important secondary effect of significantly ameliorating the recession's impact on poverty.

SEVEN ARRA PROVISIONS KEEP 6.2 MILLION AMERICANS OUT OF POVERTY

The Center on Budget and Policy Priorities recently examined seven provisions of the recovery act that provide direct assistance to individuals—including three tax credits for working families, two improvements in unemployment insurance, expanded nutrition assistance, and one-time payments to senior citizens, veterans, and people with disabilities—and estimated that these provisions will result in 6.2 million fewer Americans (including 2.4 million children under 18) being counted among

[1] "Estimated Impact of the American Recovery and Reinvestment Act on Employment and Economic Output as of September 2009," Congressional Budget Office, November 2009, p. 1.

[2] "Preliminary Analysis of the President's Budget and an Update of CBO's Budget and Economic Outlook," Congressional Budget Office, March 2009, p. 29.

the nation's poor in 2009.[3] Because the government's official measure of poverty considers only cash income and would therefore miss many of the tax-based and non-cash income supplements in the recovery act, our analysis used a broader poverty measure recommended by the National Academy of Sciences.

Two provisions included in our analysis, the new Making Work Pay Credit and the increase in SNAP benefit levels, kept the largest number of individuals out of poverty. The Making Work Pay Credit, which provides a tax credit of $400 for workers earning up to $95,000 ($800 for a couple earning $190,000) kept 1.6 million individuals, (including 500,000 children) out of poverty. The 13.6 percent increase in SNAP benefit levels kept 1.1 million individuals out of poverty, including 500,000 children.

The increase in SNAP benefit levels illustrates the important role that provisions aimed at addressing economic hardship can play in stimulating the economy. This provision was included in ARRA to provide a very fast and effective economic stimulus that could help to push against the tide of economic hardship that low-income individuals are facing. Te increase went into effect in April 2009. Through September 25th, according to USDA, it had provided about $4.5 billion in federal support to low-income households across the country.

The added SNAP benefits ripple through the economy. When a family uses its SNAP benefits to shop at a local grocery, this helps the grocer pay his or her employees and purchase more from his or her suppliers. That, in turn, helps the suppliers pay their employees (as well as the truckers who deliver their products), and so on. Based on analysis from USDA's Economic Research Service, the $4.5 billion temporary increase in food stamp benefits has resulted in a total of about $8 billion in total economic stimulus.

The estimates from our analysis represent only a fraction of the overall impact of the recovery act on poverty because the seven provisions we included account for only about 26 percent of the act's total funding. We were unable to model billions of dollars in assistance that would further reduce the number of Americans in poverty. These include Pell grants and education tax credits, funding for state health insurance programs, child care, child support enforcement, and assistance to homeless individuals and to TANF recipients.

STATE FISCAL RELIEF HELPS STATES CONTINUE TO PROVIDE CRITICAL SERVICES AND AVOID LAYOFFS

ARRA included about $140 billion to provide fiscal relief to states. This funding, provided to states through enhanced funding for Medicaid and a Fiscal Stabilization Fund targeted primarily to education, has helped states substantially. Without it, both state budget cuts and state tax increases would be much larger. The best estimates suggest that the fiscal relief in ARRA has allowed states to close 30 percent to 40 percent of their budget gaps this year. Without this aid, states would have been forced to institute even more severe actions that would have placed a greater drag on the economy.

State fiscal relief helps to mitigate the impacts of the recession through several different means. It helps states continue to provide critical services and it helps them avoid layoffs of public employees. It also prevents the contraction of private sector economic activity and the loss of private-sector jobs in firms that supply goods and services to state governments or that sell their products to state employees who would otherwise be laid off, or to people who otherwise would have less purchasing power because, in the absence of fiscal relief, state programs they rely on would be cut or their taxes would be raised.

The temporary increase in the share of the Medicaid program paid by the federal government (known as the Federal medical Assistance percentage or "FMAP") has provided states with additional funding to cover the costs of providing Medicaid for low income families. The maintenance of effort requirement associated with the enhanced funding has protected Medicaid eligibility criteria—and more people cast into the ranks of the uninsured—to cover state budget shortfalls. Similarly, a portion of the State Fiscal Stabilization Fund was dedicated to helping states and localities maintain K-12 and higher education funding. To receive the funding states had

[3] The seven provisions included in the analysis are: (1) new Making Work Pay tax credit; (2) expanded Child Tax Credit; (3) expanded Earned Income Tax Credit; (4) additional weeks of emergency unemployment compensation; (5) a $25 per week supplement for unemployed workers receiving unemployment benefits; (6) one-time payment of $250 to elderly and people with disability; and (7) increased Supplemental Nutrition Assistance program benefits. For additional information, see: Arloc Sherman, "Stimulus Keeping 6 Million Americans Out of Poverty in 2009, Estimates Show," Center on Budget and Policy Priorities, September 9, 2009, *http://www.cbpp.org/cms/index.cfm?fa=view&id=2910.*

to fund K-12 and higher education at no less than the fiscal year 2006 level in fiscal years 2009, 2010, and 2011.

The ARRA funding for state fiscal relief has been effective at creating and preserving jobs. Economist Mark Zandi has found that a temporary increase in state and fiscal relief has a high “multiplier effect,” meaning that every $1 spent by the federal government results in a $1.41 increase in the gross domestic product. The Department of Education found that more than 255,000 education jobs and nearly 63,000 jobs in other areas have been retained or created through the Fiscal Stabilization Fund, for a total of 318,000 jobs saved or created through September 30 by the Fiscal Stabilization Fund.[4]

No official reports are available on the jobs impact of the fiscal relief funding provided through Medicaid, but there is little question that the Medicaid funding has resulted in the retention or creation of both public and private-sector jobs for health providers, in large part because more people remain insured than would have been the case without the funding. The President’s Council of Economic Advisers looked at the first six months of ARRA Medicaid funding and found a strong relationship between that funding and jobs.[5]

TANF EMERGENCY CONTINGENCY FUND HELPS STATES TO FORESTALL CUTS IN BENEFITS AND PROVIDE CASH ASSISTANCE AND SUBSIDIZED JOBS TO MORE FAMILIES

Congress included $5 billion in the recovery act for a TANF Emergency Contingency Fund (ECF) to provide states with additional resources to help families meet their basic needs. States can qualify for these funds if they provide cash assistance to more needy families with children, spend more to provide one-time non-recurring benefits to help families stave off a crisis, or create subsidized employment opportunities for jobless individuals. Over $1 billion in Emergency Funds have already been authorized with about two-thirds of this amount based on increased spending on TANF basic assistance. States are still in the process of submitting requests for these funds—and it is too soon for states to apply for funds for the last half of 2010—so we don’t yet know how much of the $5 billion they will use and what the overall impact on poverty will be. However, we do know that this fund has made it possible for some states to meet the increased demand for assistance, to avoid significant cuts in cash assistance and services for very poor families with children and to maintain their commitment to providing work opportunities for TANF recipients. Below are examples of how three states—Oregon, Florida and Maryland—are planning to use these funds. Between March 2008 and March 2009, these state’s TANF caseloads increased by 27, 14 and 13 percent, respectively.

- Anticipating that it will be able to draw down $74.9 million from the TANF ECF for 2009 and 2010, Oregon expects to cover the costs of providing cash assistance to an average of 6,226 more families per month and to forestall cuts that would significantly weaken the safety net for poor families. Without this additional funding, Oregon would have eliminated its TANF program for unemployed two-parent families, reduced eligibility for employment-related day care, further reduced transitional payments for newly employed parents, and eliminated enhanced grants for families with a disabled household head applying for Supplemental Security Income or Social Security Disability Insurance.
- Florida expects to draw down at least $76 million to cover the costs associated with providing cash assistance to an average of an additional 6,406 families each month. The state expects to draw down $5.4 million to provide subsidized temporary employment for unemployed individuals. For example, a county that lost 1,200 jobs due to a plant closing plans to use a portion of the funds to provide subsidized employment to 75 individuals who would otherwise be unemployed.
- Maryland expects to qualify for over $30 million in TANF Emergency Funds for 2009 and for additional funds for 2010. This includes $17.7 million in basic assistance used to provide cash benefits to an average of an additional 3,107 families each month, and $12.5 million used provide non-recurrent short-term benefits such as emergency assistance payments to families who might otherwise lose their current housing or be unable to stay employed. Maryland plans to use some of these funds to cover the additional staff costs associated with processing a greater volume of applications for assistance.

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[4] Total education funding through ARRA, including both fiscal relief and programmatic funding, was found to have created or saved 326,593 education jobs. US Department of Education, “American Recovery and Reinvestment Act Report: Summary of Programs and State-by-State Data,” November 2, 2009.

[5] Executive Office of the President, Council of Economic Advisers, “The Economic Impact of the American Recovery and Reinvestment Act 2009,” September 10, 2009.

Additional funding to create or expand subsidized employment programs has been authorized for over a dozen states. These programs will provide jobs for low-income individuals who would otherwise be unemployed. Rigorous evaluations of similar programs have shown they are successful at providing short-term employment opportunities when parents are unable to find unsubsidized jobs on their own.[6]

- California is planning to draw down $300 million from the TANF ECF to create subsidized employment programs throughout the state. San Francisco is planning to use its share of funds to expand its JOBS NOW! program to provide subsidized employment to an additional 1,000 unemployed and underemployed parents by September 2010. Participants will undergo a vocational assessment to determine their skills and interests, after which they will be assigned to an appropriate job based on their employment readiness and the level of personal support needed. Los Angeles is implementing the state's largest program with plans to provide subsidized employment to 10,000 unemployed individuals.
- New York provides another example. The state is currently implementing a $39 million effort to provide three different types of subsidized employment opportunities to unemployed individuals. The state will spend $25 million to create a new Transitional Jobs Initiative to provide paid, subsidized work experience—combined with educational opportunities related to work—to TANF-eligible individuals including disconnected youth and the formerly incarcerated. The state will spend $7 million to create a Health Care Job Subsidy Program that will hire health care outreach workers to help low-income individuals maintain eligibility for public health care programs and to connect them to other preventative health care services. Finally, the state will spend $7 million to create a new Green Corp Jobs Subsidy program that links eligible individuals to job skills training, basic education, and career advancement opportunities in entry-level, high-growth energy efficiency and environmental conservation industries. The Health Care and Green Jobs programs each include $2 million of money from New York's general fund to provide subsidized employment opportunities to single individuals receiving cash assistance from the state's general assistance program. New York also increased its wage subsidy program by $10 million to make it a $14 million program. The state will spend a total of $53 million from ARRA and the general fund to create subsidized employment opportunities for unemployed low-income individuals.

ARRA CHILD CARE ASSISTANCE HELPING WORKING FAMILIES AFFORD CHILD CARE

Congress recognized the vital importance of child care assistance in helping low-income families obtain jobs and remain in the workforce by including $2 billion for the Child Care and Development Block Grant (CCDBG) as a part of the recovery act. CCDBG is the largest federal source of funding to states for child care assistance and serves children birth through age 13. ARRA child care funds are one-time funds to help states recover from the economic crisis by creating new jobs and serving more families. Like the TANF Emergency Contingency Funds, the CCDBG ARRA funds are available until September 30, 2010.

As of mid-November, states, territories, and tribes had drawn down a total of $244.8 million in child care funds, or 12.3 percent of the $2 billion allocation. States are beginning to accelerate their draw down rate now that they have an understanding of federal reporting requirements, and have approved state plans. States report to the Child Care Bureau that they are spending the money in the following ways:

- Reduce waiting list or avoid service cuts (11 states)
- Increase payment rates (11 states)
- Provide assistance during an extended period of job search (10 states)
- Lower copayments (4 states)
- Improve child care quality (41 states)

SNAP RESPONDING QUICKLY AND SYSTEMATICALLY TO RISING NEED

SNAP—formerly known as the Food Stamp Program—has responded quickly and effectively to support low-income families and communities during the economic crisis (see Figure 1). National enrollment in SNAP is at an all-time high. In August 2009, 36.5 million people, or 1 in 8 Americans, were enrolled in SNAP, including an estimated 17.7 million children, or 1 in 4 children in the United States. Nationally, caseloads have increased by 7 million people, or 24 percent since last August, and by nearly 9 million people (or nearly one-third) since the beginning of the eco-

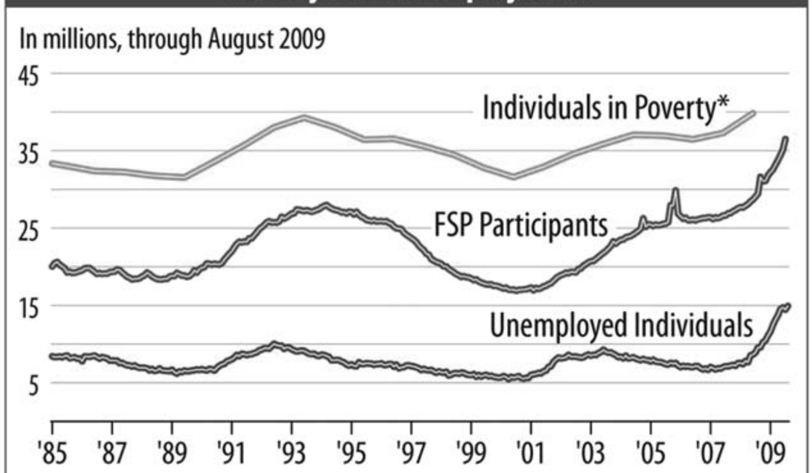
[6] Cindy Redcross, MDRC, "Using NDNH Data to Evaluate Transitional Jobs," presentation at the National Association for Welfare Research and Statistics annual conference, July 13, 2009.

nomic downturn. Caseloads have increased in every state, with 39 states experiencing all-time caseload highs in the last 12 months.

SNAP benefits also help protect the economy as a whole by helping maintain overall demand for food during slow economic periods. In fact, SNAP benefits are one of the fastest, most effective forms of economic stimulus because they get money into the economy quickly.

FIGURE 1:

Food Stamp Caseloads Closely Track Changes in Poverty and Unemployment



*Poverty numbers are annual estimates and not yet available after 2008.
Spikes in food stamp participants are from disaster food stamps after hurricanes.

Sources: Food and Nutrition Service (Food Stamp Program participants); Census Bureau (individuals in poverty); Bureau of Labor Statistics (unemployed individuals).

UNEVEN RESPONSIVENESS OF TANF CASH ASSISTANCE CASELOADS

In most states, TANF cash assistance programs have lagged far behind SNAP in their responsiveness to the economic crisis and to rising poverty. The state variation is significant. Nationally, the total number of families with children receiving cash assistance remained essentially flat between March 2008 and March 2009; the SNAP caseload increased by 19 percent during this same period, reflecting large increases in poverty. TANF caseloads either have not been responsive at all to the economic downturn or have been only minimally responsive in 31 states; caseloads declined in 13 of these states, remained essentially flat in eight and increased by one to five percentage points in ten. Caseloads responded moderately in another 14 states, increasing by between 6 and 15 percent. Caseloads increased by more than 15 percent in only six states: New Hampshire, New Mexico, Oregon, South Carolina, Utah and Washington.

The lack of responsiveness of the TANF caseload, which is striking when compared to the surge both in unemployment and in SNAP caseloads, is likely attributable to several factors. For the last 13 years, states have been focused on reducing their TANF caseloads for a variety of reasons—fiscal, ideological, and as a measure of effective performance—and even during the current economic crisis, states have been slow to shift away from this emphasis. It is important to note that even prior to the economic downturn, TANF was not accessible to many families who needed it. In 2005, the TANF cash assistance program served only about 40 percent of eligible families compared to 80 percent of eligible families in 1995. Many states have policies and procedures in place that make it difficult both for eligible applicants to obtain benefits and for recipients to continue receiving benefits even if they continue to be eligible. Some states require applicants to participate in work activities for a period of time before they can qualify for aid, but some families may be in crisis and have difficulty in meeting these requirements until they begin to receive help in meeting basic needs. Many states have eased their enrollment processes for SNAP and Medicaid but have not extended these improvements to TANF; others actively discourage TANF applicants. In some cases, families in need may not pursue TANF because of stigma, erroneous information about eligibility, time limits or other reasons.

INCREASING THE RESPONSIVENESS OF THE SAFETY NET AND RESPONDING TO THE LONG-TERM CONSEQUENCES OF THE RECESSION

Although the recovery act has provided significant help to many low-income families, more needs to be done. Serious challenges will remain for the next several years, and they demand a continuing response. Some of the most effective measures to help the ailing economy are those that provide fiscal relief to people struggling to make ends meet and to states facing large budget shortfalls. Congress should consider the following actions to increase the responsiveness of the safety net and to respond to the long-term consequences of the recession. I divide my recommendations into two categories, short-term actions that should be taken before the end of 2009 and longer-term actions that should be taken by the end of the current fiscal year.

SHORT-TERM ACTIONS

• Provide additional funding to states to help them handle the staffing costs of responding to greatly increased numbers of jobless households applying for food stamps. SNAP caseloads are at an all-time high and are continuing to rise. States are increasingly unable to handle the increased workload associated with enrolling more people in the program. Many states, facing budget crises that stem from the economic downturn, are cutting staff across large numbers of state agencies including food stamp administration. Other states are achieving reductions by freezing all new hiring and leaving open positions unfilled. (States normally pay 50 percent of the costs of administering the SNAP program.) Very large backlogs and bottlenecks are showing up in a growing number of areas across the country, with long waits for application interviews and delays in application processing.

Additional funding to help states cover administrative costs will get help into the hands of people that qualify for it more quickly. It will also increase jobs in two ways—both directly by employing more state staff, and indirectly by getting food stamps into the hands of eligible families more promptly. The current backlogs are reducing the effectiveness of the investment Congress made in the ARRA legislation in temporarily expanding food stamp benefits. ARRA provided $290.5 million in administrative funds to states to help them manage rising caseloads through 2010. An additional $300 to $500 million over the next two years would help states provide SNAP benefits to the growing numbers of families affected by the economic downturn. We also recommend a maintenance-of-effort provision, perhaps at 97 percent of state spending on basic state SNAP administrative costs in fiscal year 2008, to prevent states from substituting the new funds for existing state SNAP administrative funding.

• Provide states with additional resources to provide cash assistance payments, emergency assistance and subsidized employment to low-income families beyond the September 30, 2010 deadline. The ARRA TANF Emergency Fund has provided states with additional resources to cover 80 percent of the costs of providing TANF cash assistance payments, one-time emergency payments and short-term subsidized jobs to more families. The TANF block grant has been frozen for 13 years. When the TANF program was established in 1996 as a block grant, a TANF Contingency Fund was created as part of the new program and funded so that it would be available for states to draw upon in an economic downturn. The Contingency Fund lasted for 13 years, but it will be depleted this quarter, because more states have drawn down these funds recently due to the severity of the downturn.

As currently structured, neither the regular TANF Contingency Fund nor the ARRA TANF Emergency Fund will provide states with the resources they need to support low-income families through a long recovery. ARRA provided $5 billion for a new, temporary TANF Emergency Fund, and some funding remains in it, but that funding expires on September 30, 2010. Without an early signal that additional funding will be available, states will include cuts to their TANF basic assistance programs in their budgets for FY 2011 and they will not expand existing or create new subsidized employment programs if they believe such programs will need to be dismantled within six to nine months.

There are two options for addressing this problem. First, the ARRA TANF Emergency Fund could be extended for one or two more years, or it could be made permanent and replace the TANF Contingency Fund. Second, the TANF Contingency

Fund could be refunded and restructured to build on the ARRA TANF Emergency Fund model which does a better job at providing extra resources directly to families.

• Phase down state fiscal relief more gradually. Despite improvements in the economy as a whole, state fiscal conditions for state fiscal years 2011 and 2012 look as bad as those for 2009 and 2010. We estimate that state deficits in state fiscal year 2011 will be about $180 billion, some $40 billion of which states will be able to close with recovery act funds. For state fiscal year 2012, we project state budget deficits of $120 billion, with essentially no recovery act funding available to reduce the deficits.

One strategy to address these shortfalls is to provide a reduced level of federal stimulus (through some combination of the enhanced FMAP provision and the Stabilization Fund) to states for a period of time beyond December 31, 2010, when the current recovery act funding ends. Congress could, for example, provide additional funding targeted to states in serious economic and fiscal distress to close a portion of projected state shortfalls in 2010-2011 and 2011-2012. States would still need to close the majority of the shortfalls, themselves. In this way, federal assistance would phase out gradually rather than ending abruptly after December 31, with adverse consequences for both vulnerable families and the U.S. economy.

It would be helpful to send a signal soon about whether additional funding will be available, since the new budget cuts and tax increases the states will institute to balance their 2011 budgets will take effect next summer or even earlier. (State fiscal year 2011 begins on July 1, 2010 in most states, and the budget planning process begins long before that). Unless states know that additional federal aid is coming, they will begin cutting spending and raising taxes by July to close the shortfalls in their fiscal 2011 budgets. The large resulting state budget cuts and tax increases would counteract a sizeable share of the federal stimulus and heighten the risk of a double-dip recession. These state actions could result in a loss of 900,000 jobs and reduce demand by as much as $260 billion over the next two fiscal years, threatening to place a serious drag on the economy and weaken the recovery. Florida has announced that when ARRA funding expires, it will cut almost 80,000 individuals from its Medicaid programs and other states are expected to pursue similar actions in the coming months.

• Prevent the income limits for CHIP, Medicaid, free school meals, food stamps, and other programs from being lowered amidst a severe economic downturn. Unless Congress passes legislation that keeps the poverty eligibility threshold constant next year, the income limits for low-income programs that tie their income limits to the poverty line (or a multiple of it) are set to drop. A comparable provision is in place with respect to the Social Security Cost of Living Adjustment (COLA). Were it not in place, Social Security benefits would be lowered in 2010 to reflect a negative cost-of-living-adjustment rather than staying constant.

If income limits for poverty programs are not held constant, the poverty eligibility threshold for a family of four will fall from $22,050 to an estimated $21,850 in January 2010. The poverty threshold for a single individual, such as an elderly widow living alone, will fall from $10,830 to an estimated $10,690. We estimate this will cause 40,000 to 45,000 households to be cut off food stamps alone (or not to be allowed on the program in the first place). The number of families or children losing eligibility for other programs such as Medicaid and CHIP, free school lunches, and the like also will run into the tens of thousands. This issue can be addressed by freezing the new poverty guidelines for program eligibility, which HHS will issue in January, at their 2009 level. Cutting struggling families off these programs in a weak economy would not represent sound economic policy, since affected households will have to cut their purchases. It also would cause significant hardship. A simple freeze of the HHS poverty guidelines would solve the problem.

• Renew the Emergency Unemployment Compensation program. Last year, Congress created the Emergency Unemployment Compensation program, which currently provides additional weeks of federally funded unemployment benefits to unemployed individuals who have exhausted their regular state benefits. (Congress has created a similar program in every recent recession.) The recovery act expanded this program and extended it through December 2009. This and other unemployment insurance provisions in the recovery act have helped millions of unemployed workers weather the recession better than they otherwise would have. The additional weeks of benefits are also one reason why the recovery act has kept the decline in economic activity from being even worse in this recession. With unemployment expected to remain very high throughout 2010, Congress should extend the EUC program and the other UI provisions created by the recovery act for another year. The need for an EUC extension is especially great given the record level of long-term unemployment, since these are the workers the program assists.

• Help unemployed families maintain health insurance coverage. Recognizing that some unemployed workers would not have sufficient financial resources to continue their health insurance coverage through COBRA, Congress included a provision in the recovery act that provides for premium reductions and additional election opportunities for health benefits under COBRA. This provision allows individuals to pay 35 percent of their COBRA premiums, with the remaining 65 percent being reimbursed through a refundable, advanceable tax credit. This provision is set to end this month, as well. Given that unemployment remains high, this provision should be extended for another year. States should also be allowed to provide temporary health insurance coverage through Medicaid for workers who become unemployed during the recession, such as those who are not eligible for COBRA or cannot afford the remaining COBRA premiums. The federal government would cover the full cost of the coverage through 2010. Such a proposal was included in the House-passed version of the recovery act.

LONGER-TERM ACTIONS

• Use TANF Reauthorization as a vehicle to improve TANF's responsiveness during economic downturns and improve its performance as an employment program for low-income parents. TANF cash assistance programs aim to serve two different functions: (1) to provide a safety net during times of family crises and when jobs are not available, and (2) to help low-income parents find and maintain employment. Under the program's current structure, these two functions often are at odds with each other, particularly when unemployment is rising and jobs are hard to find. In addition, the current performance standards discourage states from providing assistance to families most in need. When TANF is reauthorized next year, Congress should identify improved performance measures that encourage states both to provide a safety net for very poor families when they need it and to help them improve their long-term employment outcomes. It should also encourage state innovation and provide states with additional funding to improve the employment prospects of the families least likely to succeed in the paid labor market on their own. Adequate child care funding should also be provided to increase parents' chances of achieving long-term success in the paid labor market.

• Make tax credits expansions included in ARRA permanent. ARRA expanded eligibility for the Earned Income Tax Credit (EITC), the low-income component of the Child Tax Credit (CTC) and the American Opportunity Tax Credit. The ARRA expansions made very low-income working families with nearly 3 million children eligible for the CTC for the first time, and families with 10 million additional children eligible for a larger CTC. The ARRA expansions also provide larger EITC payments to low-income families with three or more children and married families. ARRA also made it possible for low income families who do not earn enough to owe income taxes to qualify for up to $1,000 per year through the American Opportunity Tax Credit to help defray college tuition costs. These changes will expire at the end of 2010, if Congress does not pass a law implementing the presidents' proposal to make them permanent. We estimate that the EITC and CTC expansions have lifted more than 900,000 people, including 600,000 children out of poverty. If these changes are not made permanent, these individuals will fall back into poverty.

• Pass the Hunger Free Schools Act (H.R. 4148 and S. 1343). The number of children in poverty and struggling against hunger is increasing. The federal child nutrition programs have an important role to play in making sure that low-income children have access to nutritious food. The Hunger Free Schools Act would help ensure that poor children receive the free school meals for which they are eligible and that they are enrolled with much less paperwork. The bill would allow schools in very poor neighborhoods to provide free meals to all their students. Instead of spending time and resources sorting through applications from very poor children, these schools could focus on serving healthy meals to all students. Nationwide, an estimated 6,000 schools (under the Senate version of the bill) to 12,000 schools (under the House version), serving roughly 3 to 6 million children, could qualify for this new option. Also, to help poor children receive free meals no matter where they attend school, the bill would require schools to use data already collected and scrubbed by Medicaid to enroll children for free meals automatically if their income is below 133 of the poverty line. An estimated 3 million children would benefit (some of these children would benefit from the simplification of automatic enrollment, others would be enrolled for free meals for the first time). These proposals should be priorities for the reauthorization of the child nutrition programs because they would improve access to free meals and are well-targeted to the poorest children and to schools that serve very poor areas.

Chairman SPRATT. Thank you very much. Sue Berkowitz.

STATEMENT OF SUE BERKOWITZ

Ms. BERKOWITZ. Thank you, Mr. Chairman and members of the committee. I appreciate the opportunity to speak to you today on the Recovery Act and how it is impacting the State of South Carolina, specifically to be talking about the unemployment insurance program.

I am Sue Berkowitz with the South Carolina Appleseed Legal Justice Center and we provide advocacy on behalf of the low-income community, specifically working on safety net programs, including SNAP, welfare, Medicaid, and also recently we have had the opportunity to work on unemployment insurance. I worked with the legislature recently as it attempted to undo a huge mistake that it made by failing to change certain state laws to us to take advantage of the generous programming that Congress had provided to the states for extended benefits. And, Mr. Chairman, I want to thank you and your staff for all you did to help us in recognizing the grave error that the State of South Carolina made and the fact that—which I found absolutely remarkable—that they came in for a special session to fix this to allow extended benefits for thousands of South Carolinians who otherwise would have lost their unemployment insurance benefits, which is something that just could not happen in our state, especially during these hard economic times.

South Carolina is, like every other state in the Nation, experiencing incredible problems due to the recession. But I think our state, with an unemployment rate that is right now hovering at about 12.1 percent, is facing just slightly harder conditions than many other states. We have been double digit for most of the year and it is now predicted that starting next year we will probably be at around 13 percent unemployment. I cannot tell you what this does to families who are already in distress but also to middle class families who are now finding themselves faced with joblessness. During the past year, our need for our safety net programs has dramatically increased in the state.

Unfortunately, at the same time, our state is facing a huge fiscal crisis. While the $1 billion that we have had to cut from our state budget probably seems like a small amount of money relatively speaking to Congress, when you think about a state that its budget was only 7 billion, it is almost one-sixth of our budget that has been cut and I cannot tell you what it has done to dramatically hurt so many of our safety net programs.

State agencies have seen cuts, like our Department of Social Services, of up to 25 percent of their state dollars. And this is going to ultimately impact the number of families that are being served.

As Ms. Pavetti said, in South Carolina, unlike some other states, we have seen a dramatic increase in our TANF program. We have seen an 11,000 recipient increase since last year at this time. And that is after this program had been relatively flat in its growth for the past number of years. I think what is even more telling is that in the SNAP program, formally food stamps, we have had a participation rate increase of 100,000 individuals in the last year. Our unemployment rate has increased 4 percentage points over the last year and unfortunately our Medicaid rolls have remained relatively flat while I don't think it is a lack of need and we are now looking into seeing what our agency and our current administration is doing to suppress rolls. We think that, while our number of uninsured are increasing, in fact this program should be seeing huge increases as well.

What this shows is that the safety net programs are the lifeline to assist families in need. And that can't be even more so than during these times of recession. And that all these benefit programs provide critical help to our state's poorest and most vulnerable citizens and that these dramatic program increases show that the needs of our state, the needs of our citizens are being—have dramatically increased and that the funding that has been provided to the states has never been more needed.

Of course, one of the most important provisions that was passed in ARRA are the UI provisions which have helped thousands of individuals in our state and over a million people in our country. In February, ARRA funded a comprehensive set of protections to help unemployed workers throughout the year, and I should say that a similar approach will be necessary in 2010 as long-term unemployment continues at record levels. With ARRA we have expanded the Emergency Unemployment Compensation program, which was just extended in November to provide four tiers of benefits to workers who run out of the basic 26 weeks of assistance. And this can range from 34 to 53 weeks, depending on the level of unemployment in the state. And needless to say, in South Carolina, with our high unemployment, we are taking advantage of the maximum amount, full federal funding of the extended benefit program, which means another 13 to 20 weeks of benefits, that normally would be paid 50 percent by the states now is paid 100 percent by the federal government. An increase of $25 per week to both state and federally funded UI benefits and nearly 9 million workers are now collecting either the state or federally funded benefits that are now qualifying for this additional benefit each week.

ARRA also included the COBRA subsidy, 65 percent COBRA subsidy, which was to last for 9 months. This means that for individuals who are finding themselves unemployed and would otherwise find themselves uninsured are able to afford to keep their health care insurance. And this benefit has not only an economic benefit to the individuals. It has been a huge economic benefit to our state. South Carolina has really seen a huge increase—a huge benefit as a state from this money, unfortunately because of our high unemployment rate. $126 million has been made available to families because of that $25 a week benefit.

And also from the EUC benefit are 327 million additional dollars. Our state unemployed numbers are growing not just in amount but in length of time they are staying unemployed. The extended benefit programs are particularly helpful to states with substantially higher unemployment rates but also longer durations of unemployment. Our recovery is slow and many unemployed workers are still unable to find assistance, and I should say that the calls that we received after the extension of the emergency benefit program to our office were tremendous. We received calls from individuals who had worked their entire lives but found themselves laid off. And one story that really resonated for me was from a woman from Charleston who called to thank us, to thank our office because she had read that we had been involved in working with the legislature to tell me she had done everything she had done to try to find a job but was still unemployed and it was partly because of her age. It was hard for her to find employment and she really felt that it was going to continue to be difficult in the environment that she was facing and that without this extended benefit, she and many other people who are in the same position would have found themselves without any way to support themselves and would be falling off a financial cliff.

I should also say that the COBRA subsidy is critical. While we haven't had—had the uptake in the COBRA subsidy that we would like to see, we have seen double the number of people taking advantage of it in keeping their health insurance, and just the numbers show why that is important. While the average monthly benefit in South Carolina is about $1,060, the average COBRA benefit is about $1,090. The math shows that if you are on unemployment, you cannot keep your health insurance. This subsidy has allowed many people to keep their health insurance while facing unemployment, and I have also talked with individuals, including an interesting young man who never thought he would find himself in a position of being unemployed. He didn't know about the COBRA benefit initially but when he realized that it was available, has been able to keep his health insurance, not have to worry about the stresses of looking for a job while also being uninsured.

And we receive many calls from individuals from around the state who are facing the problems of recession. We know that this $25 a week, while it may seem minimal, makes a huge difference to individuals. For many people in our country, about 800,000 people according to the numbers from the Center on Budget and Policy Priorities, we know it has kept them out of poverty.

We also know that people on unemployment insurance are less likely to face food insecurity. The National Employment Law Project did a survey recently—well, last year—of unemployed individuals and many of them, the majority of them have stated that without unemployment benefits they would probably be faced with skipping meals, something that we know is not an option for any of them.

So what I ask from you today is to consider the extension of the unemployment provisions of ARRA. While what has been done for the states has been remarkable and incredibly helpful, we are not out of the woods yet and our workers still depend on both the EUC, the money that is needed by the state for the EUC benefits, the extended benefits, the full federally funded extended benefits, as well as for those who are facing uninsurance insecurity because they will not have the COBRA benefit, and that needs to be done sooner rather than later.

Our state is probably already sending out the notices to those who are in the extended benefit program and, as we know, states are working with antiquated computer systems and are under great stress now trying to keep up with all of the benefit programs and keeping up with the extensions. And in order to solve the problem of gaps for service for the individuals, we need Congress to act on this as soon as possible.

I cannot thank you enough for what you have done for the states and the fiscal relief that you have provided to our state during this very difficult time, but more importantly to the individuals that we serve. The thousands of people who have been served by all of these programs are being able to keep their body and soul together because of the SNAP program, because of TANF, and because of UI. And as we field the calls from people who are facing losing their homes, keeping the lights on, trying to make sure that they can feed their families, we can direct them to these programs and we want to be able to continue to direct them to these programs but also recognize that our state that is also struggling and needs the fiscal relief.

I thank you once again for the opportunity to speak to you about these important programs.

[The prepared statement of Ms. Berkowitz follows:]

PREPARED STATEMENT OF SUE BERKOWITZ, DIRECTOR, SC APPLESEED LEGAL JUSTICE CENTER

I want to thank Chairman Spratt and members of the House Budget Committee for the opportunity to speak with you today about the impact the recession and Recovery Act is having on social safety net programs; specifically unemployment insurance. I am Sue Berkowitz, director of the South Carolina Appleseed Legal Justice Center. SC Appleseed is a non-profit law office dedicated to advocacy for low-income people in South Carolina. Through my work with SC Appleseed I have been a key participant in formulating state welfare, Medicaid and SNAP (food stamp) policy for the citizens who use these services in our state.

I recently had the opportunity to work with the South Carolina legislature as it enacted changes to our state UI laws to fully realize the benefits of the American Recovery and Reinvestment Act of 2009 (ARRA). This change enabled thousands of unemployed individuals in South Carolina who were facing the expiration of their extended unemployment benefits to access these emergency benefits. I want to thank Chairman Spratt for your leadership to secure this needed benefit in the federal appropriation, but more importantly your office's rapid response that enabled us to correct the mistake made by our state when it failed to make needed changes to access these funds. Through your efforts we were able to save lifeline unemployment insurance benefits to those individuals facing the exhaustion of their UI. I am plesased to tell you that we have received numerous calls from grateful beneficiaries who were facing the exhaustion of their benefits. Without your involvement in this effort many unemployed South Carolinians would be facing a huge crisis today.

South Carolina like every state is experiencing problems due to the recession and these problems are having a huge impact on our lower income residents. Since this economic downturn South Carolina has consistently ranked as experiencing one of the highest unemployment rates in the nation. The lastest unemployment figures demonstrates that over 12% of our population is unemployed, well above the national average, putting us at number four in the country. An economic summit was held at the University of South Carolina last week with a number of our state's leading economists predicting that our unemployment number could be over 13% by next year.

During the past year as our numbers of unemployed has grown the need for our safety net programs has become even more important. While the demand for these services increase South Carolina is facing a huge fiscal crisis, cutting 1 billion dollars from our budget. While this may seem like a small number in many states, it represents over one sixth of our state budget. Safety net programs, TANF, SNAP/ Food Stamps, TEFAP, Medicaid and unemployment insurance are often the only resource that will help individuals and families in poverty or near poverty maintain their ability to meet their basic needs. During this economic downturn we are seeing a growing number of South Carolinians turn to these programs with a dramatic increase in the participation of all of these benefits. Within the past twelve months the state Family Independence Program (TANF) roles have increased by more than11,000 recipients. This progam had remained relatively flat over the years, indicating that the need by families has enlarged due to this recent recession. Even more telling SNAP (food stamp) participation has grown by 150,000 over this same time. All of this is happening while our state is cutting staff and absorbing more work with less resources. At the same time our unemployment rate has risen 4%. Just the last week 1,500 new claims were reported due to new layoffs in manufacturing. Unfortunately, the Medicaid roles have remained relatively flat, despite the number of eligible children and families who are in need of this very important benefit. I am concerned this is due to our current state administration's efforts to suppress enrollment as a way to control the budget. Safety net programs are the lifeline that assist families meet their basic needs. They need to be strong during all economies, but are even more necessary during times of recession. All of these benefit programs provide critical help for our state's poorest and most vulnerable citizens. What all of these dramatic programaticeincreases demonstrate is that these safety net programs are working to catch those families and individuals before they fall between the cracks. Congress' response through ARRA has been crucial to make sure that all those in need can be served, especially during this difficult time.

South Carolina Appleseed routinely repsonds to requests from individuals and families who are struggling to keep body and soul together due to limited resources. Because South Carolina has consistently ranked high in poverty and unemployment, SC Appleseed has always worked to provide our callers with information that will direct them to needed benefits. During this recession we have seen a dramatic rise in calls and emails from individuals who are facing financial ruin due to unemployment. Many of these families have never been faced with such a dramatic loss in income. Our program is working to save homes, keep lights on and ensure that there is food on the table for those finding themselves without employment. The foreclosure rate in South Carolina is high and SC Appleseed is working with the South Carolina Foreclosure Task Force to help save homes. We are training attorneys to represent consumers and working to achieve loan modifications. Free health clinics and community healthcare centers are overwhelmed with requests due to our huge number of uninsured. South Carolina's food banks and food pantry's are reporting a remarkable increase in participation, with many of the customers coming for help identifying themselves as former donors. One in four children in our state lives in a family receiving food stamps. The recession has hit our vulnerable citizens hard as well as creating additional families who are now in need of help. Our safety net programs help to ensure families maintain during these difficult times, and we must work to help all eligible families take advantage of the programs.

An essential program helping these distressed families is the unemployment insurance provisions of ARRA. The success of this provision of ARRA has impacted thousands of South Carolininans and over one million unemployed workers in the United States. Unfortunately it sets to expire at the end of this month. This would be catestrophic to these individuals who are struggling to meet their basic needs. My office has received a number of calls from unemployed workers around the state who were facing the discontiuation of benefits prior to the recent change in our state law allowing the extension. These callers expressed gratitude for our small part in helping with the passage of the extension language, but they also expressed concerned as to what they will do if an additional funding extension is not granted.

ARRA, enacted in February, funded a comprehensive set of protections to help unemployed workers throughout the year. A similar approach will be necessary in 2010 as long-term unemployment continues at record levels. Features of the 2009 ARRA included:

- The Emergency Unemployment Compensation (EUC) program, which was expanded in November to provide four tiers of benefits for workers who run out of their basic 26 weeks of state assistance (ranging from 34 weeks to a full 53 weeks of benefits for workers in states with unemployment rates over 8.5%).
- Full federal funding of the Extended Benefits (EB) program, which provides another 13 to 20 weeks of benefits that are normally paid for 50% by states.
- An increase of $25 per week in both state and federally funded UI benefits. Nearly nine million workers are now collecting either state or federally funded benefits that qualify for the $25 weekly supplement.
- The 65% COBRA subsidy, which lasts nine months. Employer surveys show that the number of workers participating in the COBRA program has doubled since the subsidy took effect, although participation remains below 20% of all those eligible.
- The suspension of the federal income tax on an individual's the first $2,400 of unemployment benefits.

ARRA funds have been a huge economic benefit to our state. For example, the additional $25.00 a week UI benefit increase has meant that an additional $126,314,637 has been made available to families dependent on UI benefits. In addition, unemployed South Carolina workers have received $327,865,566 from the EUC program. Our state's unemployed are not only growing in numbers, but in the length of time, they are staying unemployed. The extended benefit programs of

ARRA are particularly helpful to those states with substantially higher unemployment rates. South Carolina's recovery is slow and many unemployed workers are still unable to find work making these UI extensions their only hope for survival. Without ARRA's unemployment provisions, our state would not have been able to maintain these additional weeks of UI benefits and many families would be falling off the financial cliff. As a high unemployment state, this program benefits both the individual families collecting UI and our economy as a whole.

While we have not had a huge utilization uptake of the COBRA provision, for those in South Carolina who do make use of this benefit, it has had an enormous impact. The average monthly COBRA premium in our state is $1,090.00. With the average monthly UI benefit in South Carolina being $1,061.00 it is virtually impossible for an unemployed worker to maintain his or her insurance through COBRA without this subsidy. The average COBRA premium in South Carolina is 102% of the monthly benefit. I have had the opportunity to talk and counsel with individuals in our state who have benefited from this program and have attested to me they would currently be among South Carolina's uninsured without this assistance.

The calls to SC Appleseed from distressed families have dramatically increased during the recession. We hear from those who are facing the dilemma of unemployment; unsure how to maintain their current bills, feed their family and save their home. Many of these households earned middle-class wages, and had never been forced to rely on any benefit or safety net program. A layoff in today's economy will often result in extreme economic hardship, including sending household incomes well below the poverty level. Unemployment benefits play a major role in preventing this catastrophic decline. According to a Congressional Budget Office study measuring the income effects of unemployment benefits on jobless workers collecting benefits in 2001 (the last recession) and 2002, only 7 percent of unemployment recipients had family incomes below the official poverty level before losing their jobs. After job loss, nearly one-quarter (23 percent) of the families of long-term jobless workers collecting benefits fell into poverty as measured by the official poverty guidelines. However, without UI benefits, the poverty rate would have more than doubled, with one-half of the families ending up in poverty. The Center on Budget and Policy Priorities has provided estimates that the ARRA's unemployment insurance extension and $25 increase in weekly benefits checks have kept 800,000 people out of poverty. The importance of unemployment benefits for families of jobless workers is also reflected by food consumption of the unemployed. On this most basic indicator of family subsistence during tough times, there is no doubt that unemployment benefits help families avoid serious hardship. In 2008, The National Employment Law Project (NELP) conducted a national survey of the unemployed found that unemployed workers who did not receive UI benefits were twice as likely as those with benefits to be forced to skip meals in order to get by financially. Without UI, many families in our state would plunge into economic ruin; with UI, they are able to maintain a modest existence.

Between January and March of next year, the number of people in the United States without federal jobless benefits is expected to swell to nearly three million workers if the ARRA is not reauthorized. These figures take into account the impact of the ARRA's December deadline on the extensions of unemployment benefits. The critical benefits provided to jobless workers by the ARRA are set to expire at the end of the year, which means that even with the latest 14 to 20 week extension enacted in November, 30,000 workers a day will be left without any jobless benefits in January. They do not include the number of workers who will no longer qualify for the ARRA's COBRA subsidy program when it expires in December. Any delay reauthorizing the ARRA will have devastating consequences not just for workers and the struggling communities hardest hit by the recession. By early December, state agencies that administer unemployment benefits will be forced to notify workers that the program will be shut down by the end of year, as required by federal law. If Congress does not reauthorize the programs as soon as possible, this ARRA deadline will create total chaos for the state agencies and workers facing an uncertain future.

While these benefits assist the individual households that are faced with being unemployed, unemployment insurance is an enhancement to our state's economy. The federal funding appropriated to South Carolina helps families maintain housing, utilities, food and other necessities. These funds circulate directly in our economy having a multiplier effect by to helping to support businesses and workers and stimulating the economy. These dollars spent inside South Carolina lessen the ripple effect that long-term high unemployment brings to our local economy.

I would urge that the ARRA's provisions for unemployed workers be extended another year, through to the end of 2010. Specifically, these include the current EUC program (providing 20-33 weeks of benefits), the $25 weekly increase in benefits, the suspension of federal income tax on the first $2400 of benefits collected in the year, and the 65% COBRA subsidy. With the unemployment rate continuing to rise and job losses mounting, the situation for workers will continue to deteriorate even as the recovery takes hold on other fronts. Under these circumstances, it is essential that we provide those who are more recently unemployed with no less support than those who lost their jobs earlier in the recession.

In addition, I would urge Congress to simplify the two federal extension programs now on the books, the Emergency Unemployment Compensation and the Extended Benefits programs, that now impose major burdens on the states. Instead of operating these two programs side by side, Congress should temporarily fold EB into the EUC program, not unlike the program that was in place in 1990s. With a merger of these programs, state and local governments would no longer have to pay dollar for dollar all the costs of the EB program for laid-off government employees, an existing requirement that today imposes a steep and onerous burden on state and local finances when they can least afford it. In addition, state UI agencies will no longer have to spend precious time and resources implementing the onerous tracking requirements that govern EB claims.

Millions of Americans and their families are facing personal crisis and depending on our leaders to continue to provide the help they need during this time of economic crisis. While helping these individuals we are ensuring that our local economies continue to recover and begin to prosper. While there is a fiscal price tag that goes with this help, our country cannot afford not to extend the unemployment provisions of ARRA. Without the safety net programs that are now in place, many families would be in even greater distress unable to meet their basic needs. I thank you for seeing the need to make sure these programs were funded in ARRA as I do not know how they could cope without this help.

These difficult times are not over, and Congress needs to ensure these programs continue to be available to help those who are struggling due to unemployment and the recession. On behalf of SC Appleseed and the low-income community we represent, we are asking Congress to enact the needed extension of unemployment benefits for workers, to remove the unnecessary burdens on states and workers that the extended benefits program is causing. These continuations will help our unemployed and assist our state economy as it begins its recovery.

Chairman SPRATT. Thank you, Sue, very much. And now Ms. Delessio.

STATEMENT OF PAT DELESSIO

Ms. DELESSIO. Good morning, Chairman Spratt, Congresswoman Moore, and members of the committee. Thank you for the opportunity to speak here today.

I have to admit that when I was first contacted by Congresswoman Moore's office I was a bit hesitant. I was certainly honored by it. I said don't you really want someone who knows a little bit more about economics or funding streams or statistics, and they convinced me that they didn't. And so I am here today to talk for the men and women who come into our office at Legal Action.

We are the legal services office, a federally funded legal services office serving southeastern Wisconsin, and daily we see women and men in desperate straits. They are not a uniform group of people. They are single parents, the chronically underemployed and unemployed. But they are also—and these numbers are increasing—two-parent families, people who have recently lost their jobs and increasingly calling from outside the City of Milwaukee from our suburbs and our surrounding counties. They are as varied as the people of Wisconsin, white, black, Hispanic, Hmong, Russian, and increasingly, Somali refugees. And they are from many different places and different backgrounds. But they are all seeking one thing, and that is the ability to live in dignity, to pay for their rent, to provide for their children and to live without the uncertainty and fear that poverty brings.

I would like to give you some examples, as I did in my written testimony, of some of the people we see. One is a single father recently who contacted us, who in the best of times struggles to care and make a home for himself and his cognitively disabled son, whose unemployment is about to run out, and who has been unable to find a job.

Another is a two-parent family living in one of our wealthiest counties, Waukesha, to the west of Milwaukee, who both have lost their jobs and are living on unemployment, are trying to meet their mortgage payment, and for the first time in their lives are receiving food stamp benefits.

Another is a single mother also living in the suburbs, carrying for a disabled son, as well having recently lost her job after losing her husband suddenly, and is suddenly facing being plunged into poverty and facing a life of uncertainty.

Another is a client that I have known for quite some years. She is a 40-year-old mother employed at a local hotel who has worked on and off most of her life and who has seen her hours at the hotel because of the economy gradually cut until she could no longer afford to pay her rent and she has exhausted her TANF time limits.

Another is a young mother who—we see a lot of young mothers—who spent most of her life going from one foster home to another, who lacks a high school diploma and who has been unable to receive the education or training she needs to move into long-term employment.

The final example I would like to give is an 84-year-old mother who contacts me every time her son, who is on medical assistance, needs help. He is bedridden, an adult who she has cared for most of her life. And she calls us because she is unable to get any response from her county agency. And I think she is a good example of what we have seen as the counties in Wisconsin, we have a county-state system. The counties administer our safety net programs. As they have become increasingly burdened with ever increasing caseloads, it is difficult to reach them. And what we have noticed is that we are increasingly receiving calls from the disabled because of course their means of access to county workers are much more limited. Many of them cannot leave their home, so they are dependent on reaching workers by phone, which has become in many areas impossible.

These people represent the numbers that we see, people who are struggling to pay their rent, who are skipping meals so their children can eat, who can't buy their prescription medicine because they don't have health insurance or because their medical assistance benefits have not been processed timely, and who don't have a job anymore to get up to go to in the morning.

And just as we have seen the spread of poverty increase throughout the state, we are also seeing that the depth of poverty is much worse. In recent years, and increasingly so, we have been seeing families without any income at all. It is just hard to imagine that you have no income stream. And they live in that way for months. These are people living doubled up, tripled up; all our shelters are full on any given day. They move from one family member to another trying not to wear out their welcome.

Behind these people of course there are the numbers and poverty in Wisconsin. We have been one of the fortunate states until recently. It was long stable at about 8.8 percent of our population. It has now grown to 12.6 percent. In Milwaukee County, long mired in financial distress, 17.3 percent of our people live in poverty, with some areas of the city reaching a staggering 40 percent. In a large swath of Northwestern Wisconsin, a largely rural area, poverty has also been historically high and now exceeds 14 percent.

And for Wisconsin's children, like children elsewhere, the poverty rate has grown and it is 1 out of 7 children. In Milwaukee County, it is 1 out of 4. And the severity of people living in extreme poverty for children, that has also grown in Wisconsin from about 3 percent to 7 percent.

The response to the increase can be seen like in other states in the increase in our SNAP program or foods stamps. The Institute for Research of Poverty in Madison, Wisconsin, out of the university, indicates that from March 2007 to March 2009, our SNAP participation increased 37 percent. And this increase was not uniform. Milwaukee County has long accounted for about half of our food stamps population. It is now one-third. So even though the increase in Milwaukee County was about 33 percent, in other counties the increase was even higher, exceeding 40 and in some cases 50 percent. And now in Wisconsin, about 10 percent of our 5.6 million people rely on foods stamp to feed themselves and their children.

And nearly 1 in 5 of Wisconsinites receive health care through our medical assistance program. I am proud to say that we have a very comprehensive medical assistance program reaching out to all children in the state who are not covered by private insurance.

In contrast to our SNAP program, as you have heard for other states, Wisconsin is similar in that our TANF program has not responded to the recession, or responded only modestly at best. Like every other state after the institution of TANF, our Wisconsin Works, or the W–2 program as we call it, caseloads dropped dramatically. They rose briefly to about 10 to 12,000 in the early part of 2000, between 2000 and 2004. But by December of 2006, the number on cash—and we also measure people who receive noncash benefits. I am going to give you the people receiving cash benefits—was about 6,349. That number has increased to only about 8,628 as of October of 2009. And this is far below the increase that we saw in early 2000 when the recession was much milder.

When you compare this to our foods stamp population, out of the 269,000 families receiving foods stamps, about half of those or slightly more than half are families with children. In a study by the Department of Children and Families in November of 2008, they identified 12,608 families receiving foods stamps who have zero income, no income at all. These are families with children. Sixty-four percent of these zero families, as they term them, live outside the City of Milwaukee. And that doesn't even measure the number of families living below 115 percent of poverty, which is our TANF eligibility limit. It doesn't measure people who move in and out of poverty. It just measures on that particular day when they identified families those who had no income. And thinking long term, the low participation rate is only one of the program failures of our TANF program. Even in the best of economic times, our TANF program, W–2, has really failed to show any measurable improvement in the well-being of our participants and children. Yes, it has decreased caseloads greatly in Wisconsin. But it has been done it at the cost and expense of increasing poverty within Milwaukee and the rest of Wisconsin.

It is our experience based on our extensive representation of families—and this includes reviewing their records maintained by the TANF office—that many of them exhaust their precious time on W–2 without any increase in their skills or ability to obtain and maintain employment. After leaving W–2, many of the families we see remain mired in the same cycle of moving from one low-wage job to another without any opportunity for anything better. And our experience, which is extensive, is supported by studies done by the Legislative Audit Bureau as well as the Chapin Hall Center at the University of Chicago. The Legislative Audit Bureau found that 41 percent of the W–2 participants who obtained jobs, obtained temporary agency jobs. So these are temporary staffing jobs which women can really obtain on their own. They don't really need the W–2 agency to find those jobs for them. And in fact in most cases, they did obtain them on their own. And these are the same types of jobs that women receiving AFDC in the past always were able to obtain. The other percentage, large percentage, 29 percent, were employed in retail services and fast food. Again, these are traditionally the types of jobs women are able to find on their own which don't offer future and often don't offer a guaranteed 40 hours of work a week.

The Chapin Hall study, which followed W–2 applicants, a group in Milwaukee County only, from 1998 through 2003, showed only an increase of about 4 to $500 in their earned income from 1999 to 2003. They also found that a quarter of the study group—and these were people who had applied for TANF. Some of them had gone on for periods of time. Some of them had never received W–2, but they were diverted into jobs. A quarter of the study group had no income, employment or W–2 payments when they were looked at in 2003. But in addition, nearly 1 out of 4 of the study group noted that they had been subject to a material hardship in the prior year, defined as a lack of money to pay rent, bills or utility bills, becoming homeless or having to double up with friends and relatives.

At the same time as our TANF caseloads plummeted, childhood poverty in Wisconsin has increased. As I noted before, extreme poverty defined as families living with incomes less than 50 percent of the poverty level rose from 3 to 7 percent.

Now, as the previous speakers have indicated, like other states, Wisconsin would be in even worse shape if we had not received funding through the Recovery Act. In Wisconsin, foods stamp benefit spending has grown from 37 million in August 2008 to 70 million in September of 2009, bringing much needed revenue into our state and of course helping the families that receive those benefits to provide nutritious food for them and their children. The increase in our state's medical reimbursement rate, which runs from 60 to roughly 70 percent and state officials have indicated that brought $1.2 billion in enhanced federal match in Wisconsin, has also provided additional revenue and has allowed us to avoid any cutbacks in our medical assistance program which now extends to all children in the state without access to other coverage. And even though state Department health and services was able to provide $4.2 million in Recovery Act funds to our county agencies who as I said administer income maintenance programs, these counties, they have had furloughs, they have had cutbacks, are struggling desperately to meet the ever increasing demands on our services. And again, we are receiving many more contacts in our office from people who cannot receive services from their counties and these are counties outside of Milwaukee as well as Milwaukee because of the cutbacks and the demand on workers' times.

So it is really imperative that the funding of the Recovery Act be extended in order to prevent further cutbacks in benefits and further delays in services. We also must address the plight of TANF eligible families and the unemployed. And I wanted to talk a little bit about the area of Milwaukee and southeastern Wisconsin——

Chairman SPRATT. Ms. Delessio, could I ask you to sort of—taper it to an end. I am not trying to rush you to finish. But if you could bring it to a conclusion, we will come back to you with some questions.

Ms. DELESSIO. In fact I am almost done. I wanted to talk to you about the jobless rate in Milwaukee. Because after this is all over, Milwaukee is still going to be in the state that they are currently. A recently released report from the Center for Economic Development at the University of Wisconsin said that at least since 2000, the unemployment rate for black males in the City of Milwaukee has ranged from 46 percent to 51 percent. That is half of our population of black men. So long-term and short-term, what we need is, I think the biggest thing and I listed a number of things that I won't repeat in my testimony, but I think the most important thing is to look at TANF and to see how we can redesign the program or create a parallel program to address the needs of the unemployed and families especially during the times of economic crisis.

In closing, I would just like to relay what a client said to me recently when she said all I really want is a job that guarantees me 40 hours a week so I can keep a roof over my family's head and feed my children. And I hope that when you consider extending funding and when you look at reauthorization of TANF, that you think of her and what she desires. Thank you very much.

[The prepared statement of Ms. Delessio follows:]

PREPARED STATEMENT OF PATRICIA DELESSIO, ATTORNEY, LEGAL ACTION OF WISCONSIN

Mr. Chairman, Members of the Committee, thank you for the opportunity to testify on the effect of the recession and the Recovery Act on safety net programs and families in Wisconsin.

Legal Action of Wisconsin is the legal services office serving 39 of Wisconsin's 72 counties. In our Milwaukee office, where I have practiced for over 20 years, the majority of the individuals and families seeking our assistance have traditionally been single parents, the disabled, and the elderly residing within the city of Milwaukee. Some are employed, many more are not.

Since the recession we have noted a gradual change in those seeking our help. Our contacts are increasingly from persons who were recently employed, two parent families in which both parents have lost jobs, individuals who have exhausted their unemployment benefits, and individuals living in the city's suburbs and surrounding counties. In addition, we have noted that many more of our clients live in extreme poverty, without any income stream at all. Many are homeless, living in shelters, doubled or tripled-up with relatives or friends, moving from place to place, or on the streets, and they have lived that way for months. Others live without any heat and/or electricity in their homes. Among them are:

- the single father caring for a cognitively disabled son whose unemployment benefits are about to run out and who has been unable to find a job,
- the two parent family residing in one of Wisconsin's wealthiest counties who have both lost their jobs and are desperately trying to pay their mortgage and survive on unemployment benefits and food stamps,
- the single mother living in the suburbs caring for a son with cerebral palsy who recently lost her job and whose husband died suddenly leaving them without health insurance,
- the 40 year old mother who was employed at a local hotel who has seen her hours gradually cut until she can no longer pay her rent and who has exhausted her TANF time limits,
- the 21 year old mother of two who spent most of her childhood moving from one foster home to another, who lacks a high school diploma, and who has been unable to receive any help with education or training to move beyond the of cycle low-wage temporary employment she is caught in, and
- the 84 year old mother caring for her disabled adult son who lost his medical coverage and his home health care services because his mother was unable to reach a county worker to complete a medical review due to the increased caseload and demands on workers' time.

The recession, as both our experience and recent numbers tell us, has both widened and deepened the reach of poverty in Wisconsin.

For many years the official poverty level in Wisconsin, with a population of 5.6 million people, was relatively stable at approximately 8.8 percent. In April 2009 the University of Wisconsin's Institute for Research on Poverty, using data from the 2007 census, found that the poverty rate had increased to nearly 11 percent. Recently released numbers from the University of Wisconsin indicate that the rate has climbed further, reaching 12.6 percent of the state's population.

The increase in poverty is reflected in a doubling of Wisconsin's unemployment rate to 9.4 percent between March 2007 and March 2009 and a sharp increase in the use of food stamps or SNAP benefits. The Institute for Research on Poverty's report found a 37 percent increase in food stamp use for the above period. Statistics released by the state's

Department of Health Services show that as of September 2009, 10 percent of Wisconsin's population now depends on food stamps to survive. In addition, nearly one of out of every five residents receives health care through our state's Medical Assistance program.

Poverty in Wisconsin, as in most states, is not evenly distributed. In Milwaukee County the poverty rate, based on 2007 census figures as reported by the Institute for Research on Poverty, is 17.3 percent, with some areas of the city of Milwaukee reaching a staggering 40 percent. For rural residents in a ten county area of northwestern Wisconsin the rate exceeds 14 percent. And children in Wisconsin, like children in the rest of the nation, fare worse. One out of every seven children, or 14 percent, live in families below the poverty level. In Milwaukee County the number climbs to 25 percent. In addition, more than half the children in Milwaukee County reside in families with income below 200 percent of poverty.

The increase in the use of SNAP benefits reflects these regional differences and also highlights the spread of poverty throughout the state. Historically Milwaukee County represented approximately half of the state's food stamp caseload. While use in Milwaukee County remains high with 20 percent of its residents relying on benefits, the recent 33 percentage increase in Milwaukee is less than the increase in other counties. In a number of counties SNAP participation has increased more than 40 percent and, in some areas, more than 50 percent. Milwaukee County now represents one-third of the state's growing caseload.

While the state's SNAP usage has grown dramatically our TANF program, known as Wisconsin Works or W–2, has failed to respond to the current recession. Since the end of AFDC the number of families receiving cash assistance has dropped dramatically. In August 1998 that number was 10, 383. From 2000 through 2004, as a result of the recession at that time, the caseload grew by approximately 2000-3000 cases. After the state reinforced up-front job search and other requirements that number dropped to 6, 349 by December 2006. As of October 2009 the number has increased only modestly to 8,628 families, below the increases of the early 2000s. [1]

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[1] The above numbers are taken from regularly issued reports by Wisconsin's Department of Health Services and the Department of Children and Families, 1999 and 2005 audits of the W–

In contrast to our W–2 population, as of September 2009 there were 269, 383 households receiving food stamps in Wisconsin, slightly more than half of these households included minor children. In a report entitled the 'take-up' study the state Department of Children and Families found that in November 2008, before the recession worsened, there were 12, 608 families receiving food stamps with zero income, all of them potentially eligible for W–2. [2] It is noteworthy that 64 percent of these zero income families resided in counties other than Milwaukee.

The low participation numbers are only part of the program's failures. Even in the best of economic times, the W–2 program has failed to demonstrate any measurable improvement in the well-being of its participants and their children. It has been our experience, based on representation of W–2 families, that many exhaust precious months on W–2 without any increase in their skills or ability to both obtain and maintain full-time employment. After leaving W–2 many parents remain mired in the same cycle of low-wage employment they were in before without any opportunity for long-term employment.

A 2005 study by the state's Legislative Audit Bureau found that 41.8 percent of W–2 participants who obtained jobs were employed by temporary staffing agencies and 29 percent were employed in retail services, fast food and other eating establishments. Historically these are the same jobs women receiving AFDC in the past secured on their own. In a series of 2006 reports issued by the University of Chicago's Chapin Hall's Center for Children, it was found that W–2 applicants in Milwaukee County who later obtained employment experienced only a slight increase in median income from $7,139 in 1998 to $7,425 in 2003. The Chapin Hall study, which followed a group of Milwaukee families from their W–2 application in 1999 through the end of 2003, also found that a quarter of the study group had no income, employment or W–2 payments when earnings were examined in late 2003. In addition, nearly one out of four study group participants reported at least one material hardship in the prior year, defined as the lack of money to pay rent or essential bills, becoming homeless or having to double-up, and/or losing utility services.

It should also be noted that at the same time that our TANF caseloads plummeted childhood poverty in Wisconsin increased. According to an August 2006 report released by the Wisconsin Council on Children and Families, the percentage of children in poverty rose from 12 to 14 percent between 2000 and 2004 and the number of children living in extreme poverty rose from 3 to 7 percent. Extreme poverty is defined as families with incomes less than 50 percent of the poverty level. These numbers are consistent with what we have seen over the last ten years.

The downward spiral Wisconsin and other states have experienced as a result of the current recession would be significantly worse if not for the Recovery Act. In Wisconsin, food stamp benefit spending has grown from 37 million in August 2008 to 70 million in September 2009 bringing much needed revenue into our state. The increase in the state's Medicaid reimbursement rate from 60% to roughly 70% (1.2 billion in enhanced federal match) has also provided additional revenue and allowed Wisconsin to maintain its comprehensive health care program that extends to all children in the state without access to other coverage. While the State Department of Health Service has been able to provide 4.2 million in Recovery Act funds to county income maintenance agencies, these agencies are struggling to meet the ever increasing demands for services and families throughout the state are experiencing delays in receiving needed assistance. It is imperative that the funding of the Recovery Act be extended in order to prevent cut backs in benefits and further delays in service.

Specific efforts must also be made to address the plight of TANF eligible families and the unemployed. A recent study released by the Employment and Training Institute at the University of Wisconsin-Milwaukee reported that for the seven counties of southeastern Wisconsin, including Milwaukee, job openings were down by 16,100 from May 2006. The report finds that the job gap in the region is 13 jobs seekers for every full time job opening. In the inner city of Milwaukee the job gap is 25 to 1. In addition, the Employment and Training Institute reports that 'the labor market has nearly dried up for unskilled workers lacking a high school diploma and occupation specific experience.' [3] The report authors found that in May

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2 program by the state's Legislative Audit Bureau and a series of 2006 reports issued by the Wisconsin Council on Children and Families entitled collectively as TANF turns 10.

[2] This number of families identified as 'zero income' is the number on a particular day and does not capture those families cycling in and out of employment or those who earn less than 115 percent of poverty, the eligibility limit for W–2.

[3] This data is taken from the Employment and Training Institute's survey of job openings in the seven counties of southeastern Wisconsin conducted during the week of May 29, 2009.

2009 there were only an estimated 500 job openings for unskilled workers compared to 6548 in May 2006.

Compounding the above numbers is the long term jobless rate for African-American men living in the city of Milwaukee. Research conducted by the Center for Economic Development at the University of Wisconsin—Milwaukee found that since at least 2000 the number of unemployed black men residing in the city has ranged from 46.8 percent of the population to 51.1 percent. These numbers underscore the fact that cities such as Milwaukee which have lost their traditional manufacturing base were already in dire straits long before the current recession.

Recently a client said to me 'all I want is a job that guarantees me 40 hours a week so I can keep a roof over my family's head and feed my children.' To help this mother and the millions of other workers and parents like her immediate and long-term solutions must be considered, including:

- extension of federally funded unemployment benefits beyond December 2009 to assist workers who have or will exhaust their benefits,
- continuation of funds to states for administration of safety net programs,
- creation of subsidized or transitional employment,
- expansion of youth employment programs with incentives that encourage states to make such programs available to young custodial and non-custodial TANF eligible parents,
- extension of the time limit for claiming TANF emergency contingency funds and incentives to states such as Wisconsin that have not yet submitted a request for funds,
- incentives that encourage states to provide assistance to TANF eligible families, especially during periods of economic recession, and to develop integrated employment, training and work programs that will lead to long-term employment, and
- maintenance of funding for homeless prevention programs and increased funding for subsidized housing.

Chairman SPRATT. Thank you very much.

Dr. Haskins.

STATEMENT OF RON HASKINS

Mr. HASKINS. Mr. Chairman, members of the committee, thanks for inviting me. I consider it a great honor to be asked to testify before this committee. I am going to focus on only one issue, and that is the role of work in American social policy and more specifically the impact of the welfare reforms of 1996 and the Temporary Assistance for Needy Families program, called TANF, on work and American social policy.

A little background: for at least 2 or 3 decades before we passed the welfare reform law of 1996, Congress had enacted a number of provisions in the old Aid to Families With Dependent Children program, which was the forerunner of TANF, and a major cash assistance program for welfare to try to encourage work. They were all a failure. And there are various theories about why this might be the case, but one of those theories was put in for us in 1996 and that was that we need to have strong work requirements, they need to be backed up by sanctions, including losing benefits if people did not meet the work requirements, as well as sanctions on states. This is a little known fact about welfare reform. The states were also sanctioned—the federal government withheld money if they didn't meet their work requirements. And I want you to know that the states played a very big role—a bigger role. I was on staff here for 15 years. And states played more of a role in drafting this legislation than any other legislation I know about. So the states were culprits, if you want to think of it that way.

Let me first show what happened as a result of welfare reform, especially in the 1990s. If you look at a second chart here—I guess this thing isn't going to work on that screen—but the second chart shows that the welfare rolls fell dramatically. Nothing even close to this had ever happened before. The welfare rolls virtually never fell. They just kept going up on AFDC. There were a few years that they declined a little bit; the most ever was 2 percent. And they fell by half and then eventually reached 60 percent. So it was unprecedented.

Secondly—no, no. Go back to the other chart. Look at the top chart. This is a crucial point. This is the income of all female headed families—they are the most likely to be on welfare—in the bottom 40 percent of the distribution. So roughly speaking, all female headed families, earning under $20,000, many of which were eligible for welfare and here is what happened to their income. The red line graph is their earnings, plus the earned income tax credit. And as you can see, that went up very substantially. It has decayed a little bit starting with the recession of 1980 and it is still going down a little bit. And the blue graph is their income from welfare, a collection of welfare programs, not just cash welfare, but a collection of welfare programs.

So you can see welfare is going down, earnings plus earned income tax credit is going up, and families at the maximum were 25 percent better off in income. Now, this would not apply to every state, but these are national data from the Census Bureau. So welfare definitely increased earnings which in turn increased income.

And then if you look at the last chart down there, it shows what happened to poverty. And as you can see, poverty declined throughout this period up until 2000. It declined for both kids and female headed families. That is a crucial group to analyze welfare reform. And it also declined substantially for all kinds of children, but especially black children. Both poverty among black children and poverty among children in female headed families reached the lowest level ever. And even now after 2008, when we have had the recession of 2001 plus the recession of 2000—that began in December of 2007, poverty is still lower than it was before welfare reform. And as the top chart shows, work played a huge part in that. So I think it is safe to say—and maybe some of you will want to argue about this a little bit—that welfare reform was quite a success.

There are some weak points. I mentioned some of those in my testimony. There is a lot of work that we could do. There is a group at the bottom that is worse off. There is no question about that. We haven't paid enough attention to them. Donna Pavetti is probably the country's leading expert on states that have tried to address this problem of the mothers that are really down and out. And also a problem that we already knew about that has turned out to be true is Horatio Alger does not apply to moms who leave welfare. They leave it in the old days $8.50 an hour and you come back 2 years later and they are making $9.00, you come back 2 years later and they are making $9.25. There is not a nice progression. We should be able to do something about that, but so far after spending billions of dollars we haven't figured out how to do it.

So there are some problems. I am not whitewashing welfare reform. But generally, it has been a success and it established a principle that everybody has to face. And that is as long as people are only on welfare they will never escape poverty. If we have a welfare system that does not encourage work, we will have a substantial number of people who will never escape poverty. We do not give enough in foods stamp and cash benefits for people to escape poverty.

So now we come to another challenge, which is the recession. The recession of 2000 and 2001 was not very deep. It didn't have that much of an impact on unemployment. It had a lot more impact on males than it did females. So the poverty went up a little bit, but child poverty still stayed quite low and the percentage of women who were working, and especially low-income women, stayed quite high, much higher than before welfare reform. But now it is much more serious. Many more people are losing their jobs. We don't know the full impact of it yet because we don't have good data for 2009. And I think that is going to change substantially some of the things I have shown you there.

So I think the first thing that we should say, both sides of the aisle, is this is a problem, this is a problem and we need to figure out what we should do about it.

So the essence now of TANF, like many other social programs, is that they are both friendly to work—and TANF is, I would even say, demanding, and programs like the EITC and food stamps are friendly to work. And, taken together, I call this the work support system.

You have strong work requirements, but you also have programs that help people when they go into the economy because they cannot earn enough, many of them. They earn $12,000 to $14,000 a year. That is not enough to support a family. So we have the earned income tax credit, we have food stamps, we have Medicaid.

Congress, in its wisdom, substantially modified all those programs, starting in the mid-1980s, and they are much friendlier to work now. So it is not unusual for someone earning $12,000 or $13,000 to have a package of benefits that is $25,000 to $30,000, but they have to work to do it. So we want to emphasize work, we want to retain the emphasis on work and the work support system.

But, secondly, it has to also be a safety net. I think we are in agreement on that, and we should be frank about this. And the evidence now, if you look at the next chart, is that it is not a very good safety net.

You can see the substantial increase in unemployment. And unemployment insurance, if you look at the graphs for unemployment insurance, look at a graph for food stamps—this is a point that previous witnesses have made—they did exactly what a safety net program should do. If things decay and unemployment goes up, then benefits should go up, more people should qualify for benefits.

Look at the bottom line. That is TANF. There is hardly any response through 2008. There is apparently a lot more responsiveness now. I have given evidence of that in my testimony. But I think it is still weak. We need to know a lot more about how this has responded. But, on the first blush, it is a big problem.

So why is it that TANF has such a different pattern than these other programs? LaDonna has already given some very good reasons. I do think the fact that states—it became almost a badge of honor that—I often heard governors talk about this, you know, "My caseload is down 15 percent." "Well, mine is down 20 percent." It got to be almost a number-one qualification of having a good TANF program was reducing the rolls. And that is important, but a lot of other factors are important, as I have shown you here.

And so the states were so much in the habit of reducing the rolls that they did not respond very quickly. So that is a big issue. We need to figure out why this happened.

Now, LaDonna also has given away my main point, which is: I think that this committee and the Ways and Means Committee and the Education Committees in both houses and the Finance Committee in the Senate should focus on this. Next year, we are supposed to reauthorize welfare reform. It provides a perfect occasion to look specifically at many of the problems I have mentioned but especially this problem, because TANF appears not to function as a safety net.

And I want to draw one thing to your attention that is extremely important. And that is, there was a recent editorial in the Post that some of you may have seen that charged that the people who wrote the 1996 welfare reform bill were cavalier or disregarded low-income families and so forth. It was signed by a Democratic President. Half the Democrats in the House and the Senate voted for the bill. It was a bigger bipartisan vote on that legislation than on Medicare and Medicaid in 1965. So we are all in this together, so to speak.

It is a false charge that people weren't worried about that. There are four provisions in the bill that were intended to make it a safety net and to respond when people were unemployed. The most important one was called the contingency fund that had $2 billion in it. It was never used through 2000. It was hardly used in the recession of 2001. Now it is about to run out of money, according to the CBO, because states are really using that money. There were other provisions in there, as well.

So that is the place to begin. Why did it take so long for those to work? And now, in addition, we put a new provision in, which you did in ARRA, which was $5 billion for, in effect, an emergency contingency fund, and states are using that money as well. So that is where to begin. Why aren't those programs working better? Why did it take the states so long to take advantage of them?

I think this is a big challenge. And I want to—my last comment is, I want to call to your attention—and, please, if you don't believe this, ask me questions—as long as people are only on welfare, they and their children will never escape poverty for working-aged families. They cannot escape poverty, by definition, unless they cheat and don't report their income.

So we have to have a system that helps people get jobs. And they are going to be low-income jobs. Most of them are going to be low-income jobs. They are going to be flipping hamburgers, to use the old phrase. And we need a government system that supports them while they work. And we have constructed that. So the work part of this is really working; now we need to figure out why it doesn't work better during recessions.

Thank you.

[The prepared statement of Ron Haskins follows:]

PREPARED STATEMENT OF RON HASKINS, CO-DIRECTOR, CENTER ON CHILDREN AND FAMILIES, THE BROOKINGS INSTITUTION; SENIOR CONSULTANT, ANNIE E. CASEY FOUNDATION

My goal in this testimony is to clarify one of the most important issues in American social policy. This issue, which has been evolving since passage of the Social Security Act in 1935, has been brought to the forefront by the recession that now plagues us. The issue is who should be expected to work and how far should social policy go in demanding work.

The elderly, the disabled, and children are the easiest to deal with. Hardly anyone expects members of these large demographic groups to work, although even here there are important issues of definition. The definition of the elderly for the purposes of Social Security is being gradually increased from 65 to 67 as a result of recommendations by the Greenspan Commission in 1983.[1] Some policy analysts have recommended that the age of eligibility should be increased still further. There is little or no pressure from the public or major organized groups to change the definition of age for purposes of program eligibility, but it is a good bet that when Congress finally decides to seriously address the nation's cancerous budget deficit, the definition of elderly will get close scrutiny.

The definition of disability is one of the great conundrums of American social policy. There is a large class of people who have medically established physical disabilities about which there is little or no disagreement, although some people with extensive physical disabilities who could easily qualify for disability payments choose to work. The definition of emotional and behavioral disabilities is more tortured. I recall that during the debate over welfare reform in 1995, a senior analyst at the Congressional Research Service testified that, due to the interaction of unclear statutes and regulations plus confused interpretations of the statutes by the Supreme Count,[2] the definition of childhood disability in the Supplemental Security Income (SSI) program was essentially behaving in an age inappropriate way. Clay Shaw, the subcommittee chairman, immediately remarked that under that definition half the members of Congress were qualified for SSI.

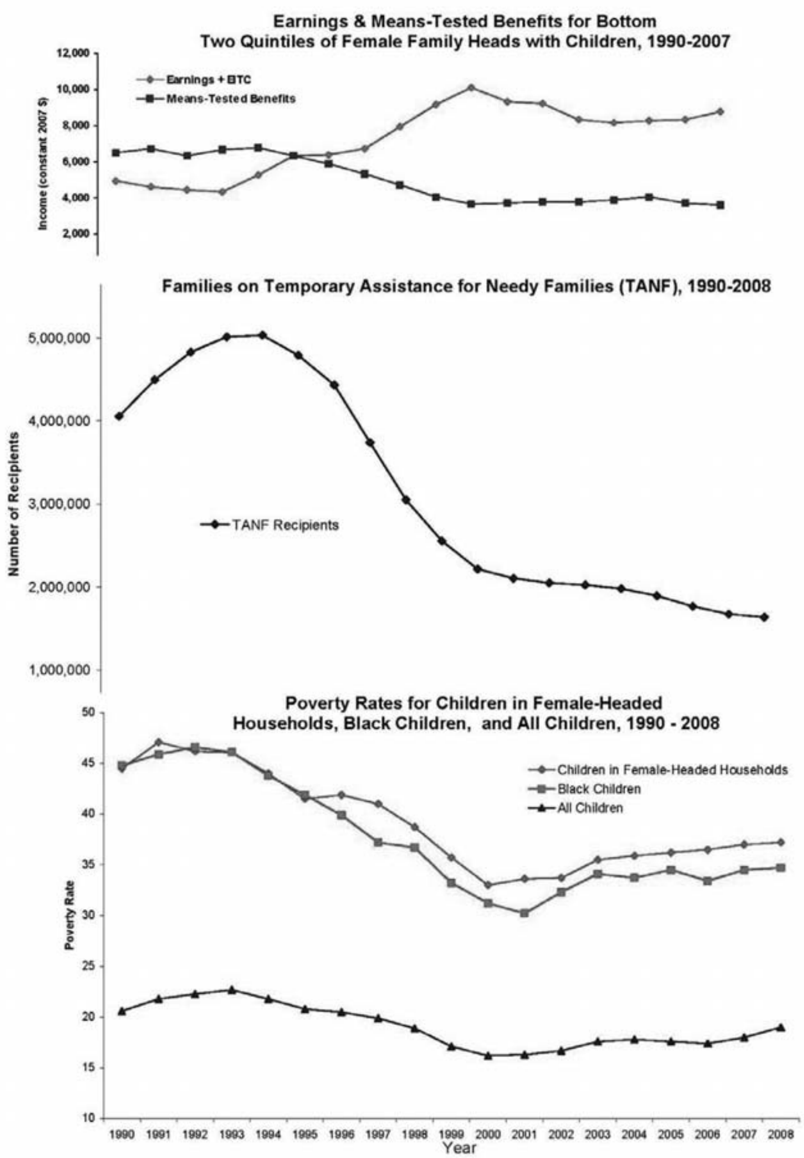
The welfare reform law of 1996 significantly tightened the definition of disability in the SSI program. Before 1996, anyone found to be addicted to drugs or alcohol was entitled to a guaranteed cash benefit and health care coverage. The welfare reform law simply eliminated alcoholics and drug addicts from both the SSI program and the Social Security Disability Insurance program by dropping them from the definition of disability.[3] There may have been negative impacts on addicts who would have been eligible for SSI under the old definitions but are no longer eligible, but if there are no one has demonstrated them in a good study.

These definitional problems with age and disability are relatively modest compared with the lively debate conducted over the years about the eligibility of able-bodied adults—especially mothers—for welfare benefits. Before the 1996 reforms, mothers who met a test of low resources and low income were entitled to cash welfare from the Aid to Families with Dependent Children (AFDC) program and their entire family was covered by Medicaid and the Supplemental Nutrition Assistance Program (SNAP; formerly food stamps). From time to time Congress passed provisions that encouraged able-bodied mothers to work or prepare for work.[4] But these provisions were weak and ineffective. In a typical year before welfare reform passed, data from the Department of Health and Human Services showed that less than 10 percent of AFDC recipients participated in a work program or a program in which they searched for work. Few of these participated full-time. By contrast, nearly 35 percent of the caseload was enrolled in educational activities, although the evidence that these educational experiences led to work was minimal.[5]

Perhaps the most important single issue in the 1996 welfare reform debate was that Republicans wanted to have tougher work requirements but Democrats were reluctant to put impoverished mothers at risk by penalizing them if they didn't work. The Family Support Act of 1988 had strengthened work provisions somewhat, but still, as the data just cited demonstrates, the overwhelming majority of adults on AFDC did not work or prepare for work.

That changed with the election of President Bill Clinton in 1992 and the Republican takeover of Congress in the 1994 elections. Clinton campaigned on limiting time on welfare and emphasizing work requirements. Although he did not deliver on this promise in his first two years in office, upon achieving a majority in the 1995-1996 session of Congress, Republicans immediately introduced a bill that backed up work requirements with sanctions and time limits and provided states with a block grant featuring fixed funding that gave them a strong incentive to help adults leave welfare. The Republican bill strictly limited the amount of education that could count as work on the philosophy that only work led to more work. After a bitter Congressional fight that lasted until July 1996, a bill that had tough work requirements backed by sanctions and time limits passed on a bipartisan basis and President Clinton signed the bill in August 1996.[6]

Figure 1



This seminal legislation marked a fundamental change in American social policy.[7] The AFDC program, with its entitlement to cash welfare, was repealed and replaced by the Temporary Assistance for Needy Families (TANF) program. The new program emphasized work over welfare and was followed by unprecedented reduction in the welfare caseload and major increases in work by poor mothers (see Figure 1). Up to 70 percent of mothers leaving welfare found employment.[8] By 2000 the percentage of single mothers who were employed reached nearly 75 percent, an increase of over 20 percent since 1995 and the highest level ever.[9] Throughout this period, child poverty fell rapidly even as cash welfare payments fell, and both poverty among black children and poverty in female-headed families reached their lowest level ever (Figure 1). Even at the recession of 2001, employment among single mothers stayed well above its 1995 level and the poverty rate for children in female-headed families remained about 20 percent lower than before welfare reform. A reasonable conclusion from these numbers is that as many as 2 million or more of the mothers who had been on welfare were capable of productive work.[10] Thus, the AFDC definitions of who should qualify for welfare on more or less permanent basis and who should be required to work had been flawed The 1996 reforms significantly changed the definition of who was expected to work and the willingness of the nation's social policy to penalize those expected to work if they didn't.

It is important to point out that most of the jobs taken by mothers leaving or avoiding welfare paid low wages, around $8 per hour in 2000.[11] Many of the mothers were nonetheless better off than they had been on welfare because Congress and a series of Presidents had expanded programs that provided cash and in-kind assistance to low-income working families. Specifically, the Earned Income Tax Credit (EITC) and other tax programs, day care, SNAP, and Medicaid were all expanded or modified to make it easier for low-income working families to receive the benefits. The dramatic welfare-to-work revolution met the quiet and drawn-out revolution of expanded work support programs to produce a total family income for working mothers that was higher than welfare even for mothers who had low-wage jobs.

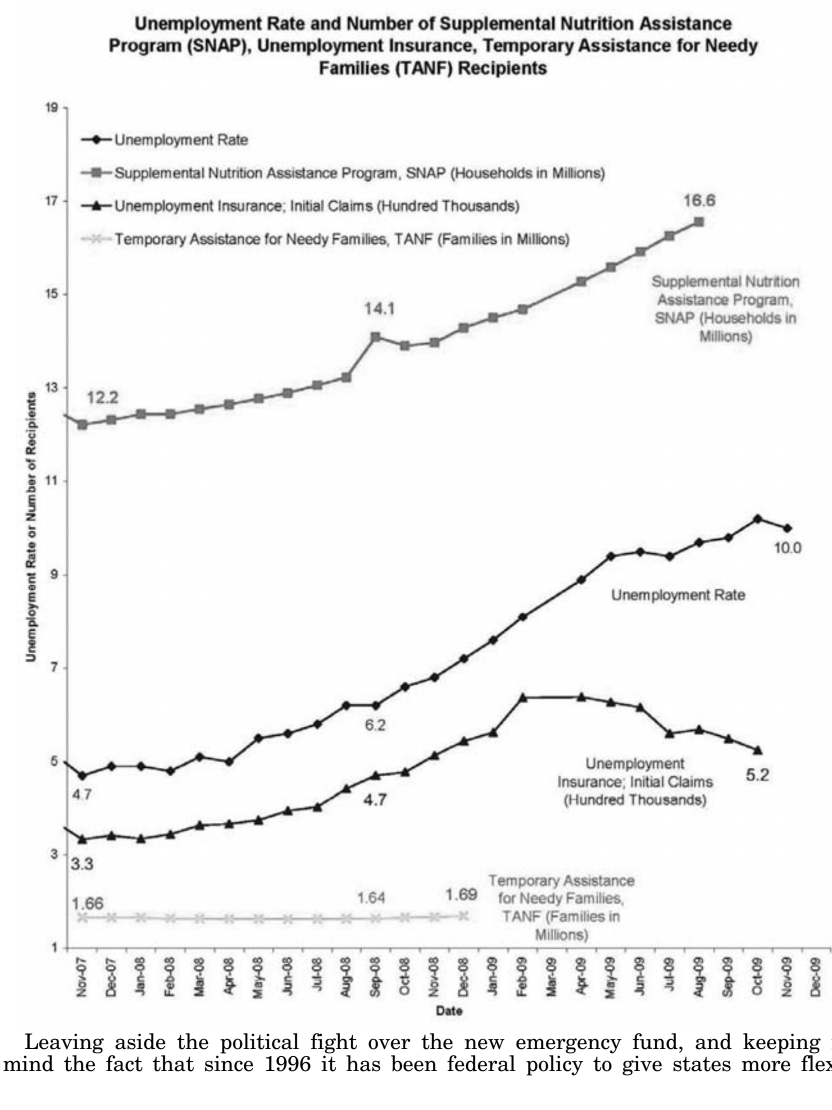
The story so far is a solid success for the nation's social policy.[12] But the current deep recession is raising a serious challenge to the optimistic picture I have painted. Now the employment of females heading families has declined almost to its pre-welfare level. The 1996 reforms were successful when the economy was strong, and even during a mild recession like that of 2001. But that recession was nothing more than a modest thunder storm; the current recession is a hurricane. The question arises: how does the TANF program perform in a hurricane?

Figure 2 shows the unemployment rate, and enrollments in the TANF, SNAP, and Unemployment Compensation programs between November 2007, a month before the recession began, and either December 2008, August 2009, or October 2009 depending on the program and the availability of data. Assume that means-tested programs should automatically (without legislative action) increase during a recession; assume further that the unemployment rate is a useful measure of the severity of a recession. It follows that the graphs in Figure 2 for enrollment in TANF, SNAP, and Unemployment Compensation should follow the graph for the unemployment rate. Unemployment benefits and SNAP roughly conform to the pattern of unemployment, that is, as unemployment rises, enrollment in both programs rises as well. But TANF does not.[13]

More recently, a story published in June in the Wall Street Journal, based on a survey of 30 states that account for 88 percent of the U.S. population, found that the TANF rolls in 23 or the 30 states increased between March 2008 and March 2009.[14] The rolls in two states increased by more than 20 percent during this period. These findings, if confirmed by official data, suggest that the TANF program in many states may now be responding appropriately, albeit on a delayed basis, to the recession.

Should TANF, the nation's major cash benefit program for needy children, provide benefits to more people during a recession? Put this way, I think most Americans and most members of Congress would say yes. But we don't need to rely on guesswork. There is direct evidence on this question in the case of members of Congress. Anticipating that single mothers leaving or avoiding welfare would have trouble finding work during recessions, the authors of the 1996 reforms put three important provisions to fight recessions in the legislation.[15] The first allowed states to save federal dollars frothe TANF block grant without limit for a rainy day (see Section 403(e) of the Social Security Act). As the welfare rolls declined after 1996, many states were able to save money because they were paying much lower cash welfare benefits. All of this saved money could be used to pay TANF benefits during a recession. The second provision allowed "needy" states that were experiencing high unemployment to, logically enough, count more job search as work. The third and most important provision, called the Contingency Fund, created a pot of $2 billion to be given to states that had high unemployment or substantial increases in SNAP enrollment during an economic downturn (see Section 403(b) of the Social Security Act). These three provisions demonstrate unequivocally that congressional Republicans and Democrats realized that recessions could be a problem for work-based strategies of helping the poor, that people on welfare would have trouble finding jobs during a recession, and that states would therefore need more flexibility and additional funds to pay benefits to a rising caseload. Over the first decade of welfare reform, this issue of giving states additional money to handle a rising caseload was moot. During the booming economy of the last half of the 1990s, only one state qualified for money from the Contingency Fund. Even during the rise of unemployment in the mild recession of 2001, only a few states qualified for Contingency Funds jobs. But now that a serious recession has arrived, many more parents have lost their jobs and as many as 18 states are now or have been qualified for contingency funds since the recession began. So many states have qualified that the Congressional Budget Office projects that the Contingency Fund will run out of money early in 2010.[16] Anticipating this evaporation of money from the Contingency Fund, in February of this year Congress put a provision for giving states up to $5 billion of additional money to pay for expand welfare rolls in the American Recovery and Reinvestment Act (ARRA). This action, consistent on its face with the intent of 1996 law to give struggling states additional Republicans charging that Democrats were trying to undermine the work requirements of the 1996 law.[17]

Figure 2



Leaving aside the political fight over the new emergency fund, and keeping in mind the fact that since 1996 it has been federal policy to give states more flexibility in meeting work requirements and more money when their caseload increases during recessions, we should now raise the question of why, as shown in Figure 1, states seem to have been slow to increase TANF enrollment during the current recession. National caseload data on TANF enrollment show that the caseload increased by only 3 percent between December 2007 when the recession began and December 2008 (Figure 2). Further, caseload declines continued in 20 states, including drops of over 10 percent in five states.[18] Why, in other words, is the TANF graph in Figure 2 so different from the graphs for unemployment compensation and SNAP?

There is no doubt that states are giving TANF benefits to a much smaller fraction of eligible families that ever before. In 1995 before welfare reform, fewer than 900,000 of the families qualified for welfare benefits did not receive them; by 2005 this figure had increased to well over 3 million and it seems likely that the figure is higher still today. There are several possible explanations for why eligible parents are not being enrolled in the TANF program. These include increased stigma of being on welfare that makes families more hesitant to sign up; the alternative many mothers have of living with partners, friends, or relatives who have income; and living for a period on savings or borrowed money. But some of these families with children are facing difficult financial challenges, especially when there are more than three times as many of them as there were before welfare reform.

Another possible explanation of the sluggish increase in TANF enrollment is that states, now in the worst financial shape they have been in for decades, have taken various actions to prevent parents who cannot find a job from coming on welfare. Foremost among these actions could be requirements—such as a 30-day job search before qualifying for welfare—that states impose on adults applying for welfare. Many states also conduct a protracted application process that could feature administrative hassle for applicants, causing some to give up before the application process is completed. Another administrative technique to trim the caseload is strict enforcement of rules that can lead to families losing their welfare benefit because of minor infractions. A recent survey of states conducted by the Urban Institute indicates that 42 states have programs that aim to "discourage enrollment" as the Urban Institute puts it.[19] On the other hand, many states operate diversion programs that try to help adults intending to join the welfare rolls find jobs instead. Depending on how states help these parents find jobs, the diversion approach can make great sense for some families, especially those who would like to avoid welfare if they can.

Another possible explanation for the delay in TANF caseload increases is that administrative problems are causing state TANF programs to take longer to respond to rising unemployment. As we have seen, last year, with unemployment rising rapidly, the national TANF caseload continued to decline in 20 states and rose only 3 percent nationally. The trend toward increasing caseloads is continuing this year, and many more states are experiencing caseload increases. When we have complete data on TANF caseloads for 2009, it could well be found that caseload increases are greater in percentage terms than in 2008 and that many of the 20 states with declining caseloads in 2008 are now experiencing caseload increases. Thus, state TANF programs may be responding to the recession by bringing more families onto the rolls, but with a time lag. Further, some states may be responding more quickly than others. Because TANF is a state administered program, it is to be expected that evaluations of state performance in responding to the recession will show large variability across states.

CONCLUSION

Congress and the administration should carefully investigate the response of the TANF program to the recession that began in December 2007. Next year's reauthorization of the 1996 welfare reform law provides the perfect opportunity to learn a lot more about the response of TANF to the recession and on the basis of this knowledge to determine whether additional reforms are required.

In conducting its investigation, Congress and the administration should define its goal as understanding how to maintain the strong work requirements in the TANF bill while providing temporary cash assistance to destitute families that cannot find work. The impact of the 1996 welfare reform law on employment and earnings by poor single mothers shows that most of these mothers are capable of finding jobs and improving their total family income during normal economic times. It would be a serious mistake if the nation's response to the current recession were to dismantle the 1996 reforms and return to an AFDC-like program that provided cash welfare with few or no strings. That major policy shift would solve the problem of admitting more destitute mothers to welfare during a recession, but it would return us to the days when millions of able-bodied mothers accumulated on the rolls and became victims of welfare dependency.

Moreover, the combination of strong work requirements in the TANF program and the system of supplemental benefits provided to low-income workers—especially the EITC, SNAP, child care, and Medicaid—is the most effective poverty fighting strategy the nation has developed since the War on Poverty began in the 1960s. That strategy enabled us to achieve the lowest poverty level among female-headed families and among black children ever recorded within four years after passage of the 1996 welfare reform law. Most—but not all [20]—of those concerned about the well-being of low-income families, regardless of their political views, now realize that families cannot escape welfare unless they work.[21] A return to the pre-1996 policies that caused welfare dependency is a return to a policy of guaranteed poverty.

However, even the below-poverty benefits of TANF and SNAP are better than no public support when parents cannot find work. The nation's welfare system should be premised on strong work requirements, but it should also adapt when unemployment rises and allow workers who can't find jobs and who are not qualified for Unemployment Compensation to receive cash welfare. The 1996 reformers recognized this principle and included provisions in the law intended to make sure states had greater flexibility and enough money to pay for expanded welfare rolls during recessions. Similarly, the current Congress recognized the problem and drafted a new provision, included in the ARRA that would provide states with additional funds to ensure they could pay for expanded welfare rolls.

Despite these provisions, it appears now that many states may have been too slow to take destitute families back on the rolls. We lack sufficient information to determine exactly why states may have been slow. So let's use next year's welfare reform reauthorization to find out. Permanent policies made during a recession are likely to constitute an overreaction to dire circumstances. My own view is that the TANF structure of strong work requirements with provisions for flexibility and additional funds during recessions is sound but that its provisions on helping states have enough money on hand to increase their rolls when parents experienced high levels of unemployment may not have worked as planned. Our goal now should be to find out why and to determine what changes in federal and state policy would allow states to respond more quickly and completely during the next recession—but without any permanent loosening of the work requirements.

ENDNOTES

[1] National Commission on Social Security Reform, Report of the National Commission on Social Security Reform (Washington, DC: Social Security Administration, January 1983).

[2] Sullivan v. Zebley, 493 U.S. 521 (1990).

[3] Similarly, the definition of childhood disability was tightened so that approximately 100,000 children were dropped from the SSI roles and many hundreds of thousands of children have since been denied SSI coverage under the new definition. Taken together, the two changes in the definition of disability are now and will continue to save taxpayers billons of dollars each year.

[4] House Committee on Ways and Means, 1990 Green Book (Government Printing Office, 1990), pp. 337-545; House Committee on Ways and Means, 1994 Green Book (Government Printing Office, 1990), pp. 337-359.

[5] House Committee on Ways and Means, 1996 Green Book (Government Printing Office, 1996), pp. 423-424

[6] The combined House and Senate vote was 406 to 122. See Ron Haskins, Work Over Welfare: The Inside Story of the 1996 Welfare Reform (Washington, DC: Brookings Institution Press, 2006), p. 331.

[7] The bill also greatly reduced welfare benefits for noncitizens which removed a disincentive to work; ended the SSI benefits of drug addicts and alcoholics which removed a disincentive to work; and simplified and increased funding for child care, which provided an incentive to work.

[8] Gregory Acs and Pamela J. Loprest, TANF Caseload Composition and Leavers Synthesis Report (Washington, DC: Urban Institute, March 28, 2007).

[9] James Ziliak has shown that the employment rates of never-married mothers, the group most likely to be on welfare, increased even more rapidly than the employment rates of all single mothers; see James P. Ziliak, editor, Welfare Reform and Its Long-Term Consequences for America's Poor (Cambridge: Cambridge University Press, 2009), pp. 4-5.

[10] Ron Haskins, Work Over Welfare: The Inside Story of the 1996 Welfare Reform (Washington, DC: Brookings Institution Press, 2006), Chapter 15; Rebecca M. Blank, "What We Know, What We Don't Know, and What We Need to Know about Welfare Reform," in Welfare Reform and Its Long-Term Consequences for America's Poor, edited by James P. Ziliak (Cambridge: Cambridge University Press, 2009); Jeffrey Grogger and Lynn A. Karoly, Welfare Reform: Effects of a Decade of Change (Cambridge: Harvard, 2005), Chapters 5-7.

[11] Gregory Acs and Pamela J. Loprest, TANF Caseload Composition and Leavers Synthesis Report (Washington, DC: Urban Institute, March 28, 2007).

[12] I have argued elsewhere that two important problems with welfare reform were that some mothers who lost their cash welfare did not work steadily. As a consequence, many of them were worse off financially than they had been before welfare reform. Another serious issue is that

most of the mothers leaving welfare failed to move up the job ladder to jobs with higher wages and employee benefits. There remain serious issues that should be examined thoroughly if Congress takes up reauthorization of welfare reform as scheduled in 2010. See Ron Haskins, Work Over Welfare: The Inside Story of the 1996 Welfare Reform (Washington, DC: Brookings Institution Press, 2006), Chapter 15; Rebecca A. Blank, "Improving the Safety Net for Single Mothers Who Face Serious Barriers to Work," The Future of Children 17, no. 2 (Fall 2007): 183-197.

[13] These data are consistent with a front page story in the New York Times on February 2 that drew attention to the claim that TANF was underperforming during the recession; see Jason DeParle, "Welfare Aid Isn't Growing as Economy Drops Off," New York Times, February 2, 2009, p. A1.

[14] Sara Murray, "Numbers on Welfare See Sharp Increase," Wall Street Journal, June 22, 2009.

[15] A fourth provision, the ability to borrow money at interest from the federal government, was little used.

[16] Personal conversation with Jonathan Morancy of the Congressional Budget Office on December 7, 2009. See also *http://www.acf.hhs.gov/programs/ofa/tanf/apprTANFemerfund.html.*

[17] Sara Murray, "Numbers on Welfare See Sharp Increase," Wall Street Journal, June 22, 2009, A1.

[18] Urban Institute, "Highlights of State TANF Programs in 2008," Washington, DC: Author, 2009.

[19] Ibid.

[20] Peter Edelman and Barbara Ehrenreich, "Why Welfare Reform Fails the Recession Test," Washington Post, December 6, 2009.

[21] The combined maximum cash benefit from TANF plus the cash value of SNAP benefit provides families with income equal to about half the poverty level in the median state. See House Committee on Ways and Means, 2008 Green Book (Government Printing Office, 2008), pp. 7-51 to 7-52.

Chairman SPRATT. Let me ask two questions and then turn it to Gwen Moore, and then we will go to others.

First question: Pete Edelman's article in the Post this weekend, is this the gist of what he was pointing to, that TANF had been changed significantly, but other programs which, in the past—cash assistance which had been available, were no longer available because they were left on the cutting-room floor in welfare reform?

Mr. HASKINS. It just isn't true. We have shown the data. Food stamps have been very responsive. We are spending more on food stamps, and there are more people on food stamps than ever before. I did not put Medicaid on there, but the same thing is true of Medicaid. They are at historic highs.

So the safety net, those other programs have responded very appropriately. LaDonna is from the Center on Budget and Policy Priorities. Their credentials as a conservative organization are in lousy order, and they have constantly said that those programs responded very well because they were constructed that way. We thought TANF would respond well, too, but it hasn't for some reason.

So I just think that Peter is mistaken.

Chairman SPRATT. Would you call that this single biggest deficiency in the safety net?

Mr. HASKINS. Yes. I think the TANF program—it looks like it is a deficiency in the safety net, yes.

Chairman SPRATT. And what would you do in short to fix it, make it more——

Mr. HASKINS. I don't think we know enough to have a good answer. The obvious, the most straightforward answer was to give them more money, which we did in the contingency fund and now you have done in ARRA. And maybe the ARRA provision is the one that really convinces the states to try this.

But I think there—and here is another big point—these are state programs. The federal government has very little control over the particular characteristics of the state programs. And it was the states that made these decisions. And what you will find, if you look into this, is some states were quite good. If you look at Florida, which is surprising, a very conservative state, they responded early and quickly, probably more than almost any other state. Now more states are responding.

And you need to bring the states in and ask them, why did it take you so long? How come you weren't responsive early? As the unemployment rate went up in your state, how come there wasn't a TANF response?

I think we need to dig into that, as I have said. I think it is a problem, but I think it is solvable. The key is to solve it without destroying the mandatory work provisions in TANF.

Chairman SPRATT. Ms. Moore?

Ms. MOORE. Well, thank you, Mr. Chair.

And I very much enjoyed this entire panel.

I guess, just having listened to the four of you, the conclusion that I have come to, looking at these charts and graphs—and correct me if I am wrong—is that basically we have a kind of a safety net for people who are unemployed, who have been working and they go on unemployment insurance, but we don't have a safety net for people who basically don't have a job and depend on TANF.

I guess, with respect to why the states didn't roll out assistance earlier, I guess I want to yield to Pat Delessio from our state to describe—she was at the scene of the crime in Wisconsin when we ended welfare, the first state to do that—and describe her struggle with "job ready" and lack of educational opportunity. And perhaps that will address some of the points that you raised, Dr. Haskins, as to why people can't get out of poverty.

Pat, will you describe——

Ms. DELESSIO. Well, I can tell you, in talking with state officials, why they feel like the caseloads haven't increased. And it is, in part, due to our system, our county/state system, where our counties or private agencies run W–2, operate the W–2 program. And what state officials have told me is that, even though they have told the counties to let more people on—and that is exactly what they said, let more people get on W–2—they have been reluctant to, because the money up front isn't there. Especially counties and county boards are afraid to expend funds that they don't know if they are going to be able to support these families for as many months as they need to.

And in Wisconsin, I think we have been famous for reducing our caseload. And we did it basically by changing the rules, by saying that people who were job-ready, you know, who were able to work even though they didn't have a job, couldn't receive W–2.

Ms. MOORE. Well, thank you for that brief review.

And I guess my next question would be to Doctor—I can't read your name because I don't have my glasses on—to Dr. Pavetti. You know, I don't understand—there seems to be a difference in whether or not poverty was reduced. There is a claim that among women who worked—that there was a reduction in poverty among children. But I really question those metrics since I know, in the case of Wisconsin, we really didn't track people who were just thrown off the rolls and what happened to them.

And so, when you look at your chart, Dr. Haskins, and see that, even though SNAP programs have increased, UC has increased, there are zero-income families that are using SNAP, the fact that TANF didn't increase, it would indicate to me that we don't have a true metric of how many children are truly living in poverty and women who are living in poverty.

So could you respond to that for me, please?

Ms. PAVETTI. Well, part of the problem in trying to sort this out has to do with looking at averages, because what happened is that there were winners and losers when we did welfare reform. So there are people who did go to work and who were moved out of poverty. And then there were a group of families who really have very low-incomes who are far worse off.

So, I am sorry I don't have it here, but I can provide it, where we have charts where we look, over time, at what has happened. And you can see that there are parts of the safety net that really have increased in the number of people that they have moved out of poverty. And you see a huge gap in what has happened in TANF.

So what we are seeing is a story where there is a group of people who have not as great needs, who have been able to make that transition, who are doing better. So you see them moving out of poverty. And then you see this group at the bottom whose incomes have just plummeted and are doing far worse.

So it is a story that is more important to look at deep poverty and what is happening there. So I think that is——

Ms. MOORE. And averages are not a good thing. They are damn statistics.

Dr. Haskins, let me let you weigh in on this. Because you have claimed—and I just haven't seen where we have reduced the poverty, just like, you know, people who don't work aren't out of poverty on AFDC. I don't see that they have gotten out of poverty by the TANF program either.

Mr. HASKINS. The Congress pays billions of dollars to have one of the best statistical systems in the world. There is no question about problems with our definition of poverty, but poverty definitely declined, no matter how you measure it. Throughout the second half of the 1990s, it declined dramatically, more than it has since the 1960s. And you can quibble if you want to, but, you know, those are the numbers. And I think everybody agreed that that actually happened.

Ms. MOORE. Well, I don't agree, but my time has expired. Thank you.

Chairman SPRATT. Mrs. Lummis?

Mrs. LUMMIS. Thank you, Mr. Chairman.

And thank you, members of this panel. It is a great discussion, considering the importance during this time, these recessionary times.

Mr. Haskins, first for you, CBO's analysis of the President's budget forecasts a debt spiral, with debt levels not seen since World War II and a tripling of net interest payments on the debt over 10 years.

Are you concerned about the impact of a debt spiral and its potential consequences for economic growth on the health of our safety net programs? We know we need safety net programs, but is the overall health of our economy putting our safety net programs at risk?

Mr. HASKINS. Yes. And, in fact, let me tell you an interesting thing that has occurred over the past 6 or 7 years. A number of quite liberal foundations that focus on children and children's programs have funded organizations like Brookings, like the Center on Budget and Policy Priorities and other organizations that, roughly speaking, are both liberal and conservative, specifically to do everything they can think of to, A, call to the public's attention how serious our debt crisis is and, B, work with Congress, if possible, to try to encourage people, especially people on budget committees, that we have to do something and we have to do it now.

And the reason they are doing that is that they are afraid that we are going to reach budget Armageddon, in which we very substantially cut programs and increase taxes. And the programs that they are worried will be vulnerable are the children's programs. And so, they would like to see us reduce the deficit in an orderly way.

Yes, a deficit is a big problem, and it is a threat to the safety net.

Mrs. LUMMIS. Thank you.

Sue Berkowitz, you were quoted in The Wall Street Journal as saying, "The cash assistance funding in South Carolina is crowding out money to help people find jobs." Does that ring a bell?

Ms. BERKOWITZ. No, not at all.

Mrs. LUMMIS. Well, let me go on and ask the question. So maybe that is an inaccurate statement.

Ms. BERKOWITZ. I am not sure where that came from.

Mrs. LUMMIS. Okay. According to the GAO, there are more than 40 federal programs that send funding to the states for job training, including the Workforce Investment Act programs that are supposed to be available to all job seekers.

Do you know, is your state coordinating with these programs effectively, the TANF program with the job training programs?

Ms. BERKOWITZ. I think there has been some disconnect in our state, and I wouldn't want to use South Carolina right now as an example of what is going on, on a state level, between the state agencies. There have been some concerns with our Employment Security Commission and what they have been doing to assist people in job searches and with job trainings. I will tell you that our TANF agency has been attempting to do what they can to help individuals identify better paying jobs and to increase their income.

I would also want to respond to something that Dr. Haskins said when he was talking about whether or not the TANF program, while people are working, whether it has actually taken them out of poverty. And I would say that, in looking at what has happened with the state agencies and the pressures that have been put on them with the threat of sanction if people are not put to work, is what we are doing is we are finding people jobs that are not paying living wages, that they are not able to actually support their families through work.

The majority of the people that I have counseled with over the years want to work. They don't want to be dependent on the TANF program. The bigger problem for them is whether or not, with work and with the other social safety net programs they may be able to access, whether that is going to allow them to be able to afford to work but, more importantly, as to whether or not they are going to be making money to take them out of poverty.

In South Carolina, while our TANF rolls had gone down tremendously prior to this current recession, it really was not taking children and families out of poverty. So I think that we need to be doing a better job. We need to be more responsive in helping that particular population with accessing better paying jobs.

Ms. PAVETTI. Can I just, sort of, add something to that? I think one thing that is important is that the same disincentives in TANF that serve people who need more than just job search to get a job exist in the WIA system, and even to a greater degree. So, often what you hear when you talk to WIA people is that they are not set up to be able to provide the employment services that they feel that TANF recipients need. They just don't—they have so many issues going on in their lives, and they need a different kind of support that WIA struggles to provide, as well.

And, again, both in TANF and in WIA, a huge part of the issue is the way we have set up performance standards that really reward states for serving people who are most able to get jobs on their own. And until we change those incentives about how we measure our performance, we are not going to be able to provide the work supports that people need to be able to get into the labor market.

So I think that is, sort of, where some of the disconnect comes, is neither program is set up to deal with the reality of what people's lives are and what their needs are to actually make that transition.

Mrs. LUMMIS. I would like to give Dr. Haskins an opportunity to respond to that little round.

And while you are doing that, could you perhaps address some of the duplication that may occur within safety net programs? And is there a way to consolidate them and to make them more efficient and perhaps more flexible so they could respond to the kinds of needs in a recessionary time that may be different from needs in a robust economy?

Mr. HASKINS. Let's talk first about the numbers of people who are just on welfare and people who are working at low-wage jobs.

If you are just on welfare, roughly speaking, the cash value of food stamps and the welfare in a typical state is about $10,000. The poverty line for a family of three is around $20,000. So you are halfway to poverty. If you have a job for $12,000, you get $4,500 if you have two children from the earned income tax credit and around $3,000 or $4,000 in food stamps. So you are almost at the poverty level with a job of just $12,000. If it is minimum wage, that is about a half-time job.

So it should be clear to everybody that work, even at a low-wage job—and granted, the low-wage job does not take you out of poverty, but that is where government comes in. We have built this fabulous system. Congress made, I would say, at least 30 reforms over a period of 15 years to expand these programs and make them friendly to low-income workers. And now we are saying that, you know, it doesn't work. It does work. It is a very good system.

Yeah, there is a lot of duplication. There was duplication in 1996, as well. We ended, I think, something like seven programs, which I was involved in at a staff level, and you never had a great experience until you have tried to end any program that the federal program has established. And we ended, I think, six or seven of them and created block grants.

Now, block grants have their problems. I think LaDonna Pavetti is about ready to explode down there. But I think the TANF block grant, if we had had an inflation adjustment, it would have been a great success.

We also created a block grant out of daycare. This is an exact response to your question. We ended several daycare programs, some of them entitlements, put all the money in a block grant, increased the amount of money, gave it to the states and said, "You figure it out. You are responsible for regulations." We made them spend some money on quality, because quality is a big issue, but basically we gave them free reign.

And I think almost everybody agrees that has worked well. We still have a problem with quality, but we serve a lot of people in daycare. There is not enough money in there to serve everybody, but you could solve that by putting more money in there. In fact, I think we should put more money in the block grant.

So, yes, there is a way to promote efficiency.

Mrs. LUMMIS. Thank you. My time is up.

Ms. MOORE. Will the gentlelady yield?

Mrs. LUMMIS. I will yield.

Ms. MOORE. Thank you. I want to thank the gentlelady, and I will not be long.

I guess I just wanted to ask Dr. Haskins and the other panelists, don't you think that, by allowing a couple of things, that perhaps time limits is a barrier to really helping people get out of poverty and also limiting the type of education and training that we can provide for people in order to lift them out of poverty and to really help those people develop the skill sets that are important for our economy—there seemed to be a lot of focus in the 1996 reform to limit the amount of education and training. And we have, sort of, shot ourselves in the foot, in my opinion, by doing that.

And thank you.

Ms. PAVETTI. It is not just—limiting education and training is a part of it. But I think the limit is far greater than that, and it goes to the issue of the coordination.

What we have done in TANF is we have created a very narrow definition of what the appropriate path to work is, and it is a definition that doesn't really respond to the range of needs of people on TANF.

So even states that are trying to coordinate with vocational rehabilitation, for their recipients who have disabilities, what they find is a conflict because the narrow definition of TANF means that they cannot meet the requirements by going to voc rehab.

So I think what we need to do is to acknowledge that there are many different paths, and the best path to work for one person is not for the other. And for some, the only way they are going to move out of poverty and even need less of the supports that we provide, if they are working, is through education and training.

And states that really, sort of, do all of these gyrations are trying to make those opportunities available. So I think what we need to do is to think about a broader range of activities that really will lead people to work. And it will address a lot of issues, including the education conundrum.

Mr. HASKINS. Time limits, I think, were essential for sending a message that—the name of the program is Temporary Assistance for Needy Families. It is not temporary unless there is some limit on time.

There is an exception, though. A state can have 20 percent of its caseload above the time limit. So there is flexibility even in the time limit. Very few states ever reached that. Very few people have reach the 5-year time limit because they are gone by then because the program did send this very clear message.

Education and training; the logic is wonderful. Wouldn't we all love all of our kids and all of our young adults to go to college or at least get a 2-year degree or learn to be a plumber or something? There was a time when we spent $27 billion a year on these programs. We now spend something like $7 billion or $8 billion, because evaluation showed almost consistently that they produce very modest impacts.

I think what you have in your mind is that we have a lot of people on welfare who are dying to have education. That is not true. There are some. And the states have a 30 percent exemption. They can have 30 percent of their caseload in educational activities. So there is flexibility now for them to have people in education, and a few states are close to the 30 percent limit.

But TANF is a program for people to learn to work and get into the labor force. And that is what the program should primarily do, while leaving some room for education. But it is very difficult to show that the education has an impact on the people's subsequent wages or even their ability to complete a 2-year degree.

Ms. DELESSIO. If I could just add something, I think, in terms of education and training, it really is a range. And from what we see from our W–2 program is that most people don't really increase their skills in any sense while on W–2. And, you know, short of a college education, people could be given very specific, through our technical college training programs, 6 months to a year that will lead to jobs that actually exist in the market. And we have not even attempted to do that.

So I think, you know, we really do need to rethink how we provide incentives to states within those time limits. You know, the time limits are for the participants, but they should also be for states to help people move into work that is going to last.

And we talk about minimum wage jobs. I think what we see is that, yeah, people get these minimum wage jobs, but they really don't last. It may be in theory that if you get this job and you work 40 hours a week, you are going to have this income on an annual basis. But what we see is that their hours are cut gradually or the jobs disappear altogether, and they move from one minimum wage job to another with periods of unemployment in between. And that is the reality. So it doesn't really lead to a job that is going to last you and move you further along the economic scale.

Mrs. LUMMIS. Will the gentlelady yield back?

Ms. MOORE. This is your time.

Mrs. LUMMIS. Okay, Mr. Chairman. I yield back my time.

Chairman SPRATT. Mr. McGovern?

Mr. MCGOVERN. Thank you very much.

I appreciate all of you being here. I want to thank Gwen Moore for organizing this hearing, and I appreciate your testimony.

For the record, I should say that I, too, believe that we need to get our budget deficits under control, but I don't want to do it by balancing the budget on the backs of the poorest of the poor in this country. So I hope that we can find other ways to do this without further exacerbating the problem of all these people in poverty.

As a United States congressman, I am ashamed to state that hunger is getting worse in this country. And you have all testified that the demand for food stamps and emergency food is increasing. Over 36 million people, one in eight Americans, are on the SNAP program. And, nationally, caseloads have risen by 7 million people, or 24 percent, since last year. Caseloads are up 28 percent in my home State of Massachusetts.

And I think the increase speaks to the extraordinary need in Massachusetts as well as the hard work by the state to be able to deliver benefits to eligible people. The increased demand for food stamps is happening at a time when state budgets are in crisis. States across the country are cutting their human service agency staff at the very time that they need more staff to be able to manage the flood of new applications.

In parts of Texas, new applicants for food stamps must wait 60 to 90 days to get an appointment. This is the case despite the fact that the federal law mandates that benefits be processed within 30 days. And while Texas is the most extreme case, delays are common all across the country, even in my home state.

So Congress has provided $300 million in additional administrative funds as part of the Recovery Act, thanks to Congresswoman Rosa DeLauro. But there was no maintenance of effort tied to the funds or a requirement that states continue to spend what they were funding and not just use federal money to facilitate cuts. So, in some states, the funding provided much-needed relief. In other states, the funds delayed staffing cuts, and, in other cases, the money was supplanted.

So I have a couple of questions.

Dr. Pavetti, in your testimony, you pointed out that SNAP is responding quickly and effectively to help low-income families during the economic crisis. But you and others have described how, in many states, TANF caseloads have remained virtually flat or declined.

And we have all talked about the need for further investigation and hearings down the road, and maybe we need to adjust the TANF program. But the reality is, people right now need help, and people are not getting these benefits. There are people who are unable to pay their rents or electric bills or buy clothes for their kids.

So I get that we need to look to the future. I guess my question is, what can we do right now in the short term to increase the responsiveness of TANF during this terrible economic crisis?

And my other question is to Ms. Delessio. I know the number of people on the food stamp program has been rising dramatically.

And I mentioned the caseloads in Massachusetts are up 28 percent, and in some states they are up 40 percent. But it is my understanding that the food stamp participation has gone up by 37 percent, or 123,000 people, I think, in your state.

I know that states are struggling to manage the increased applications for food stamps, and new applicants can't get through to file applications or they must wait a long time to get their benefits. At the same time, many states are cutting their caseworker staff as a result of budget cuts.

Is that the case in your state? And are these delays increasing the demand for the reliance upon food bank assistance? And would some additional assistance with administrative funds for staffing or overtime help some of these states manage its backlog?

Again, my question really is—we have a problem right now. So, within the existing rules and regulations, with all that exists right now, how do we immediately respond? I got the request to look forward, but the problem is now. People who don't have food right now are hurting right now.

Ms. PAVETTI. One is I think that we need to look at what message states are hearing about meeting the work participation rates. Because as long as states believe that they have to meet the work participation rates, they are going to continue to make it difficult for people to get on to the rolls who cannot meet those rates. States face very serious budget constraints, and the thought that they could have a penalty imposed and lose more money is a constraint.

So I think we need to think about how do we, sort of, have states realize that this is a different time and to think about that differently. I don't think you have to eliminate a focus on work to do that. But I think that is an important piece.

The other is, I think we need to look at whether or not the maintenance of the 20 percent funding requirement in ARRA is constraining states from being able to access those funds. States just don't have the money to come up with the match. So we have been working with foundations who have been willing to try and, sort of, figure out whether they can help states to leverage their funds. So I think that is another thing, is looking about in the very short term whether there is a way to do that.

The other thing I think that we could do is to use the increase in SNAP to really try and encourage—states can identify the families who are in dire straits, and whether you can do something to really encourage families to take advantage of those.

The other thing is the same thing on the unemployment insurance. What has happened is that there are—work is a part of most people's lives on TANF. It is no longer an issue that people are not working or haven't worked. But only half of the people who have worked and who may be eligible are applying for unemployment insurance. So we may need to be doing some outreach to get more people to take advantage of those benefits.

And then the other thing is, I do think the additional relief to states to help them to meet the demand more on an administrative level with some of the maintenance of efforts that were left out, I think, is an important step that will help. You know, states just don't want to think about more people. They are so stretched with having to do that, so I think we need to make it feasible for them to do that.

Ms. DELESSIO. I just want to echo a little bit, in the State of Wisconsin, we were going to try to draw down the emergency funds. And they have indicated that they need more time to come up with the money to match. So that has been a real problem, and they have indicated that they would like to use that money, and we fully support this, for transitional jobs.

In terms of the—Wisconsin is a little bit complicated because of our state/county system. So some counties are furloughing workers, others are not, although I think many more are. And some counties are experiencing worse delays in processing, but we are beginning to see it everywhere throughout the state.

The food banks: Recently I heard there was a 20 percent increase over this time last year; that just measures the last year. And I would think there is probably more demand for food. But, again, I think the states are going to have—they are already struggling to keep up with processing applications. And I can't emphasize enough how much this has hurt the elderly and disabled, again, because their means of access to counties are just much fewer. They don't have the ability to walk down.

So I think it is very significant. And if states don't receive additional funding, at least in Wisconsin, that we can pass through our counties, we are going to see increases.

Ms. PAVETTI. One other quick point is that the TANF regulations only allow people to look for jobs and have it count for 4 to 6 weeks; in an economy like this, the expectation that somebody with low skills, low levels of education can find a job after looking for work 4 to 6 weeks is completely unrealistic.

Mr. HASKINS. There is a provision in law that allows more—called a "needy state" provision that allows them to go above the 4 to 6 weeks. So something like that is already in law. Maybe it isn't generous enough.

Ms. PAVETTI. It isn't generous enough, Ron. It is 12 weeks. We are talking about extending unemployment for very long periods of time. So there is something, but it still isn't enough.

Mr. HASKINS. I just want to point out to the committee that the people who wrote the 1996 legislation thought of that and put flexibility in there. Maybe it is not enough. That is the kind of thing we ought to find out.

I want to draw two considerations to your attention, thinking about giving states yet more to meet the need in their states. First of all, we have a deficit right now of a trillion dollars. The Budget Committee is responsible over the long run for figuring out how to pay that back. If you don't, then our kids are going to pay it back. So if we want to spend more money, where does it come from?

The second thing is——

Mr. MCGOVERN. Let me just say, I appreciate that a lot. But the reality is, for many, many years, we have been balancing the budget on the backs of the poor in this country. I mean, one suggestion is maybe we stop fighting so many wars that we don't pay for, as a way to control the deficit.

But, I mean, the notion that we are not going to help people who are desperately in need because we have a budget crisis, I think, is unacceptable. We have to respond. I mean, people don't have enough to eat. People are hungry in this country. We should be ashamed of that.

And so I get the deficit stuff. And this is a committee where we are very much concerned with that. But the reality is that there are people who are hungry in the United States of America, and we have to respond to it regardless of the deficit.

Mr. HASKINS. Could I make a second point?

Mr. MCGOVERN. Sure.

Mr. HASKINS. Just review what this committee and what the Congress has already done. The food stamp program was responding appropriately, and you even increased the food stamp program. People get more money from food stamps. The unemployment insurance program was responding appropriately. We are now spending something like $7 billion a month on food stamps, and we have dramatically expanded food stamps, or you have, and now the maximum benefit is 53 weeks.

We entice the states to give more TANF dollars. We dramatically expanded the reimbursement rate for Medicaid. The Congress—I don't know what else could you could do. You could do more of the same, I guess. LaDonna's suggestion about the 10 percent match in emergency fund I think is a good idea.

But the Congress has already done a lot. So those two considerations would give some people pause about how much more the Congress should do.

Mr. MCGOVERN. Well, I will just conclude by saying I think what the Congress needs to do is to make sure that there is a safety net and that the safety net works. And I think what we are hearing today is that, notwithstanding good intentions, there are some holes in the safety net that we need to deal with. And these are real people, not statistics, not abstractions.

But I appreciate all your testimony. Thank you.

Chairman SPRATT. Ms. Tsongas?

Ms. TSONGAS. Thank you, Mr. Chairman. And thank you, Congresswoman Moore, for hosting this and calling this hearing together.

And I have appreciated very much your testimony. The stories are obviously very, very compelling.

And I have one of my own. We have heard the statistics, and I don't need to repeat them. But, this November, I held a roundtable event with social service agencies in a community that is experiencing 18-plus percent unemployment in my district, just to hear how they are dealing with the downturn and how I could help as we look at legislative solutions.

Even with the incredible resources going toward the SNAP program as a result of the Recovery Act, too many in my district are still going hungry, just simply to reiterate what Congressman McGovern has said. I was overwhelmed by the number of agencies and nonprofits that reported hunger as the number one problem facing their clients.

As one example of many, at the Lazarus House in Lawrence, they distribute eight tons of food each week, up from three and a half tons this time last year. And even that is too much, and it is still not enough. So, clearly, in spite of our best efforts, hunger is a tremendous problem in this country.

But I have a slightly different question that goes to a more structural issue looking forward, and that has to do with asset limitations in our programs, our safety net programs.

Through categorical eligibility and some asset exemptions, we have addressed some but not all of the asset limits in the food assistance programs, but not in a very uniform way. Among federal antipoverty programs, more broadly, assets are treated very differently, creating a lowest-common-denominator effect for low-income families who may depend on more than one federal program to survive the downturn.

These low asset limits require low-income families to spend down any modest savings, including retirement savings, they may have before they receive assistance. In my view, this is a penny-wise but pound-foolish strategy that ultimately costs the federal government more by forcing families, perhaps facing temporary needs, to permanently lose the assets that would help them once again escape from poverty once the economy improves.

And to deal with that in a narrow context, I will be introducing a bill in January to address asset limits in SSI and peg them to inflation to begin to raise the lowest-common-denominator bar.

My question, though, to all of you is, will families entering poverty as a result of the downturn be able to return to their former status once the economy recovers? Or are we seeing a new generation entering chronic poverty?

The recovery is having a large impact on low- and middle-income families, but many are still struggling. What impact would higher asset limits have had on helping some families on the cusp of long-term poverty avoid it?

Ms. PAVETTI. I think, again, this is probably an issue where there are different parts of the spectrum. So the families that have been successful at moving into the labor market have had success at increasing their incomes. I think that building up the assets is what they would all like to do and would help them. I think for people at the bottom, it wouldn't. It wouldn't help them as much.

But I think that the simplification across programs is just a smart way to do business for government. It will save time and resources that can be used in other ways.

As far as, though, sort of, what are the long terms, I think we need to acknowledge that the unemployment rate is going to be high for some period of time. And I know that Ron, sort of, worries that, you know, we are going to move away from this focus on work. But I think if we think more about long-term opportunity, it is a perfect time for people on TANF or on other programs to take advantage of education. And we need to make that a more viable opportunity for them.

So I think that, yes, I have been concerned with the long-term, but I also think there are things we can do to fix some of the constraints that would allow people to use some of this time to just create a better future for themselves, and we should do that.

Ms. TSONGAS. Would anybody else like to respond?

Ms. DELESSIO. I would just like to note that, in Wisconsin, we have no asset limit for our medical assistance program for families called BadgerCare. We have also eliminated it in our food stamp program and our child care program, which, in terms of administrative ease, has been great.

We do have an asset limit for TANF, but it does allow families, middle-class families, now to utilize food stamps without having to worry about spending down assets.

Ms. TSONGAS. Thank you.

Ms. BERKOWITZ. And I would say, in South Carolina, we have different asset tests for different programs. We have an asset test for the TANF program, and we have a separate one for the low-income families.

I think that there has been a real problem with families being able to engage in one-stop shopping, for lack of a better word. What we are seeing are people applying in one state agency and the other state agency not wanting to take the information from the first state agency because of the differences. That causes a lot of administrative costs. It causes suppression in going from one program to the other. And I think that it would be wonderful to see one asset test for all of the different programs and recognizing that, for some things, we need to eliminate certain assets completely.

Ms. TSONGAS. Thank you. My time is up. Thank you.

Chairman SPRATT. Mr. Andrews?

Mr. ANDREWS. Thank you, Mr. Chairman.

I would like to thank the panelists and my friend, Congresswoman Moore, for making this possible today.

I certainly subscribe to the idea that, if we do not deal with the exploding budget deficit and the resulting debt, that the programs most likely to be hurt and the people most likely to be hurt are the ones we are talking about this morning: food stamps, TANF, housing assistance, and whatnot.

I wanted to come back, Dr. Haskins, to your invocation of a budget Armageddon—because I think you are right; we are facing one—and ask you in the context of this morning's discussion about some of the choices that we have.

Do you agree that entitlement spending is one of the driving forces behind that budget Armageddon?

Mr. HASKINS. Yes.

Mr. ANDREWS. Do you agree that Medicaid and Medicare are two of the most important entitlements in that context?

Mr. HASKINS. Yes.

Mr. ANDREWS. One of the choices the Congress has is whether to scale back Medicare and Medicaid outlays by about $500 billion over the next 10 years in the health reform bill. No one on the minority side voted for that.

Are you aware of any of their ideas to reduce Medicare or Medicaid outlays?

Mr. HASKINS. In the past, the Congress——

Mr. ANDREWS. How about now?

Mr. HASKINS. You know, I am not a staffer. I don't know exactly what their proposals are. I am not responsible for them. As you well know, Republicans would be quite pleased to cut a number of programs, including some——

Mr. ANDREWS. Well, of course, that is contrary to their behavior, though, because when they were in the majority, they did affect entitlement spending in Medicare. They increased it by $800 billion without paying for it in the Medicare Part D.

So if you want to talk about the—one of the genesis points of this entitlement is that the former majority added $800 billion and did not offset it with revenues. And it opposed the present proposals to reduce outlays by about $500 billion over 10 years. As a matter of fact, the standard bearer of the party in the Senate, presidential standard bearer, attempted to strip all those savings out of the Senate bill last week on a floor amendment and failed, which I found to be uncharacteristically unwise.

What about revenue options? The tax cuts that the erstwhile majority enacted in 2001 and 2003 are expiring in the next 18 months. If we let them all expire, we would add $2 trillion of federal receipts. If we only permitted those affecting the top 5 percent to expire, we would add about $800 billion to the federal receipts.

What should we do, in your opinion?

Mr. HASKINS. I have written, since I was no longer a staff member in Congress, that the solution to the deficit was half tax increases and half cuts in spending programs. So I certainly would have taxes on the table.

Mr. ANDREWS. Good for you.

Mr. HASKINS. But I would do it in the context where I would not increase taxes unless Democrats were willing to cut spending programs. I would put them together into one package, like we did back in 1993.

Mr. ANDREWS. Which almost all of us voted to do in the health reform bill and no one on the other side did, in Medicare and Medicaid.

Let's talk about another source of the Armageddon. Ms. Delessio, you talk about a person in Wisconsin who is a single mother living with her son, caring for a son with cerebral palsy, recently lost her job and whose husband died suddenly, leaving them without health insurance.

People below 200 percent of the poverty level typically spend 30 percent of their income on health care. If the bill that was before the House, the health reform bill, were passed, the woman that you are talking about would probably pay about 3 percent of her income for health care, if that, because she may be Medicaid-eligible, but if that. She would pay about 3 percent and have a robust health insurance policy for herself.

No one on the other side voted for that bill. Do you think that their judgment was right or wrong?

Ms. DELESSIO. Obviously, I believe people should have health insurance and everybody should have access to health insurance. In fact, we were able to get this family on our BadgerCare program after they came to us. You know, when she returns to work, whether that will continue, I don't know. But, I mean, I think that what we are seeing is, even among working people, increasing numbers losing their employer-sponsored health insurance.

Mr. ANDREWS. And finally, Dr. Haskins, one of the ideas in the House health reform bill is to make single adults and all those ineligible for Medicaid who make less than 150 percent of poverty level eligible for Medicaid. Do you think that would be a good work inducement for people who might otherwise choose not to work?

Mr. HASKINS. I don't.

Mr. ANDREWS. What would be a better one?

Mr. HASKINS. The current system that we have allows especially mothers leaving welfare to get at least a year of Medicaid coverage, and I would even give them more.

Mr. ANDREWS. But how about a working person who makes 145 percent of Medicaid who doesn't get insurance from their employer? What should we do for them?

Mr. HASKINS. Some subsidy might be appropriate, but I would not automatically make them qualified for Medicaid because, you know, it is almost impossible to pay for it. If do you it in the context of a huge bill where you are raising revenues and they are real, then that makes more sense. But there should be——

Mr. ANDREWS. As we are here. Because the CBO scored our bill as reducing the deficit by over $100 billion over 10 years.

I yield back.

Mrs. LUMMIS. Will the gentleman yield, before he yields back, to me briefly?

Mr. ANDREWS. If the chairman permits.

Mrs. LUMMIS. I have bills that would address your concerns that I would be happy to share with you after the holiday season.

As a member of the Republican Party who was not here during the years that you described and that wants to take a new approach rather than the approach of the current majority party, which is to double the deficit in 5 years and triple it in 10, my response is to forget about what the Republicans did when they were in the majority and what you have done since you were in the majority and——

Mr. ANDREWS. If the gentlelady will yield——

Mrs. LUMMIS [continuing]. We would be happy to work with you to solve problems, instead of point fingers.

Mr. ANDREWS. Well, since it is my time, I would ask the gentlelady a question. Does she favor permitting the tax cuts to be repealed or to keep them permanent?

Mrs. LUMMIS. I favor reducing spending, which is something that neither Republicans nor Democrats have taken seriously.

Mr. ANDREWS. Do you favor permitting the tax cuts to expire our not?

Mrs. LUMMIS. I do not. I favor cutting spending. I favor cutting spending.

Mr. ANDREWS. Thank you.

Chairman SPRATT. Ms. DeLauro?

Ms. DELAURO. Thank you, Mr. Chairman.

I want to say thank you to my colleague, Ms. Moore, for asking for this hearing.

I suppose one further comment on the deficit, in recent activity, at least in the House of Representatives, was—and, Mr. Haskins, I would be interested in your view and in my colleague's—well, my colleague is leaving the hearing room. But what is your attitude with regard to the estate tax bill that was just passed by the House of Representatives?

Mr. HASKINS. I don't know the particulars of the bill. I don't have any opinion on that.

Ms. DELAURO. On estate taxes in general, do you have any thoughts?

Mr. HASKINS. No.

Ms. DELAURO. Well, just to make a point to people who concern themselves with the deficit, that was $234 billion not offset. And don't take my word for it; you are all statisticians, economists, et cetera. The beneficiaries of the estate tax are the richest 1 percent of the people in this Nation. So let's not talk about deficits out of both sides of our mouths. Let's talk about a current crisis that we have.

I will just give you an example from my State of Connecticut. There is a 24 percent increase in the use of food stamps this year. It has risen by 55,000 people. We went from 231,000 to 286,000 people. The unemployment rate in the State of Connecticut went from 4.9 percent to 9.8 percent in less than 18 months.

Now, the numbers have consequences because the numbers reflect people's lives. No job, no wages, no health care, no ability to take care of what people view as their responsibility: taking care of their families.

And one of the things that has always been very interesting to me is listening to people who would say that, if we extend unemployment benefits and if we provide training and if we provide food stamps, that, in fact, people will stop looking for a job. That is the way that individuals are regarded. That is how they are demeaned, when fundamental to most human beings and their self-description is about their job and what they do and what contribution they make to society and their wherewithal so that they can take care of the economic security of their families.

And if we want to live in a world of numbers and statistics and refuse to look at the plight of the people behind those numbers and statistics, then we are going down the wrong road, whomever serves here, Democrats or Republicans. This Nation is in a crisis. Do office hours every week. Look in people's eyes, with the fear that they have that they can't make it and there isn't anybody out there to support them.

We all do pretty well in this institution, and all the panel members as well. We take good care of ourselves. But they don't have anywhere to turn. And, frankly, when they have turned here in the last several years, there has been a deaf ear. Well, I hope to God that our ears are open in this administration and that we are going to do something about this.

And, Mr. Chairman, if you would give me a second to ask a couple questions, I would do it. I didn't intend to make a speech, but I will be damned—excuse me—if we don't call the shots for what they are right now and what is happening in this country.

Let me ask about refundable tax credits. And I don't know if it has been discussed because I wasn't here for the whole hearing. The child tax credit, in particular. It is available to families with earnings of at least $3,000. If they earn less, they are too poor to claim the credit.

And I guess what I will do—to Mr. Haskins and Dr. Pavetti, do you believe that, if we were to make the benefit, the child tax credit, partly available to families starting with their first dollar of earnings, that we could help to make a difference in terms of their economic security?

Ms. PAVETTI. Yes. And I think that, again, it addresses, sort of, what I talked about of having, sort of, people at the top and the bottom. Again, so many families who end up on TANF or who end up on food stamps are workers who have lost their job for whatever reason, and we need to be able to figure out how do we support all families who work.

So I think it is a reality that not everybody can work all the time. They lose their jobs for lots of different reasons. And so I think really trying to figure out ways to provide more support is a good idea. And I think the child tax credit, making that available to more families, is one way to do that.

Ms. DELAURO. Thank you. Mr. Haskins?

Mr. HASKINS. I would not.

I support the child tax credit. I always wanted to make it refundable. Again, when I was no longer in Congress, I wrote articles and books recommending that we make it refundable. And the refundability that I favored was roughly the one that you have put in the ARRA, where you count income above I think it is $7,000.

Ms. DELAURO. No, it is $3,000. We moved it from $8,500 to $3,000.

Mr. HASKINS. Yeah, one of the earlier ones was $6,000 or $7,000. So I would support that.

I would want to look at it in the context—we already have negative taxes for the whole bottom 40 percent of distribution, if you just consider income taxes. So we are already using the tax code to give a lot of money back to low-income families. We are doing a terrific job, and I have always supported that. But why we would give them more in the context of the kind of deficit we have now?

Ms. DELAURO. Well, if you take a look—because if you go down from 3,000 to zero, you are really going to deal with the underemployed, in terms of people's hours, which have moved from a certain number to less.

But, quite frankly, in terms of the unemployed, you have lost your job, you have lost your health care, you have lost your child tax credit, because it is not refundable. So should we move in that direction?

Mr. HASKINS. It is refundable, but you have to have an income to get it.

Ms. DELAURO. So what happens to those families that have lost it? So is there anything that you would suggest that we try to do with regard to a tax issue?

Mr. HASKINS. Yes. I think you have already done a great job. You have expanded unemployment insurance in almost every way conceivable, including consideration for COBRA health coverage, increasing the benefit for every American and making it go as long as 53 months. I mean, the Congress has already done a lot.

Ms. DELAURO. No, not the Congress——

Ms. MOORE. Will the gentlelady yield?

Ms. DELAURO. In a second, I will.

Not the Congress. Not the Congress. I am going back to what my colleague said here. Not one single vote from the minority, not one.

And that is a story to be told to people whose livelihoods these folks purport to represent. Not one single person who believes in that effort.

I would be happy to yield if I have the time to yield. I don't have any time to yield.

Ms. MOORE. Thank you for yielding, gentlelady.

I just want to ask Dr. Haskins, because he has referred to the success of the unemployment insurance and the expansion on several occasions, to the extent we are talking about TANF, you know, that is typically a program, like AFDC, that is available to women, single women and children, and unemployment insurance is typically available to men. We have seen a lot of men lose construction jobs and those kinds of jobs that were covered by unemployment insurance. And women are very heavily employed as hotel workers, restaurants, and not covered by unemployment insurance.

Do you see any difficulty or have any recommendations for us with respect to the disparity in the safety net for those people—for men who are covered by unemployment insurance and women who, despite their work efforts, are not covered by unemployment insurance? Is that a difficulty for you?

Mr. HASKINS. First of all, there is nothing in the law, itself, that discriminates between men and women. And yet there are all kinds of complicated historical reasons and so forth that women happen to be in industries that, on average, they don't accumulate the amount of time they need and especially the consistency.

And the reason that they leave their jobs, I would say the number-one—LaDonna may have more information on this than I do. But several years ago, the number one reason that people did not qualify for unemployment insurance was not that they didn't earn enough money in enough quarters, but they voluntarily left their job. So you may want to look at that or the Ways and Means Committee, which has jurisdiction, may want to look at that. But that has always been a criterion——

Ms. MOORE. I am just talking about pink-collar jobs where women can't get unemployment.

Mr. HASKINS. Well, I am telling you the reason they often are not covered is not that they are in pink-collar jobs. They make plenty of money to meet the quarter requirement and the dollar requirement. They often have voluntary separation from their jobs.

Chairman SPRATT. Let's go to Mr. Connolly, who has been waiting a long time.

Ms. DELAURO. Yes. Thank you.

Thank you, Mr. Connolly.

Mr. CONNOLLY. I thank the chairman and thank the panel.

One of the concerns I have, as somebody who spent 14 years in local government, is that when we talk about the safety net, we, of course, understandably, have been talking a lot about federal programs. But I am worried about the fraying of the safety net at the state and local level.

If you look at what is happening, state after state, to their respective budgets, their ability to handle growing rolls of folks who need to seek help with the safety net, whether it be TANF or food stamps or Medicaid or state- or locally run free clinics or wellness centers, whatever it may be, affordable housing, emergency housing, all of those things are at risk, given the most recent estimate that, come January, you may be looking at somewhere north of $400 billion in accumulated budget gaps that, by either constitution or by statute, must be closed. That has a direct effect on the safety net.

And I wonder whether the panel might want to comment about that parallel reality that is equally bleak and very troubling, in terms of peoples's lives that will be affected if states and localities have to cut back significantly to meet those budget gaps?

Ms. BERKOWITZ. I think that the point you have raised is important. It is part of why the center has been advocating for one of the policies that we think is most important in the short term, is to extend fiscal relief to states. Because the states do have a huge role, and they do have to balance their budgets. And if they do not have additional resources to help them during these difficult economic times, what we have been talking about today is going to get much worse for many people.

So we think that, you know, again, we are not talking about, sort of, a long term. We are talking about phasing down more slowly, so that states continue to get the extended FMAP and they continue to get the fiscal stabilization fund, they get extra help to help with the food stamps, we make the TANF—so there are, I think, a lot of things that we really think can be done in the short term that will really help things from getting as bad as they could.

Mr. CONNOLLY. If I may, at risk of piling on, the original House bill, the Recovery and Reinvestment Act, had more money both for infrastructure to create jobs and for relief of states and localities for precisely the reason you laid out, both of which were pulled out by the three members of the minority party in the other body who were willing to negotiate but the price of their support was that we substituted AMT tax relief for the middle class for those two provisions. And, without arguing the merits of that, that is why the bill had even less than originally contemplated for those purposes.

Mr. HASKINS. It had $144 billion in relief for states and localities, though. So it was still pretty generous, don't you think?

Mr. CONNOLLY. I do. But, as somebody who comes from a locality, I can tell you, it didn't begin to address the problem, Dr. Haskins. And now we are going to be revisiting the problem, come January of next year, because the situation has deteriorated. We plugged some holes, but we didn't plug as many as we wanted to, actually, in the original legislation.

Ms. DELAURO. Will the gentleman yield for a second?

Mr. CONNOLLY. Of course.

Ms. DELAURO. $80 billion I believe it was roughly, $70 billion or $80 billion for the AMT, which, by all accounts and by every economist who wrote about this, had not one shred of a stimulative effect. And that was done as opposed to trying to do something about stimulating the economy.

Mr. CONNOLLY. It was done at the price of political support in the other body. Because, as Ms. DeLauro pointed out, not a single member of that minority party here in this body was even willing to talk about the legislation.

I am sorry. I interrupted you.

Ms. PAVETTI. Well, no, just quickly, I think that on the state fiscal relief, besides the, sort of, needing to have it, I think the other issue is it needs to happen quickly. Because states are doing their budgets now, and if they don't know that there is additional funding coming, then they are going to be proposing both tax increases and cuts in their budget. And so, that is just critical.

I mean, we estimate that if there is not additional stimulus, that you could have a loss of about 900,000 jobs. Because, again, states, if they don't get the money, they have to close their budget gaps, and they will cut. And they will have to do that, and they will do it quickly.

Mr. CONNOLLY. Dr. Haskins, one final question. My time is running out. I was very heartened to hear you say that, in your paper, since you have gone to Brookings, leaving here, you call for a combination of spending cuts and tax increases, obviously a sentiment not shared by our ranking member, Mrs. Lummis.

I wonder, just having worked up here, is it your impression that members of the minority party would, in fact, ever be ready to support that proposition—that is to say, be willing under any circumstances to, in fact, vote for revenue increases that involve new taxes?

Mr. HASKINS. No, I am not a fortune teller. I am a scholar. I study the past. I don't know what they will do.

But we will not get a budget deal to really have a serious impact on the budget unless taxes are increased or we reform taxes, which results in a net increase in taxes. Taxes have to be part of it, there is no question.

Mr. CONNOLLY. But I assume—my final point—I assume, given the fact that you are an intellectual and you are dealing with the subject straightforwardly, I assume you would agree that those who take a pledge, a priori, that no matter what, no matter what, I will never, ever, ever vote for any kind of tax increase or anything that smells, looks, walks, or quacks like a tax increase, frankly, precludes an honest discussion about that issue if I have already sold my soul and my vote in advance.

Mr. HASKINS. Look, I am a Republican. I was a loyal staffer up here on the Hill for many years. I don't want to say things that are going to put the Republican Party in a difficult situation. But I can tell you, personally, I would never sign a pledge like that.

Mr. CONNOLLY. Thank you.

Thank you, Mr. Chairman.

Chairman SPRATT. Thank you, Mr. Connolly.

Ms. DeLauro, did you have another question you wanted to ask.

Ms. DELAURO. I did, Mr. Chairman. And it had to do with—isn't Mark Zandi the economist who says that, for every dollar spent on food stamps, there is $1.74 in GDP growth and, for every dollar spent on unemployment benefits, there is a $1.61 in economic growth. "By contrast"—and this is Zandi—"you put out a dollar for various business tax breaks, you only get 25 cents or less."

Just in terms of the explanation here, why the benefits affect economic growth, does continuing or expanding the benefits belong in job-creation legislation?

Ms. PAVETTI. It does. And the reason why it does is that there is a multiplier effect. Basically what happens is that, particularly in food stamps, TANF, unemployment insurance, those benefits are very well-targeted. They are targeted to people who are going to spend what they get. They don't have the extra resources not to spend them.

So basically what happens, in using food stamps as an example, is that when somebody goes to the store to buy food, basically what you have done is you create this chain where the store needs to hire people to be able to serve you; the suppliers stay in business because they need to supply the food that you are going to buy— I mean, the distributors; and then the suppliers who actually are producing the food. So there is a whole chain of people who benefit from that money that is going to food stamp recipients or from people who are going to spend it in the economy.

On the other hand, while there is some benefit from tax increases, they are just not well-targeted. Some of it is a replacement for things that would have happened anyway. And there is no guarantee that it ends up actually being spent in the same way that money is very well-targeted.

So it is this multiplier effect of what happens when you target benefits, and there are jobs that are maintained especially as a result of that.

Ms. DELAURO. Any comment, Ms. Berkowitz?

Ms. BERKOWITZ. Well, I would just add that the money that has been invested in South Carolina through food stamps, through unemployment is money that, as Dr. Pavetti said, it is money that allows businesses to exist, hire new employees, and stays in our economy. I can say that, without the additional infusion of federal dollars in our state while we are facing incredibly hard times, we would see a much higher unemployment rate and more people in need.

Ms. DELAURO. So, in fact, your communities, your states can't really succeed or you will fail without these increases in these benefits or seeing these benefits concluded at the end of 2010?

Ms. BERKOWITZ. Oh, absolutely. I think that right now as our state is formulating its budget and we are looking at—and everybody keeps talking about the cliff when the federal dollars end— everybody is trying to figure out how are they going to project budgeting for the next year. And while we are already looking at additional budget cuts because of the weak economy, there is no question that there is going to be a ripple effect if there are not additional dollars that are appropriated and sent through fiscal relief to the states. And there is no question that that will more than likely have a disparate impact on safety net programs and the lower-income community.

Ms. DELESSIO. I would totally agree with that. I think the same thing will happen in Wisconsin. And I think for areas that were already distressed, like Milwaukee, it will be devastating.

Ms. DELAURO. Dr. Haskins, on the——

Mr. HASKINS. No comment.

Ms. DELAURO. No comment? Okay. That is fine.

I also wanted to add that the FMAP program, quite frankly, which ends on the 31st, what essentially will happen if nothing is done there and the states do not have any notification that we will be doing anything, come August what we will see is massive layoffs in education. Because states will have to make a determination of whether to deal with health care and laying people off or where to do go to deal with the cuts there. So we will see that there will be a massive, again, layoff of teachers, et cetera. So that is why, in my view, relief to the states is critically important.

I will make a final comment, and I didn't get involved in the—we had moved on. I think one of the issues with regard to women—and we were talking about employment and unemployment. The fact of the matter is, with regard to women and what they do get to in their retirement years with regards to Social Security, yes, women have had in the past responsibilities as caregivers for children or for elderly parents. And, yes, it is a voluntary separation if there isn't anybody home to take care of your kid. On the other hand, what we don't do is to make sure that women who are in the same exact jobs as men, as we are in this body, we get paid the same amount of money, not the case for women, whether they are bus drivers, waitresses, engineers, news anchors, college professors, get paid 75 or 77 cents on the dollar. That has an enormous impact on what happens to them as they are making their way through their lives and the loss of income, but the incredible effect it has on their retirement, as well, which is why one of the highest cohorts of people in poverty today are women over the age of 75 or beyond, because we live longer.

So, Mr. Chairman, you have been very, very indulgent with us.

And thank you again, Gwen.

Thank you.

Chairman SPRATT. Ms. Moore?

Ms. MOORE. Thank you, Mr. Chair. I just want to thank you again for enabling us to have this hearing.

And I do want to say to each and every one of the panelists that you have been very clearly prepared and given us great information.

I just wanted to say that one of the things that I have, sort of, noticed from all of your testimony, including Dr. Haskins's testimony—I think he was very, very candid in his written and verbal testimony here—that the way we administer TANF is very haphazard as a safety net versus how we administer other safety net programs like the unemployment compensation program.

If you are eligible for unemployment compensation, if you have worked, if you make a certain—the child tax credit—if you make a certain amount of money, you are treated very differently than if you are just drop-dead poor and have no skills.

So, with respect to the reauthorization of TANF, I do think—and, Dr. Haskins, you pointed out very clearly in your testimony—that there is a lag time, which I think could be very deadly for some people. When I consider the possible blizzard that is going on in my area right now, I think about someone requiring you to do a 30-day work search before you can access any benefits. Or the administrative barriers that are put in front of you because the state, as Ms. Berkowitz has indicated, is terrified of the sanctions that they may receive. Or the stigma of receiving TANF funds versus rushing down to get your unemployment; and even being able to apply for unemployment online, quite frankly, making it very convenient for you. And there is a disparity in men and women who qualify for unemployment compensation.

And so, it occurs to me that, while we may not abandon the work-based program, as many of you have already indicated, it is going to be a long time before we have full employment—that is, only 5 percent unemployment nationwide. So we better look at reauthorizing TANF with the recognition that we need to reduce some of the strictures for people getting aid when they need it.

Thank you so very much for your appearance, and thank you so very much for being prepared and for indulging us.

Chairman SPRATT. Let me echo what Ms. Moore just said. You have, each one of you, added something to our understanding of this problem, and you have brought your own authoritative views. And we appreciate the time you have put into it and what you have left behind. We definitely have benefited from this hearing, and we appreciate, once again, your appreciation.

Before closing, let me ask unanimous consent that any Member who wishes and did not have the opportunity to submit questions may have 7 days to submit questions for the record.

The hearing is now adjourned.

[Whereupon, at 12:18 p.m., the committee was adjourned.]

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