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WELFARE REFORM

HEARINGS

BEFORE THE

SUBCOMMITTEE ON HUMAN RESOURCES

OF THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTH CONGRESS

SECOND SESSION

MAY 22 AND 23, 1996

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WELFARE REFORM

WEDNESDAY, MAY 22, 1996

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

The Subcommittee met, pursuant to notice, at 10:44 a.m., in room 1100, Longworth House Office Building, Hon. E. Clay Shaw, Jr., (Chairman of the Subcommittee) presiding.

[The advisories announcing the hearings follow:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON HUMAN RESOURCES

FOR IMMEDIATE RELEASE
May 15, 1996
No. HR-11

CONTACT: (202) 225-1025

Shaw Announces Hearing on Welfare Reform

Congressman E. Clay Shaw, Jr., (R-FL), Chairman of the Subcommittee on Human Resources of the Committee on Ways and Means, today announced that the Subcommittee will hold a hearing on welfare reform. **The hearing will take place on Wednesday, May 22, and continue on Thursday, May 23, 1996, in the main Committee hearing room, 1100 Longworth House Office Building, beginning at 10:00 a.m.**

In view of the limited time available to hear witnesses, oral testimony at this hearing will be heard from invited witnesses only. Witnesses will include a representative from the Clinton Administration and individuals familiar with various welfare programs. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Subcommittee and for inclusion in the printed record of the hearings.

BACKGROUND:

Several welfare reform bills have been introduced in the 104th Congress. Two similar welfare reform bills have been passed by both the House and Senate, one as part of the Seven-Year Balanced Budget Reconciliation Act of 1995, and the other as a stand-alone provision. Since President Clinton's veto of those two bills in December 1995 and January 1996, several other bills have been developed or introduced, including a bill that President Clinton submitted to Congress as part of his fiscal year 1997 budget.

As Congress prepares to develop new welfare reform legislation, the Subcommittee intends to examine the President's bill and several of the leading welfare reform issues.

Committee Chairman Bill Archer (R-TX), along with Subcommittee Chairman Shaw, intend to introduce a welfare reform bill in preparation for consideration by the Committee on Ways and Means based on the principles and specific proposals recently advanced by the National Governors' Association.

FOCUS OF THE HEARINGS:

Dr. Mary Jo Bane, Assistant Secretary for Children and Families of the U.S. Department of Health and Human Services, will testify on May 22 to explain and answer questions about the President's welfare reform bill.

On May 23, the Subcommittee will continue its investigation with a more detailed focus on why welfare reform is necessary. Invited witnesses will present testimony on welfare dependency, welfare for noncitizens, welfare fraud and abuse, and child support enforcement.

The Subcommittee has already conducted a hearing on the role of welfare in promoting nonmarital births. Nonetheless, it is expected that this issue will receive attention on both days.

In announcing the hearing, Chairman Shaw said: "We are going to make another serious effort to reform the nation's failed welfare system. In holding this hearing, we intend to show that our current welfare system causes more problems than it solves. For the sake of poor parents and especially poor children who are often snared in welfare's vicious traps, we simply must find a way to achieve welfare reform this year."

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Any person or organization wishing to submit a written statement for the printed record of the hearing should submit at least six (6) copies of their statement, with their address and date of hearing noted, by the close of business, Thursday, June 6, 1996, to Phillip D. Moseley, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements wish to have their statements distributed to the press and interested public at the hearing, they may deliver 200 additional copies for this purpose to the Committee on Ways and Means office, Room 1102 Longworth House Office Building, at least two hours before the hearing begins.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be typed in single space on legal-size paper and may not exceed a total of 10 pages including attachments.

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

3. A witness appearing at a public hearing, or submitting a statement for the record of a public hearing, or submitting written comments in response to a published request for comments by the Committee, must include on his statement or submission a list of all clients, persons, or organizations on whose behalf the witness appears.

4. A supplemental sheet must accompany each statement listing the name, full address, a telephone number where the witness or the designated representative may be reached and a topical outline or summary of the comments and recommendations in the full statement. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press and the public during the course of a public hearing may be submitted in other forms.

Note: All Committee advisories and news releases are now available over the Internet at GOPHER.HOUSE.GOV, under 'HOUSE COMMITTEE INFORMATION'.

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*****NOTICE -- CHANGE IN ROOM*****

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON HUMAN RESOURCES

FOR IMMEDIATE RELEASE
May 17, 1996
No. HR-11-Revised

CONTACT: (202) 225-1025

Room Change for Subcommittee Hearing on Thursday, May 23, 1996, on Welfare Reform

Congressman E. Clay Shaw, Jr., (R-FL), Chairman of the Subcommittee on Human Resources of the Committee on Ways and Means, today announced that the Subcommittee hearing on Welfare Reform previously scheduled for Thursday, May 23, 1996, at 10:00 a.m., in 1100 Longworth House Office Building, **will be held instead in room B-318 Rayburn House Office Building.**

All other details for the hearing remain the same. (See Subcommittee press release No. HR-11, dated May 15, 1996.)

*****

*****NOTICE -- CHANGE IN TIME*****

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON HUMAN RESOURCES

FOR IMMEDIATE RELEASE
May 21, 1996
No. HR-11-Revised

CONTACT: (202) 225-1025

Time Change for Subcommittee Hearing on Wednesday, May 22, 1996, on Welfare Reform

Congressman E. Clay Shaw, Jr., (R-FL), Chairman of the Subcommittee on Human Resources of the Committee on Ways and Means, today announced that the Subcommittee hearing on Welfare Reform previously scheduled for Wednesday, May 22, 1996, at 10:00 a.m., in 1100 Longworth House Office Building, **will be held instead at 10:30 a.m.**

All other details for the hearing remain the same. (See Subcommittee press release No. HR-11, dated May 15, 1996.)

*****

Chairman SHAW. Good morning. If staff and guests could take their seats, we will proceed with the hearing this morning.

I am pleased to have with us today the Assistant Secretary for Children and Families of the Department of Health and Human Services, Dr. Mary Jo Bane. We thank you for coming and look forward to your testimony. You are certainly an old friend of this Subcommittee.

Today's hearing is the first day of a 2-day hearing. Dr. Bane will describe to us the details of the 360-page welfare bill that President Clinton sent to the Hill on April 26. Tomorrow, we will hold a hearing on the new Republican welfare bill.

This has been quite a week for welfare reform, from President Clinton's radio speech on Saturday to Senator Dole's welfare reform initiative yesterday. It is safe to say that our Nation is about to engage in a very healthy national conversation about how to restructure the failed Federal welfare state, and, I might say, it is about time. We should have done this many, many years ago.

As Republicans move forward with welfare reform, our efforts will be built upon what I call the four pillars of the Republican welfare reform. Pillar one—able-bodied people should work for their benefits. I note that CBO, the Congressional Budget Office, has analyzed the work requirements of the Republican plan and compared them to the President's work requirements. The Congressional Budget Office has concluded the President's plan puts far fewer people to work than the Republican plan. I hope the administration will agree to toughen up its work requirements by dropping many of the exemptions and loopholes it has proposed.

The second pillar—welfare should not be a way of life. It should be a temporary helping hand, a hand up, not a handout. The average length of stay for someone on welfare is 13 years today. I think it should be limited to 5 years, with no exceptions other than those determined by the Nation's Governors. Washington should have no say whatsoever in determining these limited exemptions. But here, too, I note the administration's bill includes a wide variety of Washington-based loopholes and exemptions that render the 5-year limit absolutely meaningless.

The third pillar—if you are not an American citizen, you should not automatically get welfare. To me, this is common sense. America is and will always be a land of opportunity for immigrants, but no one should come here looking for a handout. Dr. Bane, there is some room here in your bill for improvement. I hope you will agree to consider tougher standards so that welfare does not go to people who are not American citizens.

Get welfare out of Washington and return it to the States. This is the final pillar of welfare reform. We should abolish the Federal entitlement to welfare and turn the program over to the States. The Washington lawyers and bureaucrats have not gotten it right yet. It is time to get them out of the way. Here, too, I hope the administration will come around.

Further, if you are a felon sitting in a State or local prison, you should not get welfare. Our denial of welfare to felons' provisions are new and I hope that you will agree to support them. I am confident that you will, in all likelihood.

Before I yield to the distinguished Ranking Democratic Member, I want to make one final observation. My radio is an old one and its reception is not very good, but it sure seems like the radio address I heard from President Clinton on Saturday is not coming in well anymore. I thought I heard the President say that he endorsed the Wisconsin waiver request. Now I read the President wants to change or deny many key items in the waiver. Instead of committing to sign the waiver in its entirety, the President now has committed himself to "negotiations." Dr. Bane, I hope you will give us the latest on the President's position on the Wisconsin waiver.

Now I yield to the gentleman from Tennessee for opening remarks.

Mr. FORD. Thank you very much, Mr. Chairman.

We, as Democrats, want to join with you and say that in the spirit of the Human Resources Subcommittee, we would like to see a bipartisan bill move from this Subcommittee to the Full Committee and hopefully reform the welfare system in this Nation as long as we can continue to focus on education, training, and protecting children in this country.

I personally would like to welcome Dr. Mary Jo Bane to testify before the Subcommittee today, and Mr. Chairman, I would like to yield to Mrs. Kennelly from Connecticut to give the opening statement on behalf of the Minority on the Subcommittee.

Chairman SHAW. The gentlelady from Connecticut.

Mrs. KENNELLY. Thank you, Mr. Ford, and thank you, Mr. Chairman, for calling this hearing this morning, and thank you for inviting Dr. Mary Jo Bane to be our only witness.

Dr. Bane knows the welfare issue. She is both an academic and a practitioner. She ran the New York Social Service Department, conducted our first real research on durations of welfare stays, and taught public policy at Harvard's Kennedy School for many years. Mary Jo Bane is an expert on welfare and a straight shooter, and I am delighted she could join us today.

In case anyone has not noticed, we have entered a Presidential election year and welfare reform is a hot topic. President Clinton can point with pride to a vast array of encouraging statistics. There are 1.3 million fewer welfare recipients today than when he took office and 1 million fewer food stamp recipients. The poverty rate is down, as are teenage pregnancy rates in 30 of the 41 States. Child support collections have grown by 40 percent and millions of families are now getting child support that they are owed. Paternity establishments are also up.

So that is good news for all of us. It is even better news for the American people. But President Clinton is not satisfied. He and Senator Dole both want a new welfare system, built on a strong commitment to work and personal responsibility. So do I, and so does, I think, every member on this panel.

Real welfare reform gives poor children a safety net on which to rely, and that is what President Clinton wants and I would think everyone on this Subcommittee would also want. We really should want welfare reform that makes sure children are not punished for the mistakes of their parents. Real welfare reform also makes certain that States deliver on their commitment to protecting children.

What we might see if we have a block grant, sending back everything to the States to decide upon with no Federal standards, the poor, the elderly, the disabled, and children fighting for very, very limited resources.

So real welfare reform means protection of the children, but it also means tough, fair work requirements for adults. It means making sure everyone who is able to work works.

So I welcome this hearing. I only wish the public had more time to examine the bill that is before us at this moment or is about to come before us, but I really think every member of this panel wants to move ahead. If this is more than an election year go around or election year posturing, then Democrats and Republicans are going to have to work together to bring forth welfare reform. The American public has had it. They know the system is broken.

Mr. Chairman, I hope at this point in this session all of us can work together. We know the subject cold. We have Dr. Bane with us today. Let us do welfare reform that protects the children and makes sure those that have gotten into the situation are able to go to work.

Chairman SHAW. Thank you, Mrs. Kennelly.

Dr. Bane, as was pointed out by Mrs. Kennelly, you are the only witness this morning. You may proceed as you wish. Your full statement will be made a part of the record, without objection.

Dr. Bane.

STATEMENT OF HON. MARY JO BANE, PH.D., ASSISTANT SECRETARY FOR CHILDREN AND FAMILIES, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Ms. BANE. Thank you. Mr. Chairman, Mr. Ford, Members of the Subcommittee, I want to thank you for giving me the opportunity to testify about the President's vision of welfare reform. I would like to summarize the testimony which has been submitted for the record.

Throughout the years, this Subcommittee, including many of its current Members, has built a great tradition of bipartisan leadership on issues of welfare reform. The administration looks forward to working closely with you in this tradition to reach a bipartisan consensus on welfare reform legislation.

Last month, the administration submitted to Congress a welfare reform bill entitled the "Work First and Personal Responsibility Act of 1996." This bill will replace the current welfare system with one that demands responsibility, strengthens families, protects children, and provides States with broad flexibility. This comprehensive proposal lays the groundwork to reform the Nation's failed welfare system, and it serves as an excellent starting point for further discussions that we hope will lead to bipartisan reform.

The President has made it quite clear that if Congress sends him a clean welfare reform bill that requires work, promotes responsibility, and protects children, he will sign it.

We greatly appreciate the efforts of the National Governors' Association in achieving a bipartisan consensus on a framework for welfare legislation and in continuing to work to add further details to their proposal. While their proposal needs to be improved in important ways, we believe the Governors have moved the debate for-

ward and have increased the likelihood that Republicans and Democrats, working together, will produce bipartisan solutions to reforming our welfare and Medicaid Programs.

We also appreciate the fine work of the bipartisan Castle-Tanner and Breaux-Chafee groups on welfare reform. It is now up to this administration and this Congress to build on the spirit of these bipartisan efforts to reach our mutual goals: Flexibility for the States, incentives for AFDC recipients to move from welfare to work, increased parental responsibility, and protections for our most precious resource, our children.

We in the administration are proud the efforts we have taken over the past years at both the Federal and the State levels have begun to pay off. Welfare rolls are down. Since January 1993 the number of people receiving AFDC has declined about 9 percent, from 14.1 million recipients in January 1993 to 12.8 million recipients in February 1996.

Many more AFDC recipients are participating in work and training activities. Between 1992 and 1995, the number of recipients participating in the JOBS Program in an average month rose 28 percent, from 510,000 to 650,000.

The child and general poverty rates are down. The poverty rates for children under 18 declined from 22.7 percent in 1993 to 21.8 percent in 1994, while the overall poverty rate declined from 15.1 to 14.5 percent. After 4 straight years of increases in the number of people in poverty, the number of those living in poverty fell, from 39.3 million in 1993 to 38.1 million in 1994.

Child support collections are up. Between 1992 and 1995, child support collections rose 40 percent, from $8 to $11 billion. Similarly, preliminary data show an estimated 735,000 paternities established in fiscal year 1995, up from about 516,000 in 1992.

Under the Clinton administration, the country is producing more jobs and enabling more families to become self-supporting. The financial conditions of State and local governments have improved, enabling them to implement the provisions of the Family Support Act more fully.

The President has worked with Congress to expand the earned income tax credit to help make work pay more than welfare. This program is a powerful work incentive that enables hundreds of thousands of families to choose work over welfare.

In addition to the improved economy, we believe that the initiation and implementation of major welfare reform efforts at the State and local level have been critical factors in the decline of the welfare rolls. Over the last 3 years, we have worked with Governors and other State and local elected officials to give 38 States the flexibility to design welfare reform strategies that meet their specific needs. These efforts are directly affecting almost 10 million welfare recipients throughout the country, or 75 percent of all welfare recipients nationwide.

We continue to move ahead. On May 10, the President directed Secretary Shalala to implement an initiative to strengthen parental responsibility among teen parents. This initiative builds on the belief, which I am confident is shared by this Subcommittee, by the Congress, and by the States, that encouraging parental responsibility must remain a bipartisan imperative.

Building on the successful effort of several teen parent demonstrations, these actions are designed to ensure that virtually all teen parents on welfare get the education and support they need to move toward self-sufficiency. We want to ensure that, consistent with law, teen parents get and stay on a path that will give them and their children the opportunity to achieve productive and healthy lives.

While the demonstrations, recent executive actions, and other initiatives underway can help the welfare system work more effectively, we know they cannot produce the fundamental nationwide changes that bipartisan congressional legislation would.

The President, as part of his balanced budget plan, has proposed a commonsense reform plan that would help to balance the budget while meeting our welfare reform objectives. The "Work First and Personal Responsibility Act of 1996" has several key features that we believe are essential to any true welfare reform measure.

First, it promotes work. It replaces welfare with a new time-limited, conditional benefit in return for work. Within 2 years, parents must go to work, and after 5 years, cash benefits end. All adult recipients must enter into personal responsibility agreements. States with the most effective programs are eligible for performance bonuses.

Second, it promotes responsibility and family. It requires minor mothers to live at home and go to school and it gives States the option to deny additional benefits for additional children who are born while their parents are on welfare. It also contains tough child support enforcement measures and increases the responsibility of alien sponsors by making affidavits of support legally enforceable and by expanding the deeming of sponsor income.

Third, it protects children. It preserves the national commitment to healthy and safe child care, nutrition assistance, foster care, and adoption assistance, and it preserves the ability of States to respond to growing caseloads. It protects States in the event of economic downturns or population growth. It maintains health coverage for poor families. It provides the resources needed to guarantee child care for families required to work and transition off welfare, and it provides mandatory child vouchers for children whose parents reach the time limit.

Fourth, it promotes State flexibility. It gives States new flexibility to design their own approaches to welfare reform. It retains, however, procedural requirements where needed to maintain program integrity, protect against worker displacement, and protect against fraud, while at the same time making it easier to recover improper payments.

The NGA agreement makes numerous modifications to the conference welfare bill that President Clinton was forced to veto last year. Many of these modifications, if adopted by Congress, would improve and strengthen Congress' welfare reform bill and would move it closer to the President's vision of true welfare reform. I have summarized those improvements in my statement for the record.

While the NGA proposal improves on the conference bill in a number of ways, the administration does have serious concerns about several provisions. We agree that States must have flexibility

to design programs to meet their specific needs. However, it is equally essential that the Federal Government ensure accountability in the use of tax dollars and make certain that the safety net for poor children is maintained. These concerns also are summarized in my statement for the record.

The Castle-Tanner proposal addresses many of our concerns about the NGA proposal and provides more viable funding for welfare-to-work activities than either H.R. 4 or the NGA proposal. We believe this proposal provides more viable work, child care, and contingency funding than these other proposals, and it provides for a stronger Federal-State partnership. We have some specific concerns with the proposal, however, which generally involve the AFDC-Medicaid linkage, support for children after the time limit, and immigrant provisions.

We also have some general budgetary concerns with both the Castle-Tanner proposal and the NGA agreement. We support the increased work and child care funding in both these proposals, but we are concerned that changes and reductions in other areas could be too deep and harm children. We believe that it is possible to promote work and protect children without banning benefits to legal tax paying immigrants and without cutting nutrition programs too deeply.

With these changes, we believe that the Castle-Tanner bill could provide the foundation for a truly bipartisan bill.

In conclusion, Mr. Chairman, let me restate the administration's commitment to enact bipartisan welfare reform legislation. The American people want Congress to pass a bill that the President can sign, a bill that honors our values and ensures fiscal integrity. The American people want a bill that promotes work and responsibility. The American people want a bill that protects children and our other most vulnerable citizens. They want a bill that supports families that play by the rules and rewards those who work hard to support themselves. They want a bill that ensures accountability for the use of taxpayer funds. They want real welfare reform. They do not want the Federal Government to abdicate its responsibilities.

The challenge we face is to develop a bill that can do all these things. It is a difficult challenge, but we know that it can be done.

Again, I want to thank this Subcommittee for giving me the opportunity to testify today, and I look forward to answering your questions.

[The prepared statement follows:]

STATEMENT OF MARY JO BANE, PH.D.
ASSISTANT SECRETARY FOR CHILDREN AND FAMILIES
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Mr. Chairman, Mr. Ford, and members of the Subcommittee: I want to thank you for giving me the opportunity to testify today about the President's vision for welfare reform. Throughout the years, this committee, including many of its current members, has built a great tradition of bipartisan leadership on the issues of welfare reform. We look forward to working closely with you in this tradition to reach a bipartisan consensus on welfare reform legislation.

Last month, the Administration submitted to Congress a welfare reform bill entitled the "Work First and Personal Responsibility Act of 1996". This bill will replace the current welfare system with one that demands responsibility, strengthens families, protects children, and provides states with broad flexibility. This comprehensive proposal lays the groundwork to reform the Nation's failed welfare system and serves as an excellent starting point for further discussions that we hope will lead to bipartisan reform.

The President has made it clear that, if Congress sends him a clean welfare reform bill that requires work, promotes responsibility and protects children, he will sign it. However, as the President has noted, good welfare reform should not be ruined by attaching bad proposals that shouldn't be there in the first place. For example, the President has told Congress not to link welfare reform to Medicaid changes that cut coverage to children, to pregnant women, to the elderly, to disabled adults, and to families with children with disabilities, or to cuts in the earned income tax credit which would result in raising taxes on working families. We strongly hope for legislation that builds upon the original NGA welfare agreement, the Senate-passed bill, and the recent bipartisan initiatives in both Houses in a way that can be endorsed by a majority of Democrats and Republicans in both chambers of Congress and supported by the American people.

We greatly appreciate the efforts of the NGA in achieving a bipartisan consensus on a framework for welfare legislation and in continuing to work to add further detail to their proposal. While their proposal still needs to be improved in important ways, we believe that the governors have moved the debate forward and have increased the likelihood that Republicans and Democrats will produce bipartisan solutions to reforming our welfare and Medicaid programs. We also appreciate the fine work of the bipartisan Castle/Tanner and Breaux/Chafee groups on welfare reform. H.R. 3266, introduced by Representatives Castle (R-DE) and John Tanner (D-TN), addresses many of our concerns with the H.R. 4 conference report. It is now up to this Administration and this Congress to build on the spirit of these bipartisan efforts to reach our mutual goals: flexibility for the states; incentives for AFDC recipients to move from welfare to work; increased parental responsibility; and protections for our most precious resource, our children.

The Administration is concerned that the Budget Resolutions do not appear consistent with the goal of bipartisan welfare reform that will move people from welfare to work and protect children. Both the House and the Senate Committee-reported resolutions seek the full level of savings that were in the bill the President vetoed -- 6-year savings of $53 billion (excluding Medicaid savings) under CBO's new baseline. I hope and trust this Committee will report out welfare reform provisions that both Republicans and Democrats can support, and will work with the other Committees and the Senate to develop a bill the President can sign.

The Changing Landscape

We are proud that the efforts we have taken over the past years at both the federal and state levels have begun to pay off. As the President noted in his State of the Union Address, we have started to receive some considerable good news. Several long-term negative trends have begun to reverse themselves.

Recent Trends

The welfare rolls are down. Since January of 1993, the number of people receiving AFDC has declined about 9 percent -- from 14.1 million to 12.8 million in February of 1996.

Many more AFDC recipients are participating in work and training activities. Between 1992 and 1995, the number of recipients participating in the JOBS program (in an average month) rose 28 percent, from 510,000 to 650,000.

The child and general poverty rates are down. The poverty rates for children under 18 declined from 22.7 percent in 1993 to 21.8 percent in 1994, while the general poverty rate declined from 15.1 percent to 14.5 percent. After four straight years of increases, the number of people living in poverty fell -- from 39.3 million in 1993 to 38.1 million in 1994.

Food stamp rolls are down. Food stamp participation has fallen by over 2 million persons since February 1994, to 25.7 million in February 1996.

Teen birth rates have gone down. According to the CDC, the birth rate for teens aged 15-19 declined 4 percent from 1991 to 1993. (Also, in 30 of 41 reporting states, teen pregnancy rates declined between 1991 and 1992.)

We also have encouraging evidence on how well the JOBS program can work. A recent evaluation of employment-focused JOBS programs showed that program enrollees received 22 percent fewer AFDC benefits and 14 percent fewer food stamp benefits than those not enrolled in JOBS. They also were about 25 percent more likely to be employed and to have higher earnings.

Child support collections are up. We continue to make progress in our efforts to ensure that absent parents contribute to the support of their children. Between 1992 and 1995, child support collections rose 40 percent, from $8 billion to $11 billion. Similarly, preliminary data show an estimated 735,000 paternities established in FY 1995, up from about 516,000 in 1992. These increases reflect improvements in state collection and paternity establishment efforts, IRS offsets of income tax refunds, and federal accountability for payments of support due by federal employees.

Economic Gains

Under the Clinton Administration, we are producing more jobs and enabling more families to become self-supporting. The financial conditions of state and local governments have improved, enabling them to implement the provisions of the Family Support Act more fully. States have been able to provide AFDC recipients more of the services they need to secure and keep employment.

The President also has worked with the Congress to expand the Earned Income Tax Credit to help make work pay more than welfare. This program is a powerful work incentive that enables

hundreds of thousands of families to choose work over welfare. The expansion enacted in 1993 increased the annual take-home pay by $1,430 for a two-child family with a parent working full time at the minimum wage.

Waiver and Demonstration Projects

In addition to the improved economy, we believe the initiation and implementation of major welfare reform efforts at the state and local level have been critical factors in the decline of the welfare rolls. Over the last three years, we have worked with governors and other state and local elected officials to give 38 states flexibility to design welfare reform strategies that meet their specific needs. This Administration has encouraged states to find innovative ways to move people from welfare to work and to promote parental responsibility. These efforts are directly affecting almost 10 million recipients throughout the country or 75 percent of all welfare recipients nationwide. States, led by governors of both parties, are now demanding and supporting work; time-limiting assistance; requiring teens to stay in school and live at home; strengthening child support enforcement; and strengthening families. To enable us to be more responsive to states' interest in welfare reform, last summer we implemented a "fast-track waiver" process which promises approval within 30 days for state requests which follow one of five strategies for reform. Our "fast track" process also allows electronic application via the Internet.

Executive Actions

We continue to move ahead. The President directed and regulations were published by the Department of Agriculture on May 1st that would change the rule to ensure that welfare recipients who refuse to work or go to school do not receive increased food stamp benefits to offset the decreases made in their welfare checks.

On May 10, the President directed Secretary Shalala to implement an initiative to strengthen parental responsibility among teen parents. This initiative builds on the belief -- which I'm confident is shared by this committee, Congress, and the states -- that encouraging parental responsibility must remain a bipartisan imperative.

Building on the successful efforts of several teen parent demonstrations, these actions are designed to ensure that virtually all teen parents on welfare get the education and support they need to move towards self-sufficiency. We want to ensure that, consistent with current law, teen parents get and stay on a path that will give them and their children the opportunity to achieve productive and healthy lives. Ohio has used the flexibility offered by the current waiver process to implement a model program called LEAP -- Learning, Earning, and Parenting. A recent report showed that LEAP has significantly increased the number of teen mothers who completed school, went to work, and left welfare.

Secretary Shalala has written to all governors recognizing efforts made to date and soliciting their cooperation in fully implementing the President's initiative. On May 14th, we issued an action transmittal giving state agencies additional guidance. The action transmittal:

1) Requires states and Tribal grantees to update their JOBS plans by describing how they will monitor school attendance, ensure that teen parents stay in school, and provide needed services, such as safe and healthy child care for children while their parents are in school.

2) Requires states and Tribal grantees to require teen parents to sign comprehensive personal responsibility plans. These plans address not just employment goals, but expectations regarding school attendance, possible parenting activities or other parental responsibilities, and services to be provided in support of their participation in activities. The Personal Responsibility Plan reminds the teen parent that establishing paternity to receive child support, finishing school and then finding work are paramount to becoming self-sufficient. In this way, Personal Responsibility Plans reinforce state-designed welfare reform and cultural change activities taking place across the country.

3) Enables states to reward teen parents who stay in school and complete high school, in addition to sanctioning those who don't. This will allow more states to follow Ohio's lead and set up programs similar to the encouraging LEAP initiative.

4) Strongly urges states to implement the optional AFDC provision requiring minor parents to live at home or with a responsible adult to receive assistance. Currently, only 21 states are implementing this minor parent provision. We are urging all 50 states to help ensure that teen parents live in supportive family environments to improve their chances for productive, successful lives.

Finally, the action transmittal addresses our commitment to working in partnership with states on developing effective teen parent programs, through information-sharing, technical assistance, and other related activities.

Need for Legislative Action

While the waiver projects, recent executive actions, and other initiatives underway can help the welfare system work more effectively, we know they cannot produce the fundamental, nationwide changes that bipartisan Congressional legislation would. As the President said in January, we should take advantage of bipartisan consensus on time limits, work requirements, and child support enforcement to enact national welfare reform legislation. The President has consistently called for bipartisan welfare reform, and the Administration applauds the way Republican and Democrat governors came together on the NGA recommendations. While we have some specific concerns, we also feel there is great promise in the NGA plan and the bipartisan proposals put forward by the Castle/Tanner group on welfare reform in the House, and the Breaux/Chafee group in the Senate. We hope these bipartisan efforts can provide the necessary catalyst for enactment of legislation this year.

We all want welfare reform that promotes work, requires responsibility, and protects children. Real welfare reform is first and foremost about work: requiring recipients to make the transition into the work force as quickly as possible and giving them the tools they need to enter and succeed in the labor market. This will require a change in the culture of welfare offices so that every action provides support and encouragement for the transition to work.

<u>The President's Proposal</u>

The President, as part of his balanced budget plan, has proposed a common sense reform plan that would help to balance the budget while meeting our welfare reform objectives. This comprehensive proposal honors the values of work, responsibility

and the family, while providing states with broad flexibility to tailor welfare reforms to meet state and local needs. The "Work First and Personal Responsibility Act of 1996" has several key features which we believe are essential to any true welfare reform measure.

It promotes work. It replaces welfare with a new, time-limited, conditional benefit in return for work. Within two years, parents must go to work, and after five years, cash benefits end. All adult recipients must enter into personal responsibility agreements. States with the most effective programs are eligible for performance bonuses.

It promotes responsibility and family. It requires minor mothers to live at home and go to school, and it gives states the option to deny additional benefits for additional children who are born while their parents are on welfare. It also contains tough child support enforcement measures: streamlined paternity establishment, new hire reporting, uniform interstate child support laws, computerized statewide collections, and driver's license revocation. In the immigration area, it increases the responsibilities of alien sponsors by making affidavits of support legally enforceable and expanding the deeming of sponsor income.

It protects children. It preserves the national commitment to healthy and safe child care, nutrition assistance, foster care, and adoption assistance, and it preserves the ability of states to respond to growing caseloads. It protects states in the event of economic downturns or population growth, maintains health coverage for poor families, provides the resources needed to guarantee child care for families required to work and transition off welfare, and provides mandatory vouchers for children whose parents reach the time limit.

It provides state flexibility. It gives states new flexibility to design their own approaches to welfare reform. It allows states not only to set their own benefit levels, but gives them new freedom to decide the eligibility rules for needy families -- e.g., in terms of counting income, setting resource limits, and defining family units. It also provides states more flexibility to administer their programs as they see fit, with a redirection of federal oversight from process to outcome issues. However, it retains procedural requirements where needed to maintain program integrity, protect against worker displacement and protect against fraud (while making it easier to recover improper payments).

Taken together, these proposals will end the current welfare system, by requiring work, demanding responsibility, strengthening families, protecting children, and providing state flexibility.

The NGA Agreement

The NGA agreement makes numerous modifications to the conference welfare bill that President Clinton was forced to veto last year. Many of these modifications, if adopted by the Congress, would improve and strengthen Congress' welfare reform bill and move it closer to the President's vision of true welfare reform.

As we understand it, the NGA proposal:

- reflects an understanding of the child care resources states will need in implementing welfare reform by adding $4 billion for child care above the level in the conference report for H.R. 4. This improves upon

H.R. 4, which does not provide child care resources needed for those required to move from welfare to work and low-income working families at-risk of welfare dependency.

- recognizes the importance of child support enforcement to welfare reform and includes all of the major proposals for child support enforcement reform in the President's bill.

- makes improvements to the performance bonus provisions in the conference agreement by establishing a separate funding stream to pay for bonuses.

- modifies the work requirements to make them more feasible and less costly for states to meet. In particular, the Administration is very supportive of provisions that allow part-time work for mothers with pre-school age children and that give states more flexibility to set the number of hours per week welfare recipients must work.

- adopts several provisions from the Senate-passed bill -- including exemptions from the time limit; a true state option on implementing a family cap; and requirements that teen mothers live at home and stay in school.

- does not include any of the provisions for a child nutrition block grant demonstration proposed in H.R. 4, which would have undermined the program's ability to respond automatically to economic changes and maintain national nutrition standards.

- does not include any immigrant provisions. However, in the NGA letter to the welfare conferees dated October 10, 1995, the governors specifically *supported* the deeming approach of the Administration and *opposed* banning provisions such as those contained in H.R. 4.

- provides some additional resources for a countercyclical contingency fund and adopts another, more responsive trigger mechanism (which allows states to qualify for contingency funds) based on Food Stamp caseload.

Maintaining a strong federal-state partnership. While the NGA proposal improves on the conference bill in a number of ways, the Administration has serious concerns about several provisions. We agree that states must have flexibility to design programs to meet their specific needs. However, it is equally essential that the federal government ensure accountability in the use of tax dollars and make certain the safety net for poor children is maintained.

A serious concern about the NGA proposal generally is that the federal-state partnership is severely weakened. The current system of federal and state matching always has been the "glue" that holds this partnership together; it is an integral part of the welfare reform plan the Administration has proposed, but is largely absent from the NGA proposals. There is not adequate accountability for taxpayer dollars or adequate protections against worker displacement. Among the specific NGA provisions we oppose are:

- the authority of states to transfer up to 30 percent of their cash assistance block to other programs such as Title XX, the Social Services Block Grant -- in effect, permitting substitution of federal dollars for state dollars and potentially reducing the effective

maintenance of effort requirement to 45 percent or less (and 0 percent for some states).

- the omission of Senate provisions for ensuring safe and healthy child care.

- the lack of a strong requirement that states set forth and commit themselves to objective criteria for the delivery of benefits and fair and equitable treatment.

- the block grants in child welfare. Federal and state child protection programs provide an essential safety net for the nation's abused and neglected children in foster care and special needs children needing adoption. As we embark upon bold new welfare reform initiatives, it is critical to maintain a strong child protection system for these extremely vulnerable children. Unlike the Senate's bipartisan approach to child protection, the NGA proposal jeopardizes this essential safety net by allowing states to replace current entitlements for adoption, foster care, independent living and family preservation with block grants. The NGA proposal also would block grant important programs focused on prevention of child abuse and neglect.

- the optional food stamp block grant and other provisions that weaken national standards. The nutrition and health of millions of children, working families, and elderly could be jeopardized if many states took advantage of this option.

- the NGA would cut off all food stamp benefits to over half a million low-income Americans who cannot find a job after four months. We agree that anyone who can work should work, but think that work programs need to be available to people who want to work but can't find a job.

Castle/Tanner Proposal

The Castle/Tanner proposal addresses many of our concerns about the NGA proposals and provides more viable funding for welfare to work activities than either H.R. 4 or the NGA proposal. In particular, this bipartisan compromise provides better assurances that recipients will be treated fairly and equitably; provides $3 billion in additional federal matching funds for work activities; maintains health and safety protections for children in child care; allows for further expansion of contingency funding (above the $2 billion cap) under poor economic conditions and during periods of increased need; strengthens the general maintenance-of-effort requirements; requires personal responsibility plans for all AFDC recipients; includes a modest proposal for a national strategy for preventing out-of-wedlock teen pregnancies; and maintains the current safety net for the nation's abused, neglected and adopted children and children in foster care.

We believe this proposal provides more viable work, child care, and contingency funding than either H.R. 4 or the NGA proposal, and it provides for a stronger federal-state partnership. We have some specific concerns with the proposal, however, which generally involve the AFDC-Medicaid linkage, support for children after the time limit, and immigrant provisions. We also have some general budgetary concerns in both the Castle-Tanner proposal and the NGA agreement. We support the increased work and child care funding in both these proposals, but we are concerned that changes and reductions in other areas may be deep and could harm children. We believe it is possible to promote work and protect children without banning benefits to

legal tax-paying immigrants or cutting nutrition programs too deeply.

With these changes we believe the Castle-Tanner bill could provide the foundation for a truly bipartisan bill.

Conclusion

In conclusion, Mr. Chairman, let me restate the Administration's commitment to enact bipartisan welfare reform legislation. I know the President shares my hope that, with the leadership of this committee, the bipartisan cooperation that existed in 1988 will surface again to address the critical issue of welfare reform.

The American people want Congress to pass a bill that the President can sign -- that honors our values and ensures fiscal integrity. They want a bill that promotes work and responsibility, but also protects children and our other most vulnerable citizens. They want a bill that supports families who play by the rules and rewards those who work hard to support themselves. They want a bill which ensures accountability for use of taxpayer funds. They want real welfare reform; they do not want the federal government to abdicate its responsibilities.

The challenge you face is to develop a bill that can do all these things. It is a difficult challenge, but we know it can be done. The Administration was disappointed with the bill that came out of conference on H.R. 4 last year, but we have been heartened by some of the developments that have taken place since then. We hope that additional progress can be made and that Congress will produce a bill the President can sign.

Again, I want to thank this Committee for giving me the opportunity to testify today, and I look forward to answering your questions.

Chairman SHAW. Thank you, Dr. Bane.

Mr. Camp.

Mr. CAMP. Thank you, Mr. Chairman, and thank you, Dr. Bane. I note that in your testimony we all want welfare reform that promotes work, yet I note in the legislation the President has endorsed, which I do not believe has been introduced, has it?

Ms. BANE. The President has submitted it, yes.

Mr. CAMP. Submitted it, but it has not been introduced in the Congress yet?

Ms. BANE. I believe that is correct.

Mr. CAMP. It has a work requirement and also a provision that benefits would end after 5 years.

Ms. BANE. That is correct.

Chairman SHAW. Cash benefits.

Mr. CAMP. Cash benefits only, but not Medicaid or food stamps. But that has several exceptions, if I understand it, and you do not note any of those exceptions in your testimony. Those include a hardship exception for working simply 20 hours a week, one person in the family, is that correct?

Ms. BANE. Mr. Camp, the bill that we have presented has both tough work requirements and tough time limits. It also provides protection for children and those who cannot work.

Mr. CAMP. Please answer the question. Are there exemptions to the ending of benefits in the bill?

Ms. BANE. There are exemptions to the ending of benefits, that is correct. States are allowed to continue providing supplemental welfare to those people who are working and who, because of their low wages, are not receiving income that is equal to their welfare benefits.

Mr. CAMP. So a voucher is required by the State?

Ms. BANE. The exemption that I have just described applies to working families and is allowed to the States. Our bill does provide for the protection of children whose families are cut off from welfare after the time limit by requiring the States to provide vouchers for their basic needs.

Mr. CAMP. So if one person in the family is working 20 hours a week, the termination of benefits does not apply?

Ms. BANE. Again, Mr. Camp, that is an option that we offer to the States. Many States, by the way, Mr. Camp, have asked for this in their waiver requests.

Mr. CAMP. They are either required to do that or to define their own hardship rule. That is the option you are referring to——

Ms. BANE. That is correct.

Mr. CAMP [continuing]. Hardship exceptions cannot exceed 20 percent of their caseload, is that right?

Ms. BANE. That is correct.

Mr. CAMP. So they either use the defined hardship exceptions in your bill, and I am trying to get what those are, which exempts up to 15 percent of the caseload, or they go the other route and exempt up to 20 percent. I am just trying to flesh out your testimony, which does not indicate those provisions. I just think we need to know what they are.

Ms. BANE. We also have exemptions in our bill, Mr. Camp, for those adults who are unable to work. I think we all agree that

work requirements ought to apply to those who are able to work. Some exemptions in that regard are spelled out for people with serious disabilities, for people who are required to care for a disabled child, and so on.

Mr. CAMP. Also, if the unemployment rate in an area exceeds 8 percent, whether they have the ability to find work or not, the time limit does not apply?

Ms. BANE. Again, that is an option for the States, Mr. Camp. If they wish to use that as an exemption, they may. Many States, again, have asked for that kind of exemption from time limits under their waiver proposals.

Mr. CAMP. And then that one alternative also allows other special hardship exemptions?

Ms. BANE. That is correct.

Mr. CAMP. The last point I want to make is, under this bill, the Congressional Budget Office has determined that in the year 2002, 900,000 welfare parents would be required to be working. Under our bill, the Republican bill, 1.3 million would be required to be working. Do you dispute those figures at all, or are you aware of them?

Ms. BANE. I am certainly aware of them. Mr. Camp, we are all struggling in putting our bills together to have tough work requirements and to make sure the resources are available so States can provide work and child care.

Our bill contains a requirement, as a condition of eligibility, that those who can work do so as soon as the State determines that they are ready to work, or by 2 years, whichever is sooner. The bill has tough, tough sanctions for anyone who refuses to look for a job or to work.

Mr. CAMP. I see my time has expired, but you would not dispute the Congressional Budget Office finding? Do you accept that finding?

Ms. BANE. I believe that those were accurate for the versions of the bills which the Congressional Budget Office looked at.

Mr. CAMP. Thank you.

Thank you, Mr. Chairman.

Chairman SHAW. The time of the gentleman has expired.

Mr. Ford is now recognized.

Mr. FORD. Thank you very much, Mr. Chairman.

Again, Dr. Bane, let me welcome you to the Subcommittee. Could you just briefly, giving me a quick overview, maybe, of Governor Thompson's plan or the Wisconsin plan, I guess comparing that with the Republican bill. I was just looking at the child care component which is provided to families earning up to 165 percent of the poverty line. Basically, as we try to craft a welfare bill in the Ways and Means Committee, could you give me some comparisons here. I think the waiver came from this administration for Governor Thompson and his welfare package, is that correct?

Ms. BANE. The concept of the Wisconsin waiver request, which is to replace a welfare check with work, to require welfare recipients to work and to ensure that they have the supports to do so, is a concept that this administration enthusiastically supports. We are delighted that Governor Thompson recognizes the importance of both requiring and ensuring work for welfare recipients, of en-

suring child care, not only to welfare recipients but also to those who move off the rolls, and ensuring, we believe, though we have not seen this part of the waiver, health care coverage for those recipients.

Mr. FORD. That is right, but child care and health care coverage during the participation in the work and training phase of the welfare waiver under Governor Thompson's plan, there is a big difference in that and what was sent to the President in the Republican welfare package that was vetoed by the President. Is that correct?

Ms. BANE. The welfare package that was sent to the President and that he vetoed did not, in fact, contain a guarantee of child care for those who are required to work. Governor Thompson's welfare reform proposal contains an assurance of child care not only for those families, but also for other working families.

Mr. FORD. What about the training and education component of Governor Thompson's plan? How does that differ from what was in the welfare package that was vetoed by the President that was better known as the Republican bill here in the Congress?

Ms. BANE. The concept behind the Wisconsin welfare plan is to move recipients into the work force as quickly as possible, get them attached to the work force, and make sure that they are working as quickly as they can in a job which demands as much of them as they can handle. I have not looked closely, Mr. Ford, at the education and training provisions in the Wisconsin waiver proposal.

Mr. FORD. We, as Democrats and Republicans and the American people, including the recipients themselves, agree that welfare recipients that are able to work should work and want to work. As Chairman of this Subcommittee of over a decade, I learned quickly that welfare recipients throughout this country who are able to work wanted to work. The difficulty in many cases is training and education. That was a big problem, and I am sure that a bipartisan effort, with Republicans, Democrats, and this President, would address education and training. We would all like to see a welfare reform package that would offer opportunity for able-bodied Americans, who are unfortunately forced onto the welfare rolls, to move into the work force.

Tell me, Dr. Bane, with the welfare bill moving through this Congress, you have indicated in your opening statement that the President wants a welfare package that would not place children in the welfare population in any danger. I think the problem we are faced with today is that the bill penalizes children while we are trying to go after welfare recipients who are able to work and are not in the work force. If there is a bill that will not offer child care, a bill that will not offer training and education, will the President reject it?

I am not trying to put you on the spot, it is just that I am trying to say to my Chairman and to the Republicans that we as Democrats want to work with you. We would like to have a bill that is bipartisan and would protect children in America and make sure that we have training and education that will move able-bodied adults off the welfare rolls.

Ms. BANE. Mr. Ford, I think the President has been very clear in his support, and indeed, his encouragement for welfare reform

that promotes work, encourages parental responsibility, and provides a safety net for children. I think we very much want to work with this Congress to ensure that the welfare reform that passes does, in fact, ensure that safety net for children.

Mr. FORD. One final question. What is the welfare population? What are those numbers, 15, 14 million?

Ms. BANE. It is about 14 million now, Mr. Ford.

Mr. FORD. Give me a breakdown on those numbers. How many adults are there and how many eligible adults could move into the work force immediately?

Ms. BANE. About two-thirds of the welfare population is, as you know, children. There are——

Mr. FORD. So about 10 million in the population are children.

Ms. BANE. That is correct. About 5 million adults, 4.5 million.

Mr. FORD. Would all 5 million be eligible to work? Would some of the 5 million be disabled adults?

Ms. BANE. Under the President's bill and under many of the bipartisan efforts, any adult who is able to work would, in fact, be required to work.

Mr. FORD. But would all 5 million be able to work?

Ms. BANE. Obviously, many of those five million are not able to work for a variety of reasons, because——

Mr. FORD. So we are talking about a smaller number than the 5 million adults?

Ms. BANE. We do not have an exact estimate, Mr. Ford, of how many welfare recipients have disabilities themselves, have responsibilities for disabled children, or have other responsibilities that would preclude them from working.

Mr. FORD. Thank you, Mr. Chairman.

Chairman SHAW. The time of the gentleman has expired.

Mr. Collins.

Mr. COLLINS. Thank you, Mr. Chairman.

Thank you, Ms. Bane, for attending this meeting again with us today. You have been here several times in the past and it is always a pleasure.

I am pleased to hear the President say that, again, he is wanting the Congress to send him another welfare reform bill. I am also pleased to hear my colleagues on the other side of the aisle say that they are ready, too, to work in a bipartisan effort to achieve this goal because it is a goal that the American people share.

It started in 1992 with the election of Bill Clinton. The majority of people in this country voted for change. Of course, the majority did not vote for the President. Some of them who voted for change voted for another independent candidate. But it is a very hot political issue this year. I am pleased to see and would like to inform them that they are going to get an opportunity to work with us again on this particular issue.

You mentioned a lot of flexibility on behalf of the President and his intent for the States, but the fact of the matter is, the President is actually opposed to block grants to States for welfare and Medicaid, is that not true?

Ms. BANE. The administration has a strong preference to retain the current funding structure which entitles the States to receive a Federal share for increased expenditures during times of reces-

sion and population growth. We also think it is extremely important that the States continue to contribute their own resources to the welfare system. We also believe very strongly that it is important that the States commit to treating welfare recipients fairly and equitably.

Mr. COLLINS. My question——

Ms. BANE. We prefer the entitlement to States as a mechanism to do that, but the President has also indicated his concern with these issues, which can be solved in other ways.

Mr. COLLINS. So the President is actually opposed to the block grant system to the States which would give the States complete flexibility and would also, being that there is only a certain amount of money in block grants, require the States to spend their money on behalf of welfare recipients, is that not true?

Ms. BANE. Naturally, the——

Mr. COLLINS. Yes or no? My time is limited, and you can drag out an answer for a period of time. Is the President opposed to the block grant system?

Ms. BANE. The President has stated his preference for the entitlement and his concern about the three major issues which are involved there.

Mr. COLLINS. I understand that, Ms. Bane, but I also read in your statement that the President is opposed to the block grant system. You put that into your written statement.

You mentioned that the President has submitted a bill, is that not true?

Ms. BANE. That is correct.

Mr. COLLINS. But the bill actually has not been introduced, did I understand that right?

Ms. BANE. I believe that is correct.

Mr. COLLINS. Is that proposal being changed again, the President's bill that he submitted?

Ms. BANE. No.

Mr. COLLINS. You mentioned in your testimony also that the bill would give the States flexibility in exclusions for 5 years on work requirements, but in the proposal, or in the bill that was submitted, the words "shall not"—"shall not" means the States do not have flexibility. They have to abide by certain rules mandated by the Federal Government, is that not true?

Ms. BANE. When the bill says "shall," that is correct.

Mr. COLLINS. Shall or shall not. It means that they shall abide by Federal guidelines. So that takes away the flexibility in that particular area, is that not true?

Ms. BANE. There is an enormous amount of flexibility for the States under the bill that the administration submitted, Mr. Collins, in determining who is eligible, in determining who is needy, and in determining what the requirements are for those who receive welfare.

Mr. COLLINS. But it shall and shall not exempt certain people. Those are mandates.

Ms. BANE. The exemptions for those who cannot work are indeed exemptions that we believe should be in place in all States.

Mr. COLLINS. And would be in place in the President's bill.

Ms. BANE. That is correct.

Mr. COLLINS. Shall means that the States shall do this; they shall not do that. That is a mandate at the Federal level and not State flexibility which you first referred to.

Ms. BANE. The exemptions for those who cannot work would be the same in all States under the President's bill. That is correct.

Mr. COLLINS. And it takes away the States flexibility?

Ms. BANE. In that particular area.

Mr. COLLINS. Georgia has a Work First Program that Governor Zel Miller, who is a very close friend of President Clinton, strongly supports and proposed. He also supports the block grant position. Do you find that kind of odd?

Ms. BANE. I think there are legitimate differences of opinion. Some States would benefit under the block grants. Some States would be terribly disadvantaged under the block grants. It is not surprising that the Governors differ.

Mr. COLLINS. But is it not true that the Governor of a State who does support the block grants, too, is very concerned about constituents in that State, so therefore they do have the recipient at heart, not so much the President?

My time is up. Thank you.

Chairman SHAW. Did you want an answer to that?

Mr. COLLINS. No, Mr. Chairman.

Chairman SHAW. Mr. Levin, you may inquire.

Mr. LEVIN. Dr. Bane, welcome. I think all of us should welcome your clear statement about the need to reform welfare, that the status quo is unacceptable, that we need to link welfare with work, with some workable time limits, that we need to combine the national interest in the 9 or 10 million children who are involved with major State flexibility.

Indeed, you would think at first blush after hearing your testimony that an agreement would be feasible. Indeed, as I have said before at a hearing here, I think there is a mainstream that is for welfare reform that can find common ground if it will do so and avoid making this a political issue.

I think the problem until now, in part, has been that the majority has proceeded on a very partisan basis and I think your call to try to work this out on a bipartisan basis needs to be heeded. Otherwise, we are just going to reach a dead end again.

Let me ask you so it is clear, just review quickly the problems the President had with H.R. 4, why he vetoed it.

Ms. BANE. The President vetoed H.R. 4 because it would have done little to move people from welfare to work and because it included deep budget cuts and structural changes in child welfare, school lunch, aid to disabled children, and other programs that have nothing to do with real welfare reform.

The President vetoed the bill because welfare reform is, first and foremost, about work, and because the conference bill weakened several important provisions. Any welfare reform bill that we would all support would make sure adequate child care resources are available for people who work, that health coverage is guaranteed, that States maintain their stake in moving people from welfare to work, and that there is a performance bonus for States who succeed in moving people from welfare to work.

The President also vetoed the bill because it seemed to be designed to meet arbitrary budget targets rather than to really accomplish its ends. It included harmful cuts to children who are abused and neglected, disabled children, strict bans on immigrants, and so on.

Mr. LEVIN. Let me just quickly review those, because the Governors then issued a proposal and apparently there is now a new Republican bill. It would appear the Governors' proposal moved in the direction that the President urged in his veto message.

For example, in child care, did the Governors' proposal improve on H.R. 4, the conference report that was vetoed by the President?

Ms. BANE. The Governors' proposal clearly improved on H.R. 4 in that area. Mr. Levin, I would note that I am speaking about the Governors' proposal as it has been described, not about the bill which I understand Mr. Shaw will be introducing.

Mr. LEVIN. Apparently, there was a discussion of that this morning. We have not seen it. But from the outline that we have, it would appear this new proposal moves from the bill that was vetoed toward more adequate money for child care.

Let me ask you, in terms of SSI—let us just take a few of these others—the bill that was vetoed had a two-tier system.

Ms. BANE. That is correct.

Mr. LEVIN. The Governors rejected that?

Ms. BANE. The Governors rejected that, and I believe there is actually fairly wide bipartisan agreement now, Mr. Levin, on appropriate ways to tighten up the SSI system as it relates to disabled children without making it discriminatory, if you will, to cut in on those benefits.

Mr. LEVIN. That is one reason it seemed to me that the bill that was vetoed was harsh on kids.

Ms. BANE. Absolutely.

Mr. LEVIN. It has been dropped, apparently. The contingency fund in case of a recession, the Governors essentially said that what was in H.R. 4 was inadequate. Just comment a bit about the importance of the contingency fund, why the President found it inadequate, and what it is, maybe.

Ms. BANE. The contingency fund is a mechanism for responding to changes in the economy and changes in population that in most cases are not under the control of the States but which have an effect on the number of State citizens who need help. We think the Federal Government should share in the cost of helping the needy under those conditions. Therefore, we think it is important that there be an adequate contingency fund that can adequately respond to those changes in State economies and State populations.

Mr. LEVIN. Thank you. My time is up.

Chairman SHAW. Mr. English may inquire.

Mr. ENGLISH. Thank you, Mr. Chairman.

Secretary Bane, I welcome some of your comments this morning and some of the comments of my colleagues on the other side because I take them to be an indication that the rear guard action that we saw last year against welfare reform on a very partisan basis might stop this year, and we do have an opportunity to move forward on a very bipartisan basis.

To do so, I want to clarify the administration's position because some of us have wondered if the administration's position on welfare reform is not a moving target. I would like to pass a bill out of this Subcommittee and through Congress that the President will not veto, so I would like to pin down a couple of specifics.

The President in his veto message said that H.R. 4 "does too little to move people from welfare to work." I would like to pin you down on the specifics of what we are talking about. The Congressional Budget Office has determined that in 2002, 900,000 welfare parents would be required to be working under your proposal, whereas 1.3 million would be required to be working under the new Republican bill and H.R. 4, which the President vetoed.

If H.R. 4 is, in fact, weak on work, as we were hearing that incantation last year in this Subcommittee, how is the President's bill tough on work? If we pass something along the lines of what is now being proposed on the Republican side, with tougher work requirements, can we be guaranteed that we are not going to see a veto based on the idea that our bill is too weak on work?

Ms. BANE. I think we share the goals of developing a bill which is both tough on work and provides the resources to make it possible for States and welfare recipients to work. The President was very concerned the resources in the conference bill that were available for the States to run work programs and to provide child care for those required to work were not sufficient.

Mr. ENGLISH. Very good. Secretary Bane, on that point, and since my distinguished colleague from Michigan raised it, I want to get into whether the Republican bill has adequate money for child care. Again, according to the CBO, the administration block grant on child care contained $12.2 billion, whereas the Republican proposal contained $13.9 billion.

If you are arguing that there is not enough money for child care, does this mean, by virtue of its lower funding for child care, the administration bill presumes fewer welfare families will be working and needing child care, or is the Republican proposal, by virtue of having a higher number than your proposal, in fact, adequate for child care?

Ms. BANE. Again, Mr. English, I think what we have to strive to do is to get that balance right, the balance between the requirements and the resources that are available for child care. We consider an increase in the funds for child care over what we have proposed in our bill a friendly amendment, and we would be delighted to work with you to provide more money for child care and to ensure that there are tough work requirements accompanied by resources available for child care.

Mr. ENGLISH. I am grateful for that, Madam Secretary, and in the case of our bill, more funding for child care obviously will not require an amendment.

I also had a question with regard to the exemptions for work requirements for parents. You have proposed that parents who are ill or incapacitated be exempted from the work requirements in the welfare reform bill. That is an attractive notion on a number of different levels, but what do you specifically mean by "ill or incapacitated"?

Ms. BANE. Obviously, that would be defined by the State, Mr. English, and it would be defined by the State consistent with their own approaches to their labor law——

Mr. ENGLISH. So there would be no single Federal standard on this?

Ms. BANE. That is correct.

Mr. ENGLISH. Would drug addiction or alcoholism qualify as an illness or incapacity potentially under what you have proposed?

Ms. BANE. Not in and of itself. As you know, the rules on disability are determined under the guidelines of the Americans With Disabilities Act.

Mr. ENGLISH. Thank you. Secretary Bane, I will leave it to some of my colleagues to follow through on this questioning, but I appreciate your being here. I think it is imperative that we pass a bipartisan welfare reform bill. I believe we have tried to do that in the past and we would welcome an opportunity to work with you to come up with a mainstream welfare reform proposal along the lines of what we have proposed in the past that will give the States the flexibility and the resources to address their poverty problem locally.

Thank you, Mr. Chairman.

Chairman SHAW. Dr. Bane, did I understand you to say the Americans With Disabilities Act defines disability as for receiving AFDC in either existing law or the President's bill? If it is, that is all new to me.

Ms. BANE. The Americans With Disabilities Act does lay out guidelines for defining disability and specifies in title II that no one can be denied a benefit by a government entity solely on the basis of a disability.

Chairman SHAW. I am aware of that, but there is no connection between the two, as I understand it, and I think it is also important to note that under the Republican bill that has been worked out, or the Governors' bill, there is a 20-percent latitude that can be taken off of the welfare requirements of work. I would assume, as I would hope you would assume, that the States would reserve that for those who cannot find jobs because of no fault of their own.

Ms. BANE. Mr. Shaw, I am pleased to hear that you increased the exemption that the States can use, and I assume that the States would, indeed, use it that way.

Mr. LEVIN. Mr. Chairman, would the gentleman yield for a moment?

Chairman SHAW. Yes, I will yield, and then I will recognize Mr. Rangel.

Mr. LEVIN. Just for a moment. As we have discussed this, and unfortunately, there has not been enough discussion, I think, across party lines, the 15, now 20 percent, which apparently is in your proposal could relate to those who are disabled. It also could relate to people with young children, because, I think——

Chairman SHAW. There is no restriction as to how the States could use that exemption.

Mr. LEVIN. And also, it could relate to people who were looking for work but unable to find it. So I think it is undefined.

Chairman SHAW. The maximum flexibility to the State is the hallmark of the Republican plan and the Governors' plan.

Mr. Rangel is recognized.

Mr. RANGEL. Dr. Bane, welcome. How many waivers has President Clinton given in terms of requests from States in this area?

Ms. BANE. As of last week, 61 waivers to 38 States.

Mr. RANGEL. It is my understanding that President Reagan had granted 13, and President Bush only 11. Is that correct?

Ms. BANE. I believe that is correct, Mr. Rangel.

Mr. RANGEL. The President seems to be proceeding quickly in reform through Executive orders. Has his last Executive order relating to teenage pregnancy gone into effect, or was that just a press release?

Ms. BANE. Oh, that is a very serious effort, Mr. Rangel. The President has consistently said that he hopes we will have bipartisan welfare reform legislation, but in the meantime, while we do not, we as an administration have been moving forward in every way we can to move the agenda of work, of parental responsibility, and of protection of children through waivers and executive actions.

What the President did with regard to minor mothers is to direct the Secretary of Health and Human Services to use her authority under the Social Security Act to really put teeth in the requirements that teen mothers be in school and get themselves ready for employment. That action builds on some very promising results that we have from evaluations in the State of Ohio, and I think the executive action will be very important in moving the agenda of parental responsibility forward.

Mr. RANGEL. The President has indicated that the Wisconsin plan is something that he could support. Is that correct?

Ms. BANE. The President has indicated that the concept behind the Wisconsin plan of putting people to work and of providing the supports for them is something that we are very enthusiastic about.

Mr. RANGEL. It is my understanding that, like the Clinton plan, there are no cuts in school lunches. In the Republican bill, however, they do cut it. Is that correct?

Ms. BANE. That is correct.

Mr. RANGEL. It is my further understanding the Wisconsin plan does not cut aid to disabled children, but the so-called Republican bill does cut aid to disabled children. Is that correct?

Ms. BANE. That is correct, Mr. Rangel.

Mr. RANGEL. It is also my understanding that the Wisconsin bill does not cut funding for child welfare programs, but the so-called Republican bill does. Is that correct?

Ms. BANE. That is correct, Mr. Rangel.

Mr. RANGEL. So when the President says that he thinks he could work with the Wisconsin plan, those three differences differ dramatically from the ones that the Republicans call their plan. Is that correct?

Ms. BANE. That is correct, Mr. Rangel.

Mr. RANGEL. Besides those differences, could you state, in your opinion, what are the major differences in keeping the President and the Congress from coming together on a major bill? What concept is in the Republican offering that the President would find repugnant and therefore be unable to sign that bill?

Ms. BANE. Mr. Rangel, as the President said when he vetoed H.R. 4, for a welfare bill to be acceptable to the administration, it must promote work and provide the supports for work, and it must not include deep budget cuts and dangerous structural changes that hurt kids. There were a number of those in H.R. 4, and we are very——

Mr. RANGEL. What are the budget cuts for the Republican bill, or savings, as they would call it?

Ms. BANE. H.R. 4 included cuts in funding for disabled children, as has been previously noted. It included cuts in nutrition programs, in food stamps——

Mr. RANGEL. Let us put it another way. I apologize for interrupting. Is there a list that the President could give to the Republicans that says, If you adopt these principles, I can sign a bill. If it is not in print, could you suggest to the Subcommittee exactly what offer the President could make to the Republicans to make certain that there is an attempt to read from the same page?

Ms. BANE. We would be happy to provide the Subcommittee with a copy of the President's veto message, and obviously, we have indicated our willingness and, indeed, eagerness to work with this Subcommittee to formulate bipartisan legislation.

Mr. RANGEL. What is the major thing that we would have to overcome, in your opinion?

Ms. BANE. I think the major things we would have to do would be to ensure a bill that we put together on a bipartisan basis did, in fact, promote work and did, in fact, protect children.

Mr. RANGEL. Thank you.

Thank you, Mr. Chairman.

Chairman SHAW. Mr. Nussle is recognized.

Mr. NUSSLE. Thank you, Mr. Chairman.

I am confused here. I was going to talk about State flexibility, but you have me interested in this area. What you are saying to me is that if you cut funding for disabled children, you are mean. Is that basically what you are saying? You are mean and you must not care about disabled children. Is that what you are saying today? I just want to make sure, because I heard—Charlie, that is what you are saying, right?

Mr. RANGEL. It makes a lot of sense to me.

Mr. NUSSLE. It makes a lot of sense to Charlie. Is that what makes sense to you, that if you cut funding for disabled children, that that must mean you are mean?

Ms. BANE. What I said was in the President's veto of H.R. 4, he indicated the cuts in the SSI Program for disabled children in that bill were extreme and not something that——

Mr. NUSSLE. Wait 1 minute. That is not what you were talking about here. You are saying if you cut funding for disabled children, cut funding for child welfare, or if you cut funding for nutrition programs, you must be mean. Is that what you are saying?

Ms. BANE. Mr. Nussle, I was making a specific comment about cuts in H.R. 4.

Mr. NUSSLE. OK, because you know what I am getting at, do you not? The President cuts SSI, does he not? And the President cuts child welfare, does he not? And the President cuts child nutrition, does he not? Does he not?

Ms. BANE. Mr. Nussle, I think we are actually all agreed on an approach to SSI for disabled children now, and I am glad that we are.

Mr. NUSSLE. Whoa. Wait 1 minute, now. We may be agreed on an approach, but when my two children back home are watching television and C–SPAN and they hear that their daddy does not care about disabled children and their daddy does not care about child nutrition, I have to be able to explain it to them, and there is no way I am going to be able to explain it to them based on cuts in baseline and CBO estimates.

It says here, according to CBO, that food stamps, family support, and SSI are cut. This is under the President's plan—$37,993,000,000 is cut. Please tell me you are not mean to children.

Ms. BANE. I do not think any of us are mean to children, Mr. Nussle.

Mr. NUSSLE. Thank you. So you are not saying the Republicans are mean to children. Please tell me that that is not what you are saying. I am getting so tired of all of this, you are mean and vicious and you do not like the disabled children. What are you trying to drive at here?

Ms. BANE. I think what I am trying to drive at, Mr. Nussle, is that we all agree there are some reforms that are important to make in these programs and we, like you, are prepared to make them.

Mr. NUSSLE. That is what I want to know——

Ms. BANE. There are reforms that we are prepared to make.

Mr. NUSSLE [continuing]. Because if we are going to get to a bipartisan basis, we have to stop this, You are mean, you are nasty, you do not care, and you must not, because the fact of the matter is, you cut these programs, do you not?

Ms. BANE. As I said——

Mr. NUSSLE. Yes or no? According to CBO, you cut these programs, right?

Ms. BANE [continuing]. We are suggesting some reforms in those programs——

Mr. NUSSLE. Which cut those programs, right?

Ms. BANE [continuing]. That result in savings, that is correct.

Mr. NUSSLE. Thank you. Wait 1 minute, savings or cuts?

Ms. BANE. I will say savings.

Mr. NUSSLE. You will say savings. How come when I do it, you call it a cut?

Ms. BANE. I think you probably would, too.

Mr. NUSSLE. No, wait. No, you are not going to get off this easy. I was going to go to State flexibility, but they are either cuts today or they are savings. Now, which one do you want me to call them? You tell me.

Ms. BANE. Let us both call them savings, and——

Mr. NUSSLE. Thank you very much. That is all I need to know.

Mr. LEVIN. Mr. Chairman.

Mr. NUSSLE. That is all I need to know.

Mr. LEVIN. Point of order, Mr. Chairman.

Chairman SHAW. State your point of order.

Mr. LEVIN. I think this Subcommittee should give witnesses a chance to respond.

Chairman SHAW. I am not sure the gentleman has a point of order.

Mr. LEVIN. No, I do——

Mr. NUSSLE. Sandy, I just want to know because it concerns me.

Chairman SHAW. Wait 1 minute.

Mr. LEVIN. But look, let her respond.

Chairman SHAW. I do not think it is necessary for any of the Subcommittee Members to admonish any of the other Subcommittee Members. The gentleman——

Mr. NUSSLE. I just want to make sure, because look, Sandy, I have heard and I understand that we are all trying to get to this magic—and it may be magic. I hope it is not. We are all struggling to do this. I know you are serious about it. I know Charlie is serious about it. I am serious about it. We are all serious about it.

But I will be darned if I am going to let my folks back home continue to hear that somehow, and it is obviously a political election year. You mentioned that earlier. I do not want these people out there to say, Just because you cut—and this is a savings—that you hate children and you do not like people who are disabled—I am tired of that.

This is either a savings or it is a cut, and I do not like when I call it——

Mr. LEVIN. Mr. Nussle, will you yield?

Mr. NUSSLE. Just 1 second. I am not yielding anywhere. I still have a yellow light. I just want to make sure that when we are talking here today that they are either going to call it savings or they are going to call it cuts. We either care about children or we do not care about children. I care about children. I know you care about children. The American people care about children. We are just trying together, with some State flexibility, to struggle to find the answer to how to help these people and we are not going to get there if every time I ask a question, it is a cut, and every time you ask a question, it is a savings. That is all I am trying to get at. I did not get to the other fun stuff I wanted to talk about.

Chairman SHAW. The time of the gentleman has expired.

Mrs. Kennelly is recognized.

Mrs. KENNELLY. Thank you, Mr. Chairman.

Dr. Bane, what we are trying to do is have a safety net for children. We are all for welfare reform, so we want to see how we do it in the most efficient manner, obviously, but also in the safest manner for children.

My question to you, Dr. Bane, is as I read the proposal, you see a 75-percent maintenance of effort. If you go further on into the bill, what you see is the State, and that is, as we know, either the Governor or the State legislature is allowed to shift 30 percent of the funding into other programs.

Dr. Bane, I would like you to comment on where you think the safety net would end up if you have a 75-percent maintenance of effort and an ability to shift 30 percent.

Ms. BANE. We are very concerned, Mrs. Kennelly, about those maintenance of effort provisions and think it is absolutely crucial that States maintain their commitment of resources to welfare programs and to children. We are worried that if those requirements are not there, the States will find themselves under all kinds of

competing pressures from other worthy causes and will not, in fact, be able to keep that commitment. So we think that a strong, serious maintenance of effort provision is an absolutely crucial piece of any welfare reform bill.

Mrs. KENNELLY. So that would be higher than 75 percent?

Ms. BANE. Absolutely.

Mrs. KENNELLY. What about the 30 percent——

Ms. BANE. Again, Mrs. Kennelly, we think that is a very dangerous option to allow the States because of the pressures they can find themselves under and because it would allow them to move funds into programs that are not directly providing for the poor and for children.

Mrs. KENNELLY. Thank you, Doctor. The other concern that I have is Medicaid. You and I have both been involved in this whole question for years. It used to be that people were worried to death that if, in fact, they went to work, they would lose their Medicaid and could not afford health care. We have been through that over and over again.

Now, as we look at the separation, or the track of going back to a block grant, in fact, you do not have the connection of Medicaid vis-a-vis Aid for Families With Dependent Children. Has your Department done any work on what would, in fact, happen if the process would mean a block grant and Medicaid block grant? What would happen to Medicaid coverage for children?

Ms. BANE. I am not the expert on the Medicaid numbers, Mrs. Kennelly, but in some of the proposals that we have seen, as you say, that link is broken, and the guarantee of health care after someone leaves welfare for work is not continued. We would worry very much that some folks who now have health coverage would not have it under that kind of a scheme.

Mrs. KENNELLY. So without being an expert, you can say the numbers certainly would be reduced?

Ms. BANE. They certainly would be.

Mrs. KENNELLY. By a dramatic amount, or——

Ms. BANE. By substantial amounts, yes, I think that is clear.

Mrs. KENNELLY. My last question, Doctor, and if it has been covered, please tell me, because I had to go see some constituents, we had the weekend situation where the President endorsed in a certain fashion the Wisconsin plan. My own State had a wavier recently. The bottom line is, What determines whether a waiver is acceptable? Where are we with the President saying he likes the work in the Wisconsin plan and the HHS saying, we still want to look at it? How do we bring this to closure?

Ms. BANE. We look at each waiver that is submitted to ensure that granting it would be consistent with the Secretary's authority under section 1115 of the Social Security Act; that is, that it is consistent with the objectives of the Social Security Act and that it is a true evaluation. We also look to make sure that, in terms of being consistent with the objectives of the Social Security Act, the demonstrations in the State do, in fact, promote, work, and protect children.

Mrs. KENNELLY. So with the history of the President with waivers, you would foresee most likely that Wisconsin would get a waiver if nothing else happened on the broader front?

Ms. BANE. We are quite enthusiastic about the basic concept as we have seen it from Wisconsin and look forward to working with the State.

Mrs. KENNELLY. Thank you, Doctor.

Chairman SHAW. Ms. Dunn.

Ms. DUNN. Thank you, Mr. Chairman, and welcome, Ms. Bane.

Ms. BANE. Thank you.

Ms. DUNN. I have been listening to the discussion on waivers and I really come up with some big question marks. You said that you had granted 61 waivers to 38 States, is that right?

Ms. BANE. That is correct.

Ms. DUNN. So should we be assuming that in all of this discussion about waivers, you are not saying to a State, You can run your welfare program in any way you deem best for the citizens of your State, is that correct?

Ms. BANE. In looking at the waivers, Ms. Dunn, we are obviously giving the States an opportunity to do something different from the requirements that are currently in law.

Ms. DUNN. But we do not have 61 States——

Ms. BANE. That is correct.

Ms. DUNN [continuing]. So where are the 61 waivers? Are they going to smaller entities? Are they going to counties, for example?

Ms. BANE. I am sorry if I was not clear about that. It is 61 waivers to 38 States. What we are seeing is that many States who have a welfare reform demonstration in place want to make changes in it, improvements, do something more dramatic, or do it in a different area. So many States have come in for 1 second and, in some cases, even a third or fourth waiver. Wisconsin's waiver request, for example, will be the fourth one that we are dealing with from that State.

Ms. DUNN. Then let me talk 1 minute about the Wisconsin waiver. I was very surprised when I saw the President had endorsed the Wisconsin program and he was encouraged by the waiver, because it seems to me as we study the Wisconsin plan, according to the Governor who has implemented that plan, there are some huge differences in principle between what the President seems as if he wants to accomplish and what the State of Wisconsin has accomplished.

For example, the State of Wisconsin has ended the AFDC entitlement, or at least they have requested to be able to do that, and they have created a new system that is based entirely on work that does not provide child care, and depends on the working family to take care of these problems.

Does that mean that the President has changed his mind on what he wants out of these different programs, and why are these principles not in the welfare plan that you apparently are going to give to us after you have made changes on it?

Ms. BANE. The President has not changed his mind at all, Ms. Dunn. In the President's legislation, in the waivers we have granted, in our endorsement of the principles of the Wisconsin waiver, we have been firm in our principles of encouraging work, of supporting children. I can really only speak to that part of the request which has been submitted by the State, and interestingly, they actually submitted an amendment late Friday afternoon, which

makes it a little more complicated about speaking to it. The parts of it that are before us do indeed guarantee child care, do indeed assure that needy citizens of Wisconsin have work in order to support their families.

What Wisconsin does that is exciting and we are so encouraged by is to take the step of saying, We are going to provide and ensure work, and we are going to ensure the supports for work rather than simply providing cash benefits.

Ms. DUNN. You mention, Ms. Bane, that the President wants a clean welfare bill that requires work, promotes responsibility, and protects children. I am having a hard time trying to figure out why he does not simply sign off on our bill, because it does all of those things.

In your work requirements, for example, we are far stiffer from the exemptions you provide in your bill. You are actually exempting up to about 25 percent of the people who could be out there on workfare. In protecting children, you have already agreed that our bill provides $2 billion more in child care money than your own bill does. And in child protection, we have a very, very strong proposal to provide States the ability to find the deadbeat parents, 30 percent of whom escape across State lines.

Why is it the President cannot adopt H.R. 4 with the changes that have been added to it by the Governors and simply say, You have come far enough for me to care enough to sign your welfare bill? Why can he not do that?

Ms. BANE. Well, Ms. Dunn, I guess partly because we have not actually seen the bill. Obviously, the President wants to work with this Subcommittee on bipartisan welfare reform. The President vetoed H.R. 4 for the reasons that I will not repeat. I have said them before. We are very encouraged that the Governors' proposal and the bill you will be introducing increase funding for child care.

Ms. DUNN. I am going to interrupt you, Ms. Bane, because we have heard all of this before. I suspect that we are hearing a great deal of rhetoric today, and I am sorry. This is the third time we will have submitted a welfare proposal. You are fully aware of what is in our proposal, combined with the Governors'. You saw the same information we did on their proposal.

I suspect what we are seeing is a situation where you are setting this bill up to be vetoed again. We cannot have that. We have to believe you have integrity in going into this debate, that you are going to be willing to take a look at our proposals and these broad examples of what he requires in our bill are simply too broad. You have to get to specifics. We would like to see your specifics.

Thank you, Secretary Bane.

Chairman SHAW. The time of the gentlelady has expired.

Mr. Stark is recognized.

Mr. STARK. Thank you, Mr. Chairman, and thank you, Secretary Bane, for being here.

When Governor Thompson was here and he discussed his bill, I raised the issue then that the Catholic Church opposed his welfare reform bill in Wisconsin and the Governor dismissed that quite simply as saying, "The Catholic Church is wrong."

I know that Secretary Shalala received a letter, of which you received a copy, from the Interfaith Conference in Milwaukee, rep-

resenting about 80 percent of Milwaukee's religious leadership—Jewish, Protestant, Catholic, and others. They were concerned about some areas which made them decide that the bill was not good, or that the plan was not good. I am just going to review them and see whether the President's enthusiasm is based on any changes in the problems. I will just run through them.

In the Wisconsin plan, many welfare recipients would be forced to go to work instead of pursuing an education. In other words, current college kids are grandfathered in, but future children would have to work for 1 year before they would be eligible for any tuition assistance.

Child care is being reduced in quality. The State has had to create a new category of child care providers who can take up to three children with really no training at all, which I do not think we have ever found acceptable before. It may not be mean to children, but it may harm them.

Participants who do not get private sector jobs, which will be many, will be paid less than the minimum wage and there may be some legal implications in that.

As families have their wages increased, they may find that their disposable income goes down, something we tried to reform under President Reagan, to not take those marginal dollars away because of rising Federal and State taxes, as well as child and health care copays.

There is just an interesting sidelight, that for this plan to work, Wisconsin will have to create 50,000 to 60,000 new jobs and virtually have zero unemployment, something akin to pigs growing wings, but the Governor's plan thus far has, I think, created 50 or 100 new jobs in the entire State, so he is going to have to beef up his job creation. That may not have any effect on the President's decision to waive.

It also requires new mothers to work after their child becomes 12 weeks old. There is a problem in that relatively few of the existing child care centers will accept children that young, and I am not sure that problem has been resolved.

Then, of course, there is a flat rate payment regardless of family size for existing families, not for people who create new ones. As a grant, these people would be ineligible for the earned income tax credit, so that this further impacts them.

Those are issues that religious leaders find unacceptable. I, as an individual, find them harsh, if not cruel and risky for the children's safety. Can you comment about any changes or any requirements the President would impose relative to those issues that might set my mind at ease?

Ms. BANE. Again, Mr. Stark, what the President is enthusiastic about is Wisconsin's commitment to provide work for welfare recipients and to ensure that they have the child care that they need and the other supports that they need in order to be able to——

Mr. STARK. He likes the broad philosophy, he does not like the details, is that what you are going to tell me?

Ms. BANE. We have before us only a section of the waiver request as it has been submitted by the State. It does not, in fact——

Mr. STARK. Are you, as a professional, concerned about some of these issues that I raised, as to the safety of child care and the fact

that the marginal income would go down and that we would be below the minimum wage? Are those concerns?

Ms. BANE. I am certainly concerned about the safety of child care. I am certainly concerned about ensuring that the work that is provided for families is appropriate. I am concerned that we, in fact, work with the States.

Again, as I said, we have part of the waiver request before us. They submitted an amendment just last Friday which changes rather substantially the structuring of the work program. We are trying to understand that amendment and to see what effect it actually has. But I do look forward to working with them on this waiver because I think the concepts of the waiver are very interesting and innovative.

Mr. STARK. Would you support the waiver if these objections the religious leaders raised were not dealt with?

Ms. BANE. We, as you know, Mr. Stark, have a 30-day public comment period. We have already received hundreds of letters on the Wisconsin waiver, and the public comment period has not even started yet. We take very seriously the comments that we receive. I intend to look at them carefully and to follow our procedures in examining the waiver.

Chairman SHAW. The time of the gentleman has expired.

Mr. STARK. Thank you.

Chairman SHAW. Mr. Neal, I believe you had a question?

Mr. NEAL. Thank you very much, Mr. Chairman.

I think that listening to some of the back-and-forth today, it is indicative of how far this debate has moved in the course of the last 3½ years. But I think that among the compelling statistics that you offered this morning, Dr. Bane, and perhaps you could elaborate on it for the Subcommittee, was the suggestion I think you made, that you said the out-of-wedlock birth rate for teenagers has dropped in 30 of the 41 States?

Ms. BANE. That is correct.

Mr. NEAL. Could you elaborate on that topic?

Ms. BANE. We have seen the data that suggest that the birth rate has dropped and we are obviously very encouraged by it. I hope that what is going on there is the result of a new emphasis at the Federal level and at the State level on parental responsibility and on helping make clear to all young people that they should not have a baby before they are ready and able to support it.

I do not think we understand in any kind of scientific sense or in any detail what is actually driving that decrease, but we are all obviously encouraged by it and want to ensure that it continues.

Mr. NEAL. Thank you.

Thank you, Mr. Chairman.

Chairman SHAW. Dr. Bane, your background goes far beyond working at HHS. I know that you ran the welfare program for the State of New York and I know that you are a distinguished researcher at Harvard University. We are, indeed, privileged to have you as part of the administration, and I am not setting you up for a bomb. I honestly believe that.

Ms. BANE. But——

Chairman SHAW. Let me ask you a question, drawing on your past experience. I am thinking of a comment that was made this

morning by Ms. Eloise Anderson, who runs the welfare program for the State of California, and I think an equally respected advocate of welfare reform and certainly an expert in the field, as you are. She made the comment that when the mothers come off of welfare, that you see a marked change in the children, and a very favorable change, I might say. This would lead me to believe the moms that are actually going to work are probably doing a better job raising their kids than the ones that do not. Do you agree with that statement?

Ms. BANE. That has been my experience, just as it has been Ms. Anderson's. Some of the most heartening conversations I had as a Commissioner, and I know that Eloise has also, are with welfare recipients who have been able to move off of welfare into the work force; to hear them talk about the pride their children are taking in the fact they are working is very inspiring.

Chairman SHAW. We have talked in this Subcommittee so much about statistics, and the statistical data says that kids coming up in welfare families do not do as well in school, they have more problems, they are more likely to be on welfare themselves, they are more likely to have out-of-wedlock births, and they are more likely to get in trouble with the law. I think those statistics are interesting, but I do not think we are really putting it in the real-world sense. The fact is that for a child of parents who are on welfare, or a single parent, as is usually the case, that is on welfare, and the parent comes off welfare, there is a marked change in that child and a change for the better.

I look at this, getting the mother, the single mom, or the parents, in some cases, out of the welfare system as a rescue mission, and it certainly is. I have always looked at the problem we have with the welfare system today, the main problem we have with it is the people running the program have a vested interest in the problem rather than the solution. I think everybody wants to move toward being solution oriented rather than just simply let the status quo go, let people be as comfortable as possible.

When you look at the present welfare system, I can tell you, if this system was thought up by a think tank of conservative males, it would be thought of as being almost a fascist type of system. It is a horrible system and it has certainly sucked the life, blood, and the soul out of generations of Americans. It is wrong, and I think that all of us look at this as something necessary to go forward with.

I think perhaps the main differences with the administration lie in some areas such as time-limiting welfare. The President uses that term, but, indeed, he is not time-limiting welfare. After 5 years, he requires another type of currency to be paid, and that is vouchers, rather than absolute cutoff. Am I correct on that?

Ms. BANE. The President, Mr. Shaw, has been a leader in the conversation about time-limiting welfare, and I think the conversation that is going on now is very much due to his leadership. Our bill has a tough work requirement. People have to work after 2 years. It has tough sanctions for anybody who does not work——

Chairman SHAW. Dr. Bane, let me stop you there, though.

Ms. BANE. Sure.

Chairman SHAW. Is this not the toughest work requirement to say that, Look, you only have a time period here that you are going to be able to stay on welfare and receive these benefits and you are going to have to take control of your own future and go out to get work. Is this not the toughest work requirement? Is this not the toughest?

When you see that the bill we are going to be introducing and having a hearing on tomorrow is scored by the Congressional Budget Office as putting 1.3 million people to work where the President only addresses about 900,000, this is the Congressional Budget Office scoring, it is not this Subcommittee or this Congress. Do you not think that that is a system that really embraces work and is tough on work and requires work? That is one of the goals that has been expressed by the President and is one of the goals you have been expressing here at the witness table today.

Ms. BANE. Again, I think we are all struggling to make sure we have tough work requirements for those who can work, that we take account of the fact that many welfare recipients cannot work, and we make sure there are the resources in any bill we put together to ensure child care and other supports for people who work are there. That is what we are all struggling for, and I hope we can work together on this one, to match the work requirements with the resources.

Chairman SHAW. We are getting there. We are getting there. What is the savings in the President's bill?

Ms. BANE. I think it is $38 billion.

Chairman SHAW. Yes, $38 billion, and the President started out with an increased expenditure of $10 billion. He is getting there, and we are going to work with him and hopefully we can get something to his desk he can sign. I hope the question of an absolute cutoff is not a sticking point.

I believe that is one of the areas that Governor Thompson has asked for a waiver on. Can Governor Thompson get that waiver, because I believe that is really the heart and soul of the welfare reform waiver that he is asking for?

Ms. BANE. We are committed to tough time limits, and we are also committed to a safety net for children. Governor Thompson is committed to tough time limits and, I believe, to a safety net for children. I hope that we can work with the State to make sure that both of those are achieved.

Chairman SHAW. I think that gets me into the next area. We talk about how you granted 61 waivers to 38 States. That is after a great deal of time and negotiations, I believe I am correct on that, and that the States do not have the latitude that those statistics would indicate. So when they come in with their plan, then you all go to work with them. You negotiate with them, and the requirements they have, you cut them down considerably before you sign off on those waivers, and that is universally true.

So I think to say the administration is doing this by waiver simply means the administration is continuing to micromanage the welfare plans for the States. The Federal Government, to date, and this administration, to date, to my knowledge, have not allowed one single State to time-limit welfare, and that is the heart and soul of welfare reform. That is what is necessary.

To say that is cruel when you provide in there that they can make an exception for 20 percent of their caseload. That is recognizing there are problems out there that need to be addressed and need to be addressed with kindness and compassion. But we should not have to provide for people who are able to work where there are jobs. Why in the world can we not require them to work and get a real job?

Ms. BANE. Actually, Mr. Shaw, we have granted waivers to time-limit benefits in 27 demonstrations. Virtually all of those came in with exemptions to the time limit. Virtually all States that have requested time-limit waivers exempt those who cannot work. We have worked with them to make sure the exemptions are appropriate.

Chairman SHAW. But they still have to give benefits after the time limit, is this not correct?

Ms. BANE. They grant extensions to the time limit in cases where the adult cannot work——

Chairman SHAW. Is there one single case in which all AFDC payments can end after 5 years?

Ms. BANE. As I say, in every case, there are extensions to the time limit for those who cannot work and who are unable to find work through no fault of their own.

Chairman SHAW. Have you allowed any cutoffs for those who are physically able and mentally able to work, absolute cutoffs of all AFDC payments?

Ms. BANE. Yes.

Chairman SHAW. All AFDC payments?

Ms. BANE. In those circumstances where they are able to work and are genuinely able to work, benefits are cut off. We have granted time-limited benefits in 27 States.

Chairman SHAW. The child share as well as the adult share?

Ms. BANE. Pardon me?

Chairman SHAW. The child share as well as the adult share?

Ms. BANE. Yes.

Chairman SHAW. Then you should have no problem with this bill.

Ms. BANE. I have a problem with a bill that does not make sure there is a safety net for children and does not make sure adults who are playing by the rules in looking for work are protected.

Chairman SHAW. I worry when you start backing off and talking about safety nets, because safety nets, we know, is another word for continuing cash benefits or vouchers, some type of currency paid to the parents. You make a statement and then you start to backpedal, just like in your statement when you talk about cutoff of cash benefits. To say cash benefits are cut off but then the other form of currency is given to the recipient, that is not time limiting and that is not cutting it off and that is where we really need to go.

A couple of Members have asked for further questioning, so I am going to allow it as time allows us to do so.

Mr. Camp.

Mr. CAMP. Thank you, Mr. Chairman.

Dr. Bane, obviously, we have the Congressional Budget Office, and you are familiar with that office, and we often refer to it as CBO, and you know that that is not under the control of the Ways

and Means Committee or under either party's control. You are also aware they evaluate legislation and the costs of certain programs contained within that legislation, do they not?

Ms. BANE. That is as I understand it.

Mr. CAMP. I know that CBO has scored both the President's proposed legislation, which has not been introduced yet, and our Republican bill, and you are aware of that, as well?

Ms. BANE. Yes.

Mr. CAMP. One area where they have scored these bills is the area of child care and how much of a financial commitment does each bill make to child care. The President's bill spends $12.2 billion on child care, is that correct?

Ms. BANE. I believe that is correct.

Mr. CAMP. Our bill spends $13.9 billion on child care over a 6-year period.

Ms. BANE. Is that the H.R. 4 bill that was vetoed, Mr. Camp?

Mr. CAMP. No, this is the new version that will be introduced, or has been introduced——

Ms. BANE. The H.R. 4 bill that was vetoed, I believe, was substantially less than that. Am I remembering that correctly?

Mr. CAMP. H.R. 4 did have a different number, but I want to talk about what is before us today because the President in his veto message said that we did not spend enough on child care, did he not?

Ms. BANE. That is correct, and he was obviously vetoing H.R. 4.

Mr. CAMP. But now you would agree that we spend more than the President does?

Ms. BANE. And I am delighted.

Mr. CAMP. One of the other items this legislation has is a transferability within accounts, particularly from the cash welfare account, is that correct?

Ms. BANE. This is the new legislation, Mr. Camp?

Mr. CAMP. Yes.

Ms. BANE. Again, I have——

Mr. CAMP. All of my questions are directed to the legislation that has been introduced in the Congress, not to the bill the President vetoed twice, H.R. 4.

Ms. BANE [continuing]. I do have the disadvantage of not having seen the language of that bill, so I——

Mr. CAMP. H.R. 4 had transferability between accounts——

Ms. BANE. That is correct.

Mr. CAMP [continuing]. Between the welfare accounts, so you are familiar with the concept, are you not?

Ms. BANE. Yes, of course.

Mr. CAMP. One of the accounts that we allow transferability to is child care, do we not?

Ms. BANE. Yes, that was——

Mr. CAMP. In H.R. 4.

Ms. BANE [continuing]. That was one of the accounts you allowed transferability, yes.

Mr. CAMP. One of the accounts? All of the areas that were allowed transferability to in the previous bill were welfare related, were they not? I noticed in your answer to Mrs. Kennelly you said to "other programs," but you really meant other welfare programs?

Ms. BANE. It was actually, if I recall, Mr. Camp, very broadly defined, so that it could include a wide range of programs for low-income children, education, and——

Mr. CAMP. But all welfare related, correct?

Ms. BANE. I believe——

Mr. CAMP. And our current bill allows transferability to child care, so that States would have the flexibility, if there were the need, to actually spend more than the CBO scoring on child care, given the transferability, is that correct?

Ms. BANE. That is correct. I mean, again, I am trusting your summary.

Mr. CAMP. The mechanism would allow them to do that, would you not agree to that?

Ms. BANE. [Nods.]

Mr. CAMP. So the disparity between what the President spends on child care and what the Republican bill spends could be even greater. Given that we often hear defined the commitment in terms of the dollars spent, I just want it to be known for the record that our commitment is greater than the President's commitment. I thank you for your responses.

Thank you, Mr. Chairman.

Chairman SHAW. Mr. Ford, do you have further questions?

Mr. FORD. Yes. Thank you, Mr. Chairman.

Dr. Bane, I am looking at a side-by-side on welfare reform, the administration's bill, the Wisconsin W–2, and the Republican conference bill. Going back to guaranteed child care, I am not familiar with Mr. Camp's and the Republicans' new bill they have introduced today. At least, I have not been privy to that bill yet. But I see on the guaranteed child care, the administration guarantees that.

Ms. BANE. Correct.

Mr. FORD. And Governor Thompson's State guarantees that.

Ms. BANE. That is correct.

Mr. FORD. And the Republican conference bill does not guarantee that.

Ms. BANE. The Republican conference bill that the President vetoed did not contain a guarantee of child care.

Mr. FORD. I understand that the new bill, according to Mr. Camp, will have $13.9 billion in that particular bill.

Ms. BANE. I hope so.

Mr. FORD. Under the administration's provision of the guaranteed health care, the administration guarantees the health care. When you say guarantees health care or child care, what does that mean? Let me make sure I understand what the administration means when you guarantee that.

Ms. BANE. It means just that, Mr. Ford, that welfare recipients are assured of Medicaid coverage and they are assured of Medicaid coverage for 1 year after they move off the welfare rolls to a job.

Mr. FORD. One of my colleagues, Mr. Nussle, was talking with you earlier. Is Medicare guaranteed in the Republican conference bill which the President vetoed? It did not include the guarantee.

Ms. BANE. That is correct.

Mr. FORD. Let us move to the cuts in school lunches. The administration proposed no cuts. Under the Republican conference bill,

there are cuts in the school lunch program. I know that there are some child care feeding programs where you pick up some savings in the administration's package, but there are not any cuts in the school lunch program itself.

Ms. BANE. That is correct.

Mr. FORD. That is correct? There are some savings in aid to disabled children in the administration package. However, the administration savings are not at the tune of impact that the Republican conference bill would have on disabled children and SSI, is that correct?

Ms. BANE. The savings in the administration's bill are less than the savings in the vetoed conference bill, yes.

Mr. FORD. What about cuts in funding for child welfare programs for the abused, neglected, and foster care? Are there any cuts in the administration's bill?

Ms. BANE. No.

Mr. FORD. What about the Republican conference bill that was vetoed by the President?

Ms. BANE. The bill that was vetoed did contain some cuts in those programs.

Mr. FORD. So when the administration talks about a welfare package that will promote work and protect children, there is a distinct difference in what is in the Republican conference bill versus what the administration has proposed and that of what Governor Thompson has proposed with the waiver that has been granted by this administration, is that correct?

Ms. BANE. The concepts of promoting work and protecting children are there in both the administration's bill and in what we have seen of Governor Thompson's request.

Mr. FORD. Tell me about the concerns with the Wisconsin plan that may contain a subminimum wage. Would those same concerns be there with a block granting of the welfare program to the States? What guarantees do we need to make sure that welfare recipients will not be subject to subminimum wages?

Ms. BANE. I think we obviously want to pay serious attention to that and make sure it does not happen. About the Wisconsin proposal, as I said, Mr. Ford, the State of Wisconsin actually submitted an amendment late Friday which seems to make some change in the relationship between the benefit and the hours. I have not quite figured that out yet, but we are trying to pay attention and, again, to listen to the public concerns about this issue, because it is a very serious issue.

Mr. FORD. How do they do it, because it is a State-enrolled type of work program?

Ms. BANE. The State of Wisconsin is proposing to provide subsidized jobs or community service jobs for welfare recipients who cannot find a job in the private sector. They are proposing to provide either a grant or a wage for those jobs, and we want to make sure that they do, in fact, follow the minimum wage principle.

Mr. FORD. I think we have seen an increase in child support enforcement payments and collections under the administration. We have seen an economic plan which revitalized the economy and increased the earning power of millions of low-income families because of the earned income tax credit.

I mentioned some numbers earlier, and I will wrap up. We have seen the welfare rolls decrease by 10 percent. Earlier we spoke about 15 million welfare recipients, but I see we have had a decrease by 10 percent, from 14.1 million in January 1993 to 12.8 million in February 1996.

During that same period, child support collections have increased some 40 percent and the poverty rate has decreased by 1.2 million people. That means it has declined every year under the Clinton economic plan, different from that of the Bush recession that we were faced with in this country.

Thank you very much, Dr. Bane.

Ms. BANE. Thank you, Mr. Ford.

Chairman SHAW. Just as a quick followup, I believe, and you can correct me if I am wrong, that under Governor Weld of Massachusetts, under Governor Engler of Michigan, under Governor Thompson of Wisconsin, under Governor Carper of Delaware, we have seen those rates drop at a far greater rate than the national average. It is almost double, if I have my figures correct.

Ms. BANE. Actually, 40 States had declines in their caseload——

Chairman SHAW. I am just talking about the——

Ms. BANE [continuing]. And actually, the top one was Indiana, interestingly enough.

Chairman SHAW. Do they have welfare reform in Indiana?

Ms. BANE. Yes. They just began to implement welfare reform. Again, we worked very closely with them on their proposal.

Chairman SHAW. So welfare reform is working?

Ms. BANE. As I say, I think we can all be proud of what has happened in so many States in terms of declines in the welfare rolls.

Chairman SHAW. We believe in the States, too, Dr. Bane.

Yes, Mr. Collins.

Mr. COLLINS. Thank you, Mr. Chairman.

It is really encouraging to hear those reports and the report that Mr. Ford was talking about, the reduction in the number of welfare recipients based on welfare reform currently taking place. I just think that if we can make those types of accomplishments through waivers that give States some flexibility, what can we do if we give them total flexibility to administer their programs? I think we can make greater strides than what has already been made.

It was mentioned 1 minute ago that the conference report—of course, I thought the conference report and H.R. 4 were a moot issue and we were now dealing with a new bill—but the word "cut" was mentioned in reference to child welfare in the conference report. There was no "savings," and you agreed that there were cuts in the conference report on child welfare, is that not true?

Ms. BANE. Yes, and I am happy to use the word "savings" across the board.

Mr. COLLINS. I want to go back to the conference report. Actually, under child welfare, we had an increase in spending of $809 million in that conference report. That would not be a savings or a cut. That would be an increase in spending. Would you at some point go back and research that and drop the Subcommittee a note or drop me a note personally, explaining how you determined an $809 million increase in spending was a cut? I would appreciate it very much.

Ms. BANE. I surely will go back and look at that, Mr. Collins.

[The following was subsequently received:]

The House of Representatives passed the Conference Agreement on H.R. 4 on December 21, 1995. On December 22, 1995 the Congressional Budget Office (CBO) published two analyses of that legislation, based on its March 1995 baseline and on its December 1995 baseline, respectively.

H.R. 4 repealed funding for the following mandatory spending programs: Foster Care Child Placement and Administration; Foster Care Training; Adoption Assistance Child Placement and Administration; Adoption Assistance Training; Independent Living; and Family Preservation and Support. In addition, the bill provided new mandatory spending for the Child Protection Block Grant and Child Welfare Studies. CBO's first analysis, using the March 1995 baseline, showed that, in terms of outlays, the total impact of the repeals over the period FY 1996-2002 is budget savings of $15,403 million. In terms of outlays, the total impact of the new spending over the period FY 1996-2002 is budget costs of $14,286 million. On balance, CBO determined that, under the March 1995 baseline, the Child Protection provisions created net budget savings of $1,117 million.

In its second analysis, CBO estimated the effects of H.R. 4 using the December 1995 baseline. Using the later baseline resulted in smaller savings: $14,682 million. The level for new spending, $14,286 million, did not change. Therefore, under the December 1995 baseline, CBO estimated that child protection provisions would result in net budget savings of $396 million between FY 1996-2002.

At that point, the Administration's own analysis of the effects of the child protection provisions in H.R. 4 showed that total spending under H.R. 4 would be less than current law. This is consistent with CBO's analysis.

Four months later, the Department of Health and Human Services received a memorandum from CBO staff to "Interested Parties," dated April 26, 1996. This memorandum provided a new analysis of the previously vetoed H.R. 4. The analysis compared the spending levels in H.R. 4 to CBO's March 1996 baseline estimates of current law spending. This revised CBO analysis showed the budget savings from these repeals as $13,566 million, significantly less than CBO's December 1995 and March 1995 estimates. On the spending side, CBO determined that the H.R. 4 would provide $14,260 million, similar to its earlier estimates. Using the March 1996 baseline, CBO projected that the Child Protection provisions would result in new budget spending of $694 million between FY 1996-2002.

In addition, CBO estimated that the "effect of the Temporary Assistance Block Grant on the foster care program" would increase spending by $115 million over 7 years. Presumably, this additional spending would be caused by increased foster care caseloads resulting from the repeal of AFDC and its replacement with the Temporary Assistance Block Grant. Therefore, CBO, in its April 26, 1996 analysis, estimated that the combined effects of H.R. 4 would be to increase spending by $809 million over 7 years. This is the figure that you mentioned during the hearing.

The Administration characterized H.R. 4 as a cut in spending after looking at its effects on the baseline at the time the legislation was pending. This was consistent with CBO's analysis at that time.

Mr. COLLINS. Something was mentioned earlier about the school lunch program or the school lunch block grant. Truthfully, there is no school lunch block grant being proposed in the bill that we are now discussing, is that not true?

Ms. BANE. Again, I have not seen the bill. I am delighted if that is the case.

Mr. COLLINS. We are staying with current law, is that right? Yes, we are. We are staying with current law under the school lunch program. Good.

Thank you.

Something was said, too, about—and I noticed in your report that you say that the President is opposed to the transfer of funds of up to 30 percent from one program to another. I think we need to define this, and is it not true that the program would have to be another program dealing with welfare, though? It could not be a State program dealing with any other area of State government, just in the area of family and children, is that right?

Ms. BANE. The broad range of programs would be open there, yes.

Mr. COLLINS. But the 30 percent could be transferred to the area of child care.

Ms. BANE. It could be, and——

Mr. COLLINS. If a State is doing exceptionally well in moving people from a welfare roll to a payroll and they needed more money for child care, that 30 percent could actually be moved into child care to help encourage people to participate.

Ms. BANE. I was very pleased to hear Mr. Camp's comment, and I am delighted in the bill which you are introducing. You are allowing the transfer only to child care and not to the broad range of programs. That was something that the Governors suggested and that we are certainly pleased about, just as we are pleased about the fact that the child care money, as I understand it, in your new bill is greater than in the bill which the President vetoed, and that is terrific.

Mr. COLLINS. So I take that as a withdrawal of the objection to the 30-percent transfer, then? You said you were pleased with that. That is good.

Ms. BANE. Mr. Collins, as I understood Mr. Camp, there has been a change in your position in the bill to narrow the programs that the money can be transferred into. If that is correct, and I have no reason not to believe Mr. Camp, that is——

Mr. COLLINS. That means there would be a change in your position on that same issue, then. If we have changed ours, you have changed yours?

Ms. BANE. If there is a difference in the bill.

Mr. COLLINS. In your experience in dealing in this area, when a person moves from welfare to work, do they normally go to work with a small business or a large business, or is there any distinction between the two that welfare recipients usually are employed by?

Ms. BANE. There is enormous variation. I would guess that a large proportion of them do, in fact, go to work for small businesses. That is where a lot of entry level jobs are available these

days. I do not have an exact answer to that question, though, Mr. Collins.

Mr. COLLINS. Did I hear you say entry level jobs?

Ms. BANE. Most welfare recipients move into entry level jobs, yes.

Mr. COLLINS. Entry level means that they are low skilled or maybe even no skill.

Ms. BANE. That is true in many cases, yes.

Mr. COLLINS. That bothers me about a measure we have on the floor today dealing with the minimum wage, which in history has shown to eliminate entry level jobs. In fact, it is predicted 400,000 jobs would be eliminated under the increase in minimum wage that is being proposed today. Yet, we say that most welfare recipients who leave welfare and go to a payroll go to a small business at an entry level job. I hate that we may be moving on something that would eliminate some of those entry level jobs, because there is a possibility there that people on welfare could move to these jobs.

I see my time is up again, and we again thank you.

Chairman SHAW. Mrs. Kennelly is recognized.

Mrs. KENNELLY. Thank you, Mr. Chairman.

My staffer just handed me something on the transfer, and we are asking questions of Dr. Bane on the transfer. It is almost unfair because we have not seen the bill you have introduced today and we are very anxious to see it. As I began in the opening statement saying, I think we all want to do welfare reform. I think we can end by saying we all want to do welfare reform, and hopefully, we will all be able to work together and get a welfare bill.

Chairman SHAW. I might say, if the gentlelady would yield, that the subject of the hearing today is the Clinton welfare bill. Tomorrow will be the bill that we are filing.

Mrs. KENNELLY. I understand that, Mr. Chairman. I am just saying it is hard to answer questions in relation to the new bill until we have a little time to get another look at it.

Mr. Chairman, I just would say to you, and I think you and I agree on this, that here we are, all of us, in the first day of hearing, and we are going to have another day tomorrow, really in agreement.

What I hope is that we work this out and pass a bill, and I just hope—and I know I am preaching to the choir with you—it would be awfully nice if we could pass the welfare bill alone since we could all vote for it and agree on it. I just hope you will use your good offices not to tie it up with Medicaid. So I hope we get a straight up or down vote, because I think a good many of us—I know myself—want to vote for welfare reform.

Thank you, Mr. Chairman.

Chairman SHAW. Mr. Nussle.

Mr. NUSSLE. Thank you, Mr. Chairman.

I was wondering, Doctor, if you could tell us what you know of the Wisconsin waiver request that is coming. I can tell from your testimony today you are very perceptive of what has come down before. Are you in the room when these waivers are discussed and decided? Are you part of that crew that makes that decision, or are you the one that makes the decision? Are you the one?

Ms. BANE. I am often the one.

Mr. NUSSLE. All right.

Ms. BANE. I am the one that makes the recommendation to the Secretary. On Wisconsin, I am the one who makes the decision.

Mr. NUSSLE. Then we are talking to the right person. This is good. What do you know of the Wisconsin waiver request? What is this all about? What are we going to get, or what are you going to get? What is this program that they are asking for? Let me try it quickly, and then you tell me whether I am wrong. My understanding is it is basically, get a job.

Ms. BANE. That is correct. The request we have before us is a public document, obviously, and many people will be commenting on it. The request has a number of different sections. It expands JOBS participation to mothers with young children. It makes some changes in the program under which work is provided to people. It asks for a time-limited benefit. It guarantees child care to a larger range of folks. Then there are a couple of other provisions, as well. As I said, it is a subset of the Wisconsin legislation, and we are trying to look at it carefully and see exactly what it does.

Mr. NUSSLE. The way I understand it, and you are the person who is going to be making the ultimate decision, my understanding is, from my reading of it, I see nine—maybe more, but at least nine waivers coming immediately to the surface. I do not know if you have a running list of how many waivers they would need. How many would they need in order for this to be implemented? I know you do not have every little detail all written down, but my understanding is it is nine that come immediately to mind.

Ms. BANE. Actually, the State has said they need about 40 waivers.

Mr. NUSSLE. Oh, OK.

Ms. BANE. That is, they need waivers of 40 provisions of the Social Security Act. I have not counted them all, but that is their report.

Mr. NUSSLE. OK. Let me just run through a couple that I see. I will not go through all 40, but there are 9 that come immediately to me. There is basically a cold turkey time limit on this thing. Is this a waiver that is in the ballpark?

Ms. BANE. As I said before, our process involves a public comment period and working with the State. I hope that we can work with the State to make sure that the time limit is appropriate. Their time limit does have certain exemptions and extensions, as I have mentioned. It is not completely clear what those are, and I want to clarify that issue with them.

Their proposal and the waiver that is in place does have extensions and exemptions from the time limit for folks who cannot work.

Mr. NUSSLE. Again, my understanding is, according to both your bill and, obviously, the current situation, from what I understand of what the President endorsed and what Wisconsin has presented, it is pretty much a cold turkey. It does not go as far as your bill with regard to exemptions for work. This——

Ms. BANE. It treats the exemptions somewhat differently.

Mr. NUSSLE. But they are in the ballpark?

Ms. BANE. Again, what we are committed to is a safety net for children and making sure adults who can work do work and other people are protected.

Mr. NUSSLE. Let me try another one, then. They end the entitlement in Wisconsin. Is that in the ballpark for a waiver? These are the two big ones. It is the time limit and the end——

Ms. BANE. What they have requested, actually, is not to change the assurance that someone who is needy will get aid. What they have proposed to do is to say, We are not entitling you to cash benefits, we are assuring you an opportunity to work and receive benefits. That is what they are proposing to do, and that is what we are encouraging.

Mr. NUSSLE. There is a $20 copayment for Medicaid and for child care. These are in the ballpark for a waiver?

Ms. BANE. The Medicaid copayment is not before us. It was not part of what they submitted. As you know, we have had a position on that, but it is not before us. The child care guarantee and expansion is, in fact, before us, and again, we hope to work with the State on that.

Mr. NUSSLE. The President said he liked it. I think he said he endorsed it or endorsed the concepts of it, and going through the concepts, when it comes right down to the 40 waivers, and I hit some of the big ones and maybe there are some small ones in there, my understanding is you are not—I mean, there is no commitment from you yet or from the Department that they are going to get these waivers. The President said he likes it, but liking it and waiving it are two different things, right?

Ms. BANE. We are constrained by the law, and I also feel it is only fair to the State of Wisconsin to make sure that we understand exactly what is going on and fair to the people of Wisconsin to go through the public comment period before I commit.

Mr. NUSSLE. I am sure you will be very fair. Thank you.

Chairman SHAW. Mr. Levin.

Mr. LEVIN. Thank you.

You know, there has been a lot of discussion about the Wisconsin waiver, which is not in front of us. I was reading from U.S.A Today today and it says, "The Thompson plan moves in the right direction by providing wage subsidies and public service jobs." There is no reference to that, I think, in the new plan.

There has been a lot of discussion today about, Mr. Chairman, the new Republican plan which the administration's chief spokesperson here has never seen, nor have we. As you and I have discussed, I hope from now on we can work on a bipartisan basis, because if we do not, I think it is going to be a dead end.

Let me say also to Mr. Nussle on SSI, I would like to respond to you. I said your bill in that respect was mean to kids, and I deeply believed it. There was a 25-percent cut for seriously handicapped children, for their families. You have now dropped that. It was harsh. It was mean. I think that is why you dropped it, to your credit.

Let me just say about the contingency fund, we have not seen the language. I hope you have changed it, because H.R. 4 allowed a 30-percent shift to programs that did not necessarily relate to welfare. It could be transferred by the States to the social services block

grant, as I remember it, and some of those programs are unrelated to welfare.

I hope we can work on the issue of work and jobs, because it is so critical. For me, the key has always been to link welfare with work. I just have here the CBO analysis that indicates for the first 5 years, the plans, the old H.R. 4 and the President's budget, would essentially track. In a few years, H.R. 4 was lower and in other years, it was higher, except the fifth year, where there is a large jump. We need to find out, Mr. Chairman, why that is. You cannot tell from just looking at it.

Let me, if I might, ask a question of Secretary Bane. The Wisconsin plan, for example, has a link between the welfare-to-work program and health care. So does the Michigan plan. There is a provision so that people who leave welfare, if they are able, as they should and must, to go into work, if there is no health care in the job they go into, there is a provision in the Michigan plan for a transitional health care coverage. You do not have that in your bill, as I understand it. It was not in H.R. 4. There was a block grant to the States which could or could not provide health care.

Let me just ask you, as distinctly as you are able to answer today, is it essential that there be the linkage between the welfare-to-work program and health care? If there is not that linkage, is it likely or surely unacceptable to the administration?

Ms. BANE. We think that it is essential that health care coverage be guaranteed to those who now receive it and to those who make the transition off of welfare into work. That is something that the administration has been very strong on, Mr. Levin.

Mr. LEVIN. So in other words, a block grant of Medicaid to the States will continue to be unacceptable?

Ms. BANE. [Nods.]

Mr. LEVIN. OK.

Ms. BANE. The administration has said that in the past and will continue to say so.

Mr. LEVIN. Thank you.

Chairman SHAW. Dr. Bane, we thank you for your testimony this morning. I look in your testimony in which you said, speaking of the American people, "They want a bill that promotes work and responsibility." I think the American people want a bill that requires work and responsibility, and that is exactly what this bill we are going to send to the President does.

I think the marked difference we have with the administration, and you said it in your testimony, is that you want to be sure that a waiver is one that would be fair to the people of Wisconsin. The State legislature of Wisconsin, the State Governor of Wisconsin, believe what they have asked for is fair to the people of Wisconsin.

The main problem we have with our Democrat friends is that they want to have it fair to the people of Wisconsin as interpreted and seen through the eyes of the bureaucrats in Washington. That is what we want to break. That is a linkage that we want to break.

We feel very strongly that the people of Wisconsin can speak for themselves through their own legislature, Governor, and through their elected officials; that all compassion is not here in Washington. We believe in the States, and this is going to be a problem.

The linkage we are talking about, that Sandy was talking about between Medicaid and AFDC, by block granting it, there is a problem of that linkage, and you talk about that. We feel that that is a linkage—and Medicaid, remember, is a partnership program with the States. It is not just simply a Federal program. We feel that they will make the necessary adjustments.

So there is a big problem as to who believes in the States and trusts the States to do the right thing. Statistically, we have shown that the success stories are coming from the States and through the imagination of the States and that what they are accomplishing, which we have not accomplished through 60 years of welfare—60 years of welfare—is getting people off of welfare and into work. The real laboratories and real success stories are out there in the States.

Whereas certainly this administration, as well as, to a degree, the former administration, can take some of the credit in giving those waivers. Those waivers are simply letting the knowledge, the hands-on treatment of the States go to work to solve some of the problems that have become a tradition, a very sad tradition, in American government, and that is the growth of the welfare state, the growth of the welfare population. This is a linkage we have got to break and these are the changes we have got to make.

I am hopeful that as we reach out to the other side of the aisle, as we reach out to the administration, that we can come in and really deliver on the campaign promise of this President and that is to reform welfare as we know it today.

The hearing is ended.

[Whereupon, at 12:45 p.m., the Subcommittee was adjourned, to reconvene on Thursday, May 23, 1996, at 10 a.m.]

WELFARE REFORM

THURSDAY, MAY 23, 1996

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

The Subcommittee met, pursuant to notice, at 10:10 a.m., in room B–318, Rayburn House Office Building, Hon. E. Clay Shaw, Jr., (Chairman of the Subcommittee) presiding.

Chairman SHAW. It looks as though we are out of seats and the room is crowded. I apologize for not having a larger room today. If everybody could take what seats they have or find a place to stand, we will get started.

Yesterday, we heard about the Clinton administration's proposal on welfare reform. We found the President has now written a bill that closely parallels the new Republican bill, H.R. 3507, in almost every respect. Whereas 2 years ago, the President defined welfare reform as primarily involving just AFDC and child support enforcement, he now agrees that food stamps, Supplemental Security Income, child nutrition, the Social Services Block Grant Program, and welfare for noncitizens must also be reformed.

In fact, under cross-examination, Secretary Bane was forced to admit that the President has come over to the Republican side and was, relative to projected spending, reducing Federal outlays in every area in which the Republicans think spending is excessive. Now the President wants to reduce spending on AFDC, food stamps, SSI, child nutrition, and the Social Services Block Grant Program. In short, the welfare debate appears to be closing and all but over.

However, yesterday's hearing also showed the President's bill was flawed in four respects. More specifically, the bill has a porous 5-year time limit, a work requirement with too many loopholes, very weak provisions on noncitizens, and retains far too much control of welfare programs right here in Washington, DC.

We are very worried the left wing of the Democratic party will put so much pressure on the President that he will veto another good bill, as he has done twice in just the last year and a half. Thus, we call today's hearing to dramatize the serious social problems that our welfare system is causing and that will continue to fester if the President again vetoes welfare reform.

We need to be perfectly clear about this matter. The current welfare system is hopelessly flawed. Among its many problems, today we will examine only four of the worst. The system fosters dependency. The system is riddled with fraud. The child support system

is deeply troubled, and welfare for noncitizens continues to spin out of control.

We want the Nation to understand that Republicans, with some support from our Democratic colleagues, passed legislation that fixed these problems last year, but the President vetoed our bill. Now we are back again. The major purpose of today's hearing is to show that another Presidential veto will do serious harm to the very fabric of American society.

Make no mistake. The current welfare system constitutes a grave threat to our national security because it harms millions of families and children. Ironically, one person stands between the Nation and sweeping reform of our failed welfare system. That person is none other than the President of the United States, the person who promised to end welfare as we know it today.

Mr. President, we hope your advisors perhaps will bring you videotapes and a transcript of today's hearing. We hope before you allow yourself to once again be captured by the left wing of your party that you carefully consider the dark problems your own actions have allowed to devastate the vulnerable children and families you claim to be protecting. Responsibility for these problems is squarely on your shoulders.

Mr. President, in just a few weeks, you will once again have the best opportunity any American President has ever had to reform our hopeless welfare system and to rescue millions of Americans from its grasp. Your choice is clear. Will you answer the needs of liberals in your own party or the needs of every American family, but especially the Nation's poor families and their children?

We welcome all of our guests to this important hearing. Some of you have come a long way, and we greatly appreciate your willingness to pitch in and help Congress solve the welfare problem.

I now recognize the gentleman from Tennessee, Mr. Ford, for his opening statement.

Mr. FORD. Thank you very much, Mr. Chairman. You were calling the President's name so much, I thought he was in the room.

Chairman SHAW. I looked for him. He was not.

Mr. FORD. Mr. Chairman, I am sorry we are not going to have the Republican welfare bill discussed today with the witnesses who will be testifying. I know the Republicans introduced that bill yesterday, and we anticipated some discussion of the major components of the bill.

Instead, we will hear about the research on welfare dependency, progress with child support enforcement, more about the financial and emotional costs of childhood disability, and the impact of welfare reform on legal immigrants. Those are important topics, to be sure, but I wish we were devoting today's session to a careful review of the new Republican welfare reform plan introduced by the Republicans yesterday.

I expect we will be asked to vote on this plan in the next few weeks. A thorough public discussion of it would be useful to all of us who serve on this Subcommittee. Yesterday, it seemed even my Republican colleagues were searching for information about the new bill, and perhaps the Chairman will schedule a date sometime in the near future so we can, in fact, discuss the Republican welfare plan.

Reforming welfare in a way that protects children remains a primary concern to my Democratic Members on this side and the Democratic Members in the House, but sensationalizing problems that we all agree should be corrected is counterproductive, at best, cynical manipulation, at worst.

I was pleased to learn the latest Republican bill backs off the extreme cuts in SSI disabled children's benefits which the President vetoed in H.R. 4. The earlier bill would have cut benefits by 25 percent for even severely disabled children on SSI. However, Republicans continue to characterize their changes as ending crazy checks. In fact, there are fewer than 200 cases where this kind of fraud may be involved. That represents only two-one-hundredths of 1 percent of the nearly 1 million SSI disabled children in America. It is unfair to brand a large number of disabled children as recipients of crazy checks.

Among our witnesses today are Kim Bell and her daughter, who are truly representative of hundreds of thousands of courageous families who are dependent upon the SSI disabled children's program. They will tell us the real facts about the financial and emotional costs of childhood disability.

Mr. Chairman, I look forward to an informative session today on welfare reform in America.

Thank you very much.

Chairman SHAW. Thank you, Mr. Ford.

This morning, as you see, we have a lot of people here, a lot of interest, a lot of witnesses. I am going to enforce the 5-minute rule on both the Members as well as the witnesses. Each of you, as you come up, summarize as you may. Your entire statement which has been prepared and submitted to the Subcommittee will become a part of the full record.

I now recognize Mr. Becerra, who is from California, a Member of Congress.

Please proceed as you wish.

STATEMENT OF HON. XAVIER BECERRA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. BECERRA. Thank you, Mr. Chairman.

Let me again say to you and to the Members of the Subcommittee, thank you for this opportunity to come before you. I understand there are no other Members testifying, so I do really appreciate the opportunity to come here and talk a little bit about welfare and the reform of welfare.

Let me begin by saying that I, too, am very interested to see what this new proposal the Republican leadership announced yesterday contains. I do not believe anyone disputes at this stage that the current welfare system is broken and must be replaced, but as many have said, reform requires meaningful policymaking and we must do everything to avoid politically driven policies.

In respect to that, let me try to focus my remarks on just one aspect of what we are discussing with regard to welfare reform. I am concerned about a number of provisions and would like to see certain things done, but let me focus on something that does not often get much attention but in regards to welfare reform seems to be a major component because it is providing most of the dollars,

and that is legal immigrants, those people who are lawful permanent residents in this country, having been granted permission to be here and have every right now to be here and ultimately will become U.S. citizens.

These are people who pay taxes, just as any citizen does. They are required to abide by every single law. In fact, they are under more obligation to abide by our laws because if they do not, they not only face the penalty of prison or a fine, but they also face deportation, as well. They also are people who are unable to use benefits for the most part when they first come here because they swear they will not become public charges.

Finally, these are people who, like you and I as citizens, must take that solemn oath to be prepared to protect this country in time of war. They do that. Many have been awarded medals. We have a Congressional Medal of Honor winner who was a legal resident, and I suspect we have more than just one, but I am aware of at least one. So these are individuals who are in this country, and unless you happen to find out that they do not have citizenship, they are indistinguishable from U.S. citizens.

What I would like to discuss a little bit in the 5 minutes I have is where we seem to be heading. As I understand it, the current proposals from the Republican side seem to be getting most of their money, most of their savings from eliminating access to services at the Federal level and at the State level to legal immigrants. I have heard no one say these legal immigrants should stop paying the same State, Federal, local taxes, same property taxes, same business taxes, same sales taxes that we as citizens pay to have access to government services, but I do understand there is an effort now to ban their access to some of these programs.

Currently, under law, these immigrants are unable to access these services until they have been here for several years, and even when they do get access, they are required by law to apply the income of their sponsor, the person who first said, "I will make sure that this individual comes in here to be a law abiding, good working individual in this country."

Those sponsors must have their income deemed to that immigrant, which means if a sponsor happens to have a $30,000 income and the immigrant has a $20,000 income, the immigrant is deemed to have an income of $50,000, which in most cases would make that immigrant ineligible for any public services.

But there are occasions when an immigrant happens to be in an accident not of his or her own making, gets hit by a car, or gets hurt on the job, or gets laid off unexpectedly, and there are times when the immigrant, like any U.S. citizen who pays taxes, would like to have the benefit of being able to turn to the government for help in a temporary circumstance.

But under the proposals I have seen so far, those people who are on their way to becoming U.S. citizens would be deprived of that. I have not heard much in terms of policy reasons to deny those individuals who are paying taxes and defending this country in time of war access to those services, but I do know it generates a great deal of money.

Unfortunately, for States like California, Texas, Florida, localities like Southern California, Los Angeles, Orange County, other

cities and counties throughout this Nation, this will act as an unfunded mandate, because what you have is a person residing in that community, paying taxes that are going to the Federal Treasury to the tune of billions of dollars, but those dollars will never come back to the local community because these immigrants, these legal residents will no longer have access to services. It will act as a drain to those local coffers, even though most of these people are hard-working Americans. It would be a great disservice to those communities where we are trying to reform welfare.

I would just mention that most people who have studied this issue will tell us that immigrants on the whole contribute about $25 billion more than they take out in any type of public service. They generate a great number of jobs. Total immigrant income was estimated in 1989 to be about $285 billion. That income ripples throughout the economy and what we find is that most of these folks are coming to this country legally and have established themselves and are on their way to becoming citizens. They are just a step away from becoming U.S. citizens and are trying their hardest.

It seems to me if we really want to meaningfully reform welfare, what we would want to do is try to show those who have decided to make this their country and are working hard to prove to us they deserve to be U.S. citizens in this country, that we will not deny them a service simply because we find them to be a little bit different than U.S. citizens because of citizenship status.

I see my time has expired, the bell has rung, and I will conclude there, Mr. Chairman. I thank you very much for the opportunity to come before you and to try to play a role in trying to help shape our welfare reform policies.

Thank you.

[The prepared statement follows:]

STATEMENT OF HON. XAVIER BECERRA
A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

The Original Intent of Welfare Reform

As President Clinton has often said, the current welfare system is broken and must be replaced. This is true for the sake of the people who are trapped by it as well as the taxpayers who pay for it. When we began to consider reforming welfare, discussions centered on providing sufficient child care to enable recipients to leave welfare for work, rewarding States for placing people in jobs, restoring the guarantee of health coverage for poor families, requiring States to maintain their stake in moving people from welfare to work, and protecting States and families in the event of economic downturn and population growth.

But current proposals do little to move people from welfare to work. They are burdened with deep budget cuts and structural changes that fall short of real reform. For example, H.R. 4 was designed to meet an arbitrary budget target rather than to achieve serious reform. The legislation makes damaging structural changes and deep budget cuts that would fall hardest on children and undermine States' ability to move people from welfare to work. Making $60 billion in budget cuts and massive structural changes which puncture the safety net in a variety of programs, including foster care and adoption assistance, help for disabled children and legal immigrants, food stamps, and school lunch is not welfare reform.

With regard to legal immigrants and welfare use, my testimony will point out several important facts: 1) severe and unnecessary cuts to immigrant benefits were made in the conference report and in more recent proposals; 2) the Democratic compromise bill recognized that some access to benefits by legal immigrants could be altered in the name of welfare reform while preserving fairness and protecting the most vulnerable; 3) cuts are not warranted based on the evidence of use of benefits by immigrants, which is low; and 4) immigrants make valuable and lasting contributions to our society.

The Conference Agreement and the Democratic Position Compared

The conference agreement on welfare reform and the Democratic position are vastly different in their treatment of legal immigrants.

The Conference Agreement

The conference agreement passed in the House on December 21 of 1995 is especially hard on poor legal immigrants. Illegal immigrants are already ineligible for virtually all federal benefit programs.

Low-income legal immigrants would be denied aid provided under major programs such as SSI, Medicaid, and Food Stamps, as well as assistance provided under smaller programs such as Meals-on-Wheels to the homebound elderly and prenatal care for pregnant women. In certain areas, the immigrant provisions of the conference agreement are more severe than those of either the House or Senate welfare bills.

Among the most severe provisions are those that would affect the ability of poor elderly and disabled immigrants to receive SSI. Nearly half a million current elderly and disabled beneficiaries who are legal immigrants would be terminated from the program. They could qualify only after they became citizens or worked for ten years. For many poor immigrants who are old or disabled and can neither work nor, given their age or physical or mental condition, learn all that is necessary to obtain citizenship, this is tantamount to a lifetime denial of benefits.

The food stamp restrictions are equally severe. Both the House and Senate bills would have permitted food stamp benefits to continue for those legal immigrants who have been in the United States at least five years and are either 75 years of age or older or too disabled to naturalize. The conference agreement, however, makes most legal immigrants who are 75 or over or too disabled to naturalize ineligible for food stamps. They would be made ineligible for SSI as well.

These severe SSI and food stamp restrictions affect many legal immigrants with no other sources of support; for example, poor elderly and disabled immigrants whose sponsor has died or become impoverished. Child nutrition programs, including school lunch, and prenatal care are included in the list of banned programs.

The Castle/Tanner Compromise

More recently, Representative Michael N. Castle and Representative John S. Tanner have worked diligently to come to a welfare compromise that can address the outstanding concerns of many Democrats as well as Republicans. While their effort has resulted in progress on many fronts, on the issue of benefits to legal immigrants, this compromise is unnecessarily harsh.

The compromise is similar to H.R. 4, the House-passed bill, with several changes. As in H.R. 4, there is a ban on AFDC, food stamps, and SSI. While deeming is eliminated for all federal means-tested programs, the bill requires that Medicaid be deemed until citizenship. There are several groups who are exempt: battered women are exempt from any deeming requirements, families with children are exempt from the food stamp ban, disabled children are entirely exempt from bars and deeming, those who have paid FICA taxes for 60 months are entirely exempt, non-citizen's children are exempt from school lunch and child nutrition provisions, and non-profits are exempt from verification requirements.

The Democratic Compromise

The following provisions were made part of the Democratic substitute to the House welfare reform bill. The Democratic substitute was supported by every Democrat in the House. The Democratic substitute's immigrant provisions would make two significant changes in current law treatment of legal immigrants' access to federal welfare benefits.

First, the Democratic substitute would require that all family-based, employment-based, or diversity-based legal immigrants have a sponsor execute on their behalf a legally binding affidavit of support before they could be admitted to the United States or before they could have their status adjusted to that of a Lawful Permanent Resident. The affidavits of support would be enforceable against all federal, state, and local means-tested cash benefits.

Second, the Democratic substitute would extend sponsor-to-immigrant deeming in the AFDC, Food Stamp, and SSI programs until an immigrant attains citizenship. (Deeming requires that an immigrant's sponsor's income be considered as part of the immigrant's income in determining the immigrant's eligibility for benefits.)

Several classes of legal immigrants would be exempt from the sponsor-to immigrant deeming provisions. The exempted classes of immigrants would be:

- Legal permanent residents who are 75 years of age or older who have resided in the U.S. for five or more years;
- Veterans, active duty service members, and their spouses and minor children;
- Victims of domestic violence; and
- Legal permanent residents (and their spouses and minor children) who have paid self-employment or social security taxes in each of 20 different calendar quarters.

Immigrants and Actual Benefit Use

The readiness of many observers to believe that immigrant net public sector costs are high is due at least in part to the myth that immigrants are heavy users of welfare. Many believe that both legal and illegal immigrants are drawn to this country by the lure of the "welfare magnet." In fact, many immigrants, including most recent arrivals, are prevented from receiving most forms of welfare or public assistance:

. Undocumented immigrants are eligible for very little public assistance except for emergency medical care under Medicaid and Women, Infants and Children (WIC) program benefits.

. Immigrants who legalized their status under the Immigration Reform and Control Act of 1986 are barred from most federally-funded public assistance programs for five years after legalization.

. Immigrants granted temporary protected status under the Immigration Act of 1990 are barred from most federal benefit programs.

. Lawful permanent residents are effectively barred from receiving most cash assistance during their first three years -- and in some cases five years -- in the country. Because their

sponsor's income is "deemed" to be theirs during this period when determining eligibility for benefits.

The statistics on welfare use among immigrants reflect the effectiveness of these restrictions. According to research completed by the Urban Institute, among non-refugee immigrants of working age who entered during the 1980s, 2.0% report welfare income versus 3.7% of working-age natives. This difference is quite substantial, particularly in light of the relatively low incomes of these recent immigrants. Among longer-term immigrants of working age, 3.2% are on welfare, still below the proportion of working-age natives on welfare.

While welfare use among refugees is higher, there is a strong practical and ethical case for providing them support upon arrival. They are fleeing persecution, their departure is unplanned, and they arrive often traumatized by war. By sheer definition, these immigrants seek refuge.

Legal Immigrant Use of SSI

While it is true that noncitizen use of SSI has increased substantially over the last twelve years, it is important to note that immigrant use of SSI is not spiraling out of control. In fact, the rate of increase peaked in 1991 and is now at its lowest level since reliable statistics started being collected in 1982. Statistics also show that the noncitizen proportion of the SSI applicants has also been declining since 1990, from 8.2% in that year to 6.8% in 1994. Finally, the absolute number of applications by noncitizens declined last year for the first time by 3.5%.

The Contributions of Legal Immigrants

While little work has been done on the contributions of immigrants, a recent study by the Urban Institute compiled an impressive array of factual data which shows that contributions of immigrants to the U.S. economy are substantial. It becomes clear that immigrants are not a burden to this country and in fact create significant wealth and opportunities.

Research has shown that immigrants create more jobs than they themselves fill. One of the most positive employment effects of immigration is the retention of industries that would otherwise have moved overseas. If no Mexican immigration to Los Angeles had occurred between 1970 and 1980, for example, 53,000 production jobs, 12,000 high paying non-production jobs, and 25,000 jobs in related industries would have been lost.

Another source of job creation is the entrepreneurial activities of immigrants themselves. In 1990, almost 1.3 million immigrants were self-employed, a rate higher than natives.

Regarding spending habits, immigrant spending ripples through the economy, creating jobs and generating revenues for businesses and governments. Total immigrant income in 1989 -- $285 billion according to the 1990 census -- represented about 8% of all reported income, equal to immigrants' share of the population (7.9%). Even recent immigrants with their relatively low earnings had an aggregate income in 1989 of $80 billion.

Other nonquantified benefits of immigrants include the job-creation effect of the newspapers, magazines, and radio and TV stations serving immigrant communities. Also, in cities throughout the country, immigrants are credited with reviving once-abandoned commercial areas and with revitalizing entire neighborhoods.

Finally, and importantly when considering receipt of benefits by immigrants, immigrants are net contributors to the tax base. In aggregate, immigrants pay $25 billion more annually than they receive in benefits according to an Urban Institute study.

Conclusion

Provisions in the welfare reform bills which were passed by the House and the Senate would restrict eligibility to Medicaid, food stamps, SSI, AFDC, and other federal programs to legal immigrants. Such a move turns back the clock to a darker time when people in America, but only certain people in America, lived and worked under the shadow of second class status.

There is no justification for targeting immigrants who do not abuse the welfare system. Immigrants work hard, play by the rules, pay taxes, and serve in the military at America's calling. Most immigrants are long-term residents who have lived in this country and paid taxes for ten years or more. Immigrants do not come to this country to take advantage of our welfare system. On the contrary, studies indicate that non-citizens are less likely to use welfare than their citizen counterparts.

As the Governors may have realized when they decided not to ban immigrants from welfare receipt in their welfare proposal, some immigrants will still experience personal hardships. When the federal government reduces its contributions for caring for the needy, including those legally in our country under laws enacted by Congress, those individuals' needs do not disappear. Instead, the burden is simply shifted to States and local communities. As a result, not only will immigrant families suffer, but State and local governments will suffer the sight of their immigrant residents paying federal taxes to Washington (none of the so-called reform proposals relieve immigrants from paying taxes for services they are being denied) and Washington failing to return a fair share of those immigrant-generated tax dollars to the location of their creation.

I hope that the testimony received today will help to inform the debate and will make clear that cutting benefits to immigrants is not welfare reform, rather it is a budget-cutting measure that is certain to adversely impact immigrant children, immigrant families, and States and localities where they reside.

I thank the Committee for allowing me this opportunity to provide testimony and stand ready to assist as consideration of this matter continues.

Chairman SHAW. Do any of the Members have any questions?

Mr. LEVIN. I do.

Chairman SHAW. Sandy.

Mr. LEVIN. I will not ask a question, but Mr. Chairman, I want to use part of my 5 minutes to reflect on your comments because I think we have an opportunity in this Congress to achieve welfare reform if we do not allow it to become totally politicized.

You and I have talked a lot about this. I hope the statement you read was not written by you because I think, if I might say so, it does not get us off on the foot or the feet necessary for us to work together.

Chairman SHAW. Would the gentleman yield, because I think you have got to know the frustration we feel on this side when we work with the President. When I went down to the Blair House conference, the President said to all of those present—he and Vice President Gore spent the whole day with us—he instructed everyone in that room to come back and work with him to try to fashion a welfare bill.

We got a bill. We sent it down. It is very much modeled after what the President ran on and what was in the platform of your party, the Democratic party. We sent it down after all of the work that we had done, and I can tell you, frustration was building through several Congresses where we were absolutely gagged from even passing a welfare bill. We sent it down and he vetoes it, not once, but twice.

Mr. LEVIN. Let me just spell out again why that happened. We started this welfare reform effort in this Subcommittee long before 1992. We took steps in 1988 to begin to link welfare to work. The President vetoed H.R. 4 because it was inadequate on child care. You have backed off your H.R. 4 proposal and moved toward what the Governor provided, which is close to where President Clinton was.

In terms of the contingency allocation, which the President said was inadequate to cover times of recession, the Governors said your program was inadequate. You have now adopted something along those lines, apparently. We had to scramble to see the bill. We did not even have the courtesy of being shown the bill before it was introduced or even after it was introduced. We waited until midnight last night and then, I think, into the early hours.

Chairman SHAW. It was just introduced yesterday, Sandy. I do not know where——

Mr. LEVIN. But if there is a true bipartisan effort, you would think we would see it. SSI children, the President made clear that your provision for cuts of 25 percent for families with severely handicapped kids was too harsh. The Governors said the same thing and you have backed off it.

When it comes to foster care, you ended the present assurance that States will have adequate moneys. The Governors said the same. You have backed off your position and now moved toward where the President was.

In terms of child nutrition, the Governors did not accept H.R. 4. You again ended the assurance of funding and went over to a block grant. As I understand your bill, you have abandoned that position.

So, look, there were legitimate, strong reasons for the President's veto. He said it was not strong enough on work and it punished kids. You have moved, and there is, I think, a basis for negotiation if we do not stand here or sit here and try to make political points. There are some legitimate issues that are outstanding and they include——

Chairman SHAW. If the gentleman——

Mr. LEVIN [continuing]. Let me just finish. Food stamps, I do not know what you are going to be doing with that. The issue of State accountability and whether there can be a State transfer as in your original bill, 30 percent on a broad basis, contrary to what was said here, unrelated to welfare, under the Social Services Block Grant Program. A lot of moneys could have been shifted there by States unrelated to welfare.

The Medicaid linkage, the President made it clear. There has to be health care for those who move from welfare to work, for their children. You delink that in H.R. 4 and apparently continue to do so. That is a legitimate difference of opinion and we need to discuss it.

Another issue is legal immigrants, and I just want to ask Xavier if you can sum up, because I do not think you had time, why you think that the present proposal—we have not seen it, but I think it is the same as H.R. 4—is too harsh. Just sum it up, if you can, in a few seconds.

Mr. BECERRA. As you said, we have not seen it yet, but if I understand it, if it is similar to H.R. 4, the problem is you have people who are paying taxes yet will require a service if they become injured or an accident occurs. That does not end. The local government, the local hospital will still have to provide a service, but the local hospital, the local government will never see the Federal tax dollars that immigrant contributed to the stream of the economy come back to the local government so that the local government will be reimbursed legitimately for the cost of that particular service.

That is the concern. You have billions of dollars being produced by legal residents that are going to the Federal Treasury but with H.R. 4 would never make it back to the localities where they live and work. That would be totally unfair, not just to the person who worked and paid the taxes but to each and every neighbor that that person has because now those neighbors are being told, you have got to pay more taxes locally because the Federal Government has decided to keep some of those dollars your neighbor, as a legal immigrant, paid into the Federal Treasury.

There can be distinctions, and some of us have agreed. We can see things like extending the deeming requirement so people who come to this country must abide by their word in saying, "We will not become public charges." But to eliminate them completely from programs simply because the characteristic that distinguishes them is they have not yet become citizens, because they ultimately will, would be unfair.

Chairman SHAW. Mr. Becerra, you make a very strong statement and I can understand the logic of your argument. I would just say to you that going on welfare is a deportable offense under existing law.

Mr. BECERRA. Absolutely.

Chairman SHAW. Under existing law.

Mr. BECERRA. Correct.

Chairman SHAW. There is a strong disproportionate number of noncitizens on welfare today, and that is a problem.

Mr. BECERRA. Mr. Chairman, I would disagree with you very strenuously on that point. Most of the studies, I think, that have been done, and we can all show studies that show whatever we wish, but most studies show that legal immigrants, legal residents, use welfare at a much smaller rate than the citizen population.

Where you will find a dramatic number of legal residents using welfare is in the refugee population, but understand why. Refugees come to this country literally with only the clothes on their back. They are asking for refuge because they are escaping political persecution or death.

We have, as a country, always said—this is not anything new. We have always said, if you are a refugee, you are going to be entitled to some Federal assistance, as we provided to the Vietnamese who came over, because we understand your circumstances. Those individuals in that category of legal immigrants have skewed the readings for legal immigrants. But if you take away the refugee population from the legal immigrant category, you will find, on the whole, legal immigrants use welfare much less than the U.S. citizen population does.

The one area that I know that the gentleman has pointed out in the past, SSI, which has seen a dramatic increase in the number of elderly immigrants, is attributed not to fraud, not to misuse of the program, but to the fact that over the years, we have had an increasing population of immigrants and, obviously, some of those immigrants have become older and eligible for SSI or some came at an older age. So we have seen that increase.

But quite honestly, what we have seen over the last few years is a decrease in the rate of those people coming in under that category. So Social Security will tell you, it is not because of abuse. HHS will tell you, it is not because of abuse or misuse of the program.

Chairman SHAW. Mr. McCrery. I would say that Mr. Becerra is on a tight schedule, so you will be the last person to question him.

Mr. MCCRERY. Thank you, Mr. Chairman, and thank you, Mr. Becerra, for appearing before us today.

I have before me the most recent study I am aware of on the participation of immigrant families in welfare benefits in the United States.

Mr. BECERRA. And which study is that?

Mr. MCCRERY. It is a study by George Borjas, who is a professor at the John F. Kennedy School——

Mr. BECERRA. And understand that Mr. Borjas' study does not—it is aggregate. He talks about immigrant families. So you could have one immigrant——

Mr. MCCRERY. No, he does. He does.

Mr. BECERRA. The Borjas study that you are speaking of——

Mr. MCCRERY. If you will let me finish, then feel free to bring the study——

Chairman SHAW. The time belongs to the gentleman from Louisiana.

Mr. MCCRERY. Borjas does, in fact, distinguish between refugees and the general immigrant population. While he acknowledges that the refugee participation is much higher, he concludes that even without that, the immigrant participation is considerably higher than the native-born population. Mr Borjas concludes,

> In fact, if you take into account all forms of welfare, not just cash benefits, the participation rate among immigrant households is 47 percent higher than native-born households in this country.

The general conclusion that Mr. Borjas reaches is that the evidence has become overwhelming that immigrant participation in welfare programs is on the rise in this country.

I do not discount what you have shared with us this morning. In fact, I would hope that you would work with us to try to find a way to stem this rise. But first, we must admit there is a problem. We cannot continue to say that the immigrant population is not a problem in terms of participation in the welfare programs because the evidence, as Professor Borjas has said, is overwhelming that it is. But I am encouraged by your willingness to look at the deeming element. That is certainly a step forward. I would welcome any comments you would make.

Mr. BECERRA. I thank you for the opportunity to respond. Let me say that perhaps the most important thing I just heard you say is we should work together. I think you are absolutely correct. There are things that need to be done within the system of welfare or social services for anyone, whether you are a citizen or a legal resident in this country.

What I would ask you to do, though, is take a look at the Borjas study. What you will find is that Mr. Borjas did a study of families, of households, and if he found one individual in the household who was an immigrant, he categorized it as a single unit. So a household that had six people in it, if one individual was on welfare, then that unit was on welfare. If the person who was on welfare was not an immigrant but was a U.S. citizen, it made no difference. That household unit was still counted as being on welfare.

That is why you see such a marked increase of welfare use among the immigrant population; not because it is the individual immigrant using the welfare, it is because of the household where the immigrant was was included. What you will find is if you disaggregate, as the RAND studies have done and those studies that have tried to collect all of the information from all the different researchers, including Mr. Borjas, is that the level of usage of welfare by legal immigrants is low.

The principal reason is when you are a legal immigrant, you have signed a document saying, "I will not become a public charge. If I do become a public charge, I understand that I can be deported." And second, you have to sign another document that says,

> For me to come in, I have to be sponsored by someone, a U.S. citizen who says that that person, that citizen will be responsible for me should I ever become a public charge.

So if there are increases, which the RAND study did not show, then certainly we should address that. But perhaps the most important thing we should do is, as I said before, you can take a

study and do anything you want with it, is to first decide, Do we, as a country, wish to exclude and completely ban people from access to a service when the only distinction between that person and someone else who is a U.S. citizen is the fact they have not yet reached the point of being sworn in?

I have so many people coming to me these days asking me,

> You mean, I am working right now, but if I should happen to get injured on the job, I am going to lose the ability to go after my employer to help me pay, or if I need some temporary assistance, maybe to seek some public assistance, given that I pay taxes?

I must tell them, if these proposals pass, that would be the case.

Mr. McCRERY. Thank you. You may know about the CRS study. CRS is a completely nonpartisan, objective institution, and they conclude that although immigrants constitute only 6 percent of the overall population, they constitute 10 percent of all SSI recipients, 16 percent of SSI recipients aged 65 or older, 7 percent of people living in AFDC families, 12 percent of people living in families receiving State assistance, 8 percent of Medicaid recipients, and 8 percent of people living in households receiving food stamps. So there again——

Mr. BECERRA. You see, that is all consistent with what has been said before. The reason you have a high SSI rate is because you find a lot of immigrants are not high income, and if they do get injured, they are not going to be insured, so they will turn to the Supplemental Security Income Program.

Chairman SHAW. I am afraid that is going to have to be the last word in respect to your schedule, but I would like to say, I am sure you know as well as I do the courts have ruled the document that people sign to sponsor someone in the country and say that they will not allow them to become a public charge has been ruled by the courts as unenforceable. That is something we hope to change.

Mr. BECERRA. Mr. Chairman, that is something we should make enforceable in every respect that we can, absolutely.

Chairman SHAW. We look forward to your supporting that.

Thank you for being with us.

Mr. BECERRA. Thank you for your time.

Mr. RANGEL. Mr. Chairman, may I ask him a question?

Chairman SHAW. He is trying to make a plane. I will be glad to recognize you and then Mr. Collins.

Mr. RANGEL. Do you think we make the existing law enforceable, that is, as relates to sponsors and deportation for those who are public charges, and we have greater flexibility in the laws for those who find themselves in harm's way? If they have a history of legally working and paying taxes, shouldn't they be given some equitable rights?

Mr. BECERRA. Mr. Rangel, I believe there is every opportunity to come to some consensus here. If someone has come into this country saying, "I promise you that I will not become a public charge——

Mr. RANGEL. Exactly.

Mr. BECERRA [continuing]. "And I have a U.S. citizen in the country who is going to be my sponsor who has promised this government, as well, that that person will not let me become a public charge," I believe that we should do everything to enforce those two

promises so that no one in this country, no one in this government, and ultimately the government is the people, has to worry about taking care of someone who has made a promise to us.

Mr. RANGEL. Thank you. Mr. Chairman, I think some Americans believe we cannot afford to take care of our own, much less people that come into the country illegally or those who are not citizens. But we have a great reputation as a country having a heart and we should enforce the law against those who violate their promise. I think many Members will support you to help those with equity, which I know is in the heart of everybody, for someone that just falls in harm's way while they are waiting to become an American citizen. If you put together a little team of those that have an interest in it, we will work very closely with you.

Chairman SHAW. That is a part of the immigration bill which the President has threatened to veto. I do not know where that stands now as far as the Senate or the conference. I think it is in conference. I think the Senate has passed one and it is in conference.

Mr. RANGEL. What I am saying is, rather than just generalizing and proposing a law that says if you are not a U.S. citizen, you do not have access to anything, I think we can find something to recognize equity and still tighten up and find savings someplace else.

Mr. LEVIN. Would the gentleman yield for just one comment?

Mr. RANGEL. I yield.

Mr. LEVIN. Mr. Chairman, I think that the bill we passed on immigration—and I will just take 20 seconds—provides a basis for further discussions, but this bill goes considerably further than the provisions in the immigration bill. So I hope we can sit down and see if we can work this out to make sure contracts are, indeed, enforced as well as enforceable and people do not try to beat the system, while at the same time, people who are in the process of becoming citizens are not left totally out in the cold if they happen to come on difficult circumstances.

I would think there is some common ground available here if we will work at it, and we are willing to do that.

Thank you for your time.

Mr. RANGEL. Let me thank you for your eloquent testimony.

Mr. BECERRA. Mr. Rangel, if I could make one last comment, I was asked by my mother the other day how this would have affected her. She has been a citizen for over 25 years. I had to tell my mother, had she come into this country after—she came in about 1950 or 1952—had she come in under the circumstances that now confront some of the folks that are coming legally into this country, she probably would not have access to certain services, even though she has worked her entire life, never been on welfare, and, in fact, at one point was a social worker in a welfare department in Sacramento, California, never using welfare.

But I had to tell my mother—she is fortunate, she is a U.S. citizen, but the only thing that distinguished her when she was a legal resident from someone who now might be deprived of access to a service, even though she was paying taxes, was that she is a little different, or was a little different. Unfortunately, being only different in the sense of not having yet been sworn in would have deprived my mother, who has always been a taxpayer, of the oppor-

tunity to use the services this country has made available to those who fall under some circumstance not of their own making.

Mr. RANGEL. We all believe we should do right, but we have to make a political statement. If we can agree on it, I think that would be important.

Mr. BECERRA. I thank everyone for their time.

Chairman SHAW. Mr. Collins.

Mr. COLLINS. Thank you, Mr. Chairman. I will be brief.

I think the political statement has been made, and that is, we should enforce the laws that are on the books today and those affidavits that are signed when people come to this country. I think that is the political statement.

In relation to the public assistance, though, as long as you supplant with public funds the responsibility that is entered into when those affidavits are signed, you will have a very tough time enforcing the laws.

Tax dollars that are paid into the government are not paid in strictly and solely for social benefits. There are a lot of other benefits, as you well know, that come from being a resident of this country, whether you are here legally as an immigrant or whether you are here as a citizen. Until such time as you become a citizen, become a vested interest, those dollars you pay in are providing for a lot of other services, and once you become vested as a citizen, the social benefits are available then.

I can appreciate what you are saying and I do not mind having the dialog, and I think it is very good for you to come to the Subcommittee and to present your views on this. I think also that when it comes to actually working together, that you formulate some provisions you would like to see and not just say, let us work together to get it done. Put it down in black and white, send it to us and let us review, and also have a dialog about the information that you send to us.

Thank you for appearing here, and thank you, Mr. Chairman.

Mr. BECERRA. If I could respond, Mr. Chairman, and Mr. Collins, if you would give me a moment to respond, I thank you for the offer. In fact, I have submitted proposals on how to deal with the issue of legal residents when it comes to welfare. Those did generate up to about $6 or $7 billion of savings by extending the period under which someone would not qualify for a particular service because you have a sponsor who says he or she will be the caretaker.

So, in essence, making the affidavit enforceable so that the sponsor, if not the immigrant, would have to provide the moneys for any service, that has been done.

Chairman SHAW. We may be closer than you think, because the bill provides that someone who has been here 10 years can collect welfare. So it is not just an absolute cutoff. The people who have been here paying their taxes, working hard, and do not have a sponsor now to fall back on, they are covered after 10 years.

Mr. BECERRA. Mr. Chairman, you are right. That is a good provision within any of the proposals, because we are recognizing if you work hard, you should have that access.

Chairman SHAW. I think it is a good sign when you say anything good about that proposal.

Mr. BECERRA. No, let me tell you, I know we are all trying to reform. I just hope that what we do is do it so we are doing it across the board. When Mr. Collins says you vest in your rights to access to certain services, I would only say that the 14th amendment does not talk about U.S. citizens. It talks about every individual in this country.

I suspect that if we look back to the 1700s when we had folks dump tea into a harbor in Boston, what they fought against was taxation without representation. But what you have is a whole group of people, about 10 million people in this country, who are lawfully in this country, who are paying taxes and now face the specter of not being able to get a service from a government they pay taxes to. That, to me, seems another reason to throw some more tea into the harbor. We want to make sure we do——

Mr. COLLINS. Reclaiming my time, though, that was prior to our social programs today. In fact, I believe I read somewhere where they tried to actually have a social living at that time. They tried it for 1 year and they all almost starved to death, so they finally got out hoofing it on their own so that they all could exist.

Thank you, Mr. Chairman. I yield back my time.

Mr. BECERRA. Thank you, Mr. Chairman. I appreciate your time.

Chairman SHAW. Thank you.

We have a vote on the floor, so if the next panel can be seated while we are out, we will recess for just a few moments in order to vote.

I would like to also, just in very short response to what you said, Sandy, regarding the bill, the bill was filed after 8 p.m. last night. The administration came by our offices and picked up a copy. Your offices, I think, did not get it last night, but it was delivered outside your door at 8 a.m. this morning. I think that is pretty good, because the bill was being worked on all day. So it was made available to you all just as soon as we had it. It would have been given to you last night had you had the staff to take it. It was hand delivered outside your office at 8 o'clock .

We are trying to work with you, and I know what it is like to be in the minority, believe me, after 14 years of it. I am trying to work as closely as I can to be sure you all are informed so you do have an opportunity to debate the issues with us in an open and proper manner.

We will stand in recess for approximately 10 minutes.

[Recess.]

Chairman SHAW. If everybody could take their seats, come in or out, whatever direction you are going. I apologize for the delay. I think we have about an hour and a half now before we will be interrupted again.

Our next panel includes Dr. Pavetti, who is a research associate at the Urban Institute of Washington, DC; Ed Schilling, who is the director of the Fond du Lac County Department of Social Services, Fond du Lac, Wisconsin, which has been in the news quite a bit lately; and Robert Rector, senior policy analyst at the Heritage Foundation, Washington, DC.

Thank you, and to repeat again, we are going to be enforcing the 5-minute rule on Members and the speakers.

Dr. Pavetti.

STATEMENT OF LADONNA A. PAVETTI, PH.D., RESEARCH ASSOCIATE, URBAN INSTITUTE

Ms. PAVETTI. Good morning, Chairman. I would like to thank you for this opportunity, as well as other Members of the Subcommittee, to talk with you about time on welfare and welfare dependency. What I would like to do is to begin with four summary points and then, with the time I have left, I would like to talk about two of those points in a little more detail.

The first point I would like to make is that a complete picture of understanding time on welfare requires holding in view two seemingly contradictory facts, and those are: The majority of families who ever use welfare actually use welfare for relatively short periods of time. But if you look at the current caseload or the caseload at any point in time, the majority of families will eventually receive welfare for long periods of time.

The second point I would like to make is that a substantial fraction of the AFDC caseload could potentially be affected by policies to time limit AFDC benefits. On average, at a given point in time, about 70 percent of current AFDC recipients have already received AFDC for more than 24 months and 48 percent have received assistance for more than 60 months.

I think there are two ways to think about those numbers. One is that if no one changed their behavior, those are the number of families under a time-limited system who would be eligible under the current system who would not be eligible with a time limit in place. The other way to think about those numbers is the number of families who would have to change their behavior or we would need to be thinking about, What do you do to get them to change their behavior so they will not be affected by a time limit.

The third point I would like to make is that recipients who spend long periods of time on the welfare rolls are primarily women with very limited job prospects. Recipients who first receive welfare when they are young and never-married mothers are also overrepresented among long-term recipients, as are minority recipients.

But education and previous work experience are the two factors that are most highly associated with whether or not someone actually leaves welfare for work. I do not want to say that being a single parent who has never been married is not important, but the most important factors that really do contribute to long stays are very low education levels and limited work experience.

Finally, the final point is that to make a successful transition work, there are some families who do spend long periods of time on the welfare rolls who are likely to need more assistance than is generally provided by our traditional welfare-to-work programs. Providing this additional assistance will require flexibility. It will require a broad range of allowable welfare-to-work activities, and often, it will require additional or redirected staff resources.

Now what I would like to do is to talk in a little bit more detail about what we know about the time people spend on the welfare rolls. First of all, I think most people know at this point that the

welfare system is a very dynamic system. There is a lot of movement on and off. In an average year, about one-half of the AFDC caseload actually turns over.

Of those people who leave during the year, the estimates are anywhere from one-half to two-thirds actually leave for work. A small percentage actually leave for marriage. It is probably about 15 percent. The others leave for a variety of different reasons. Those who leave are then replaced by new applicants who have never received welfare before and by some recipients who have left and are coming back again.

When welfare recipients initially come on, most leave in a relatively short period of time. About one-half leave within the first year. But a lot of those who leave come back almost as quickly as they left, so that 45 percent actually come back within 1 year of leaving.

When you take into account all of that cycling on and off, if you look at women who ever receive welfare, only a moderate fraction actually received welfare for long periods of time. About one-third actually spend more than 5 years receiving assistance.

It is important to note that the figures I just talked about are for women who ever use welfare, so if you think about over the last 5 years, we are counting everybody who has ever used welfare.

You end up with a very different picture if you just take the recipients who are currently receiving welfare, because it is a smaller and different base. Of that group of recipients, there are about 76 percent who eventually receive welfare for 5 years or longer. That is a very different picture.

I think there is an obvious question, and that question is, Why are these two pictures so different? It is because of what I just described. There are two different groups of people. One is a compilation of a lot of people who have moved on and off and the other is just those people who are currently in the system. By definition, those who are currently in the system overrepresent long-term recipients—the only short-term recipients you are currently in the system are those who applied recently, while the longer term include recipients who have been on for up to 25 years. That is why those numbers are so different.

The point that I think is important to make is that behind those numbers, there are very different patterns of welfare abuse. Some people use welfare for short periods of time and never return. Others use welfare intermittently, returning when jobs end or they have family crisis. Then there is a group of people who use welfare continuously.

I think because of that, it is very difficult to talk about the average welfare recipient and I think it is misleading to use numbers on the average length of time, which I have reported in my work. I think it is very similar to the reason why we do not use average income to describe income, because there are some people who have very high incomes. Similarly, there are some people who have very long stays on welfare. If you use an average for length of stay, you get a skewed perspective, so I think it is much better to use full distribution than actually using an average.

Finally, I would like to talk a little bit about Utah's experience of reforming welfare, and the reason why I want to do that is

Utah's reform is unique in that they are the only State I am aware of, as a part of their reform, who have not exempted any families from participation in work-related activities. So they really are working with the full caseload.

What has happened, and I have spent most of the time that I spent in Utah in a particular office outside of Salt Lake City, within 1½ years of implementing their reform, their caseload declined 42 percent. What happened after that decline occurred is they were left with a very different group of recipients, and administrators and staff alike basically, in hindsight, say that they were totally unprepared for how difficult the challenge was of actually helping those families, many of them long-term recipients, to move into the labor market.

What they found was many of those families had multiple problems. There were problems with very sick kids. There were mental health problems. There was substance abuse, very low levels of literacy. What Utah has done is not to say we are not going to move those families into the labor market, but they really have taken a step back and said, we need to do something different.

So what they have done is to hire more skilled staff, many of them with master's degrees in social work, and what they do is to try and come up with a short-term plan on how they can deal with some of those problems that are keeping people out of the labor market.

Chairman SHAW. If you could sum up, you are out of time.

Ms. PAVETTI. I did not hear the beep.

Chairman SHAW. I do not know what happened to the bell. The red light is on.

Ms. PAVETTI. Again, just very quickly, the reason why I think Utah's experience is important is I think I really believe we will see two stages of welfare reform. We will see an initial stage where caseloads will go down quite quickly—down quite dramatically. What we will be doing is getting some people who would have been on for relatively short periods of time off in shorter periods of time. Then in the end, we will be left to struggle with the people who really will have a much harder time making it into the labor market.

I think as we think about time limits, as we think about work requirements, we need to think about what are the things that will really help that group of families enter the labor market. I think there is experience out there that we can do things, but we need to be thinking differently than we have in the past.

[The prepared statement follows:]

STATEMENT OF LADONNA A. PAVETTI, PH.D
RESEARCH ASSOCIATE
URBAN INSTITUTE

Time on Welfare and Welfare Dependency[1]

Good Morning Chairman Shaw and members of the Subcommittee on Human Resources. I am pleased to have this opportunity to talk with you today about time on welfare and welfare dependency. I plan to address four aspects of this issue. First, the total time families spend on the welfare rolls. Second, the percentage of the AFDC caseload who may be affected by time limits. Third, the factors associated with long-term welfare receipt. Finally, I will discuss some implications of this information for reforming the welfare system.

My testimony will amplify and support the following points:

- A complete picture of time on welfare requires an understanding of two seemingly contradictory facts: the majority of families who ever use welfare do so for relatively short periods of time, but the majority of the current caseload will eventually receive welfare for relatively long periods of time.

- A substantial fraction of the AFDC caseload potentially could be affected by policies to time-limit AFDC benefits. On average, at a given point in time, about 70 percent of current AFDC recipients have received AFDC for more than 24 months and 48 percent have received assistance for more than 60 months.

- The strongest predictors of whether a welfare recipient will leave welfare for work are recent work experience and educational attainment, including mastery of basic skills.

- Some families who spend long periods of time on the welfare rolls are likely to need more assistance than is provided by traditional welfare-to-work programs to make a successful transition from welfare to work. Providing this additional assistance will require flexibility, a broad range of "allowable" welfare-to-work activities and additional or redirected staff resources.

Estimates of Total Time on Welfare

The estimates of time on welfare that I will present today are based on the results of a simulation model that uses monthly data on welfare receipt from the National Longitudinal Survey of Youth to estimate movement on and off the welfare rolls. These estimates assume that the AFDC caseload is in "steady state," neither increasing or decreasing. During times of transition these estimates would need to be adjusted to reflect the changing nature of the AFDC caseload. In general, when the caseload is increasing there is an increasing percentage of shorter-term recipients. When the caseload is declining, longer-term recipients generally account for an increasing fraction of families receiving assistance.

The welfare system is an extremely dynamic system. In an "average" year, about one-half of the AFDC caseload leaves the welfare rolls. The best available estimates indicate that between one-half and two-thirds of those who leave do so because they have found paid employment. A small percentage (less than 15 percent) leave for marriage and the remainder leave for a variety of other reasons. Those who leave are replaced by new applicants who have never received assistance before and by families who have received assistance previously and are returning to receive assistance again.

The majority of families who leave the welfare system do so after a relatively short period of time -- about half leave within a year; 70 percent within two years and almost 90 percent within five years. But many return almost as quickly as they left -- about 45 percent return within a year and 70 percent return by the end of five years.

When one takes into account all of this movement on and off the welfare rolls, only a moderate fraction of recipients who *ever* turn to the welfare system for support end up spending relatively long periods of time on the welfare rolls. Over the course of their lifetimes, about one-third

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[1]Any views presented here are those of the author and are do not necessarily reflect those of the Urban Institute, its trustees or sponsors.

of women who ever use welfare will spend longer than five years on the welfare rolls and 60 percent will spend 24 months or longer receiving assistance.

It is important to note that the figures I just presented are for women who *ever* turn to the welfare system for support, regardless of whether they are currently receiving assistance or not. A very different picture of time on welfare emerges if one examines the total time families *currently receiving welfare* will spend on the welfare rolls over the course of their lifetimes. About 90 percent of those currently on the rolls will eventually spend more than 24 months on the welfare rolls and 76 percent will receive welfare for longer than five years.

An obvious question is, "Why are these two pictures of time on welfare so different?" The answer to this question is complex, but it primarily lies in the fact that we are estimating total time on welfare for two very different groups of recipients. In the first case, we are estimating total time on welfare for all families who *ever* turn to the welfare system for support, regardless of whether they stayed for a month or for 25 years. In the second case, we are asking the question of a much smaller and very specific group of recipients -- those who are *currently receiving assistance*. Over time, long-term recipients accumulate in the system so they are over-represented among the current caseload. By definition, the only short-term recipients represented among current recipients are those who have applied for assistance recently while the long-term recipients include recipients who first received welfare up to 25 years ago.

In sum, the majority of families who *ever* turn to the welfare system for support will use it for relatively short periods of time, but the majority of families receiving assistance at *any given point in time* (i.e., the current caseload) will eventually receive welfare for relatively long periods of time. While these statements often seem contradictory, both are accurate and both are necessary to present a complete picture of time on welfare.

Behind these total time estimates, are very different patterns of welfare use. Some recipients use welfare for a short period of time, leave and never return; others use welfare intermittently, returning for short-term assistance when a job ends or when a family crisis occurs. Still others spend long periods of time continuously receiving welfare. Because of these different patterns of welfare use, it is difficult to talk about an "average" welfare recipient. My research shows that, on average, women who *ever* use welfare will receive assistance for about six years and *current recipients* will receive assistance for about thirteen years. While accurate, taken by themselves, these figures are misleading because they give undo weight to the experiences of the extremely small number of recipients who spend very long periods of time (as much as 25 years) receiving welfare. These very long-term recipients do, in fact, exist, but they are the exception, not the rule. Thus, it is not accurate to describe the "typical" length of stay on welfare as 13 years.

Families Affected by Time Limits

Thus far, I have talked about the total time recipients will spend over the course of their lifetimes. For purposes of estimating the percentage of families who may be affected by policies to time-limit AFDC benefits at any given point in time, only the time welfare recipients have spent on the welfare rolls *to date* is of interest. On average, about 70 percent of families receiving assistance at a given point in time have already received assistance for at least 24 months and 48 percent have received assistance for more than 60 months. Assuming no change in behavior, these are the percentages of families currently receiving assistance who would be eligible for and actually receiving benefits under the current system, but would not be eligible to receive assistance with a two-year or five-year time limit in place. An alternative interpretation of these numbers is the percentage of families who would have to leave welfare sooner than they would under the current system in order to not be adversely affected by a time limit on benefits.

Characteristics Associated with Long-Term Receipt

Long-term welfare receipt is not an entirely random event. Recipients who first receive welfare when they are young, have never married, have low levels of education and have no recent work experience are all over-represented among recipients with longer stays on welfare. Minority recipients are also over-represented. When these factors are all considered simultaneously, the

strongest predictors of whether a recipient will leave welfare for work in a given month are recent work experience and educational attainment, including mastery of basic skills. Thus, recipients who spend long periods of time on the welfare rolls are primarily women with limited job prospects. In fact, the employability of those who are most likely to reach a five-year time limit does not look especially promising. Half of those who spend longer than five years on the welfare rolls enter AFDC with no labor market experience and 63 percent of these women have less than a high school education. Also, 42 percent first received welfare when they were under age 25, the time when the vast majority of workers make investments in education and gain experience in the labor market that prepares them for stable future employment.

Implications for Reform: Lessons from Utah's Single Parent Employment Program

To provide some insight into the implications of this information for reforming the welfare system, I would like to briefly describe Utah's experience of reforming welfare through its Single Parent Employment Program. Utah's reform is the only reform implemented to date that does not exempt any AFDC recipients from participation in work-related activities, making it an important laboratory for examining the issues states are likely to face as an increasing percentage of the AFDC caseload, including those who have received assistance for long periods of time, are required to look for work. Utah's reform emphasizes quick entry into the labor market and provides recipients who leave welfare for work with a variety of transitional services to ease the transition into the labor market. Families who do not participate in agreed upon activities face the loss of all cash assistance after an extensive conciliation process.

According to workers, the requirement that they work with all recipients, regardless of their needs or current ability to find and sustain employment, has changed their work quite dramatically. This change has been more pronounced over time as more and more of the job ready recipients find employment and leave the welfare rolls. In hindsight, administrators and staff all acknowledge that they were unprepared for how difficult it would be to work with some families, especially those who have received welfare for extended periods of time. Over time, they have found that the vast majority of these families experience multiple barriers to employment, ranging from serious mental health problems to learning disabilities to substance abuse to children's mental health and medical problems to domestic violence.

To address the needs of these families and help move them into the labor market, Utah has started to hire more skilled workers, generally professionals with a Master's Degree in Social Work or Counseling. These workers carry smaller than average caseloads and serve as a resource for other staff who are having difficulty moving particular recipients into the labor market. In some offices, substance abuse and mental health professionals are co-located in the welfare office. The goal for families who experience a broad range of barriers to employment continues to be employment. However, Utah's experience has taught them that while it is feasible to require every family to participate in activities that will eventually allow them to find unsubsidized employment, not every family can immediately sustain full-time or even part-time employment.

Utah's experience highlights several important points. Most importantly, it suggests that reforming the welfare system in many areas is likely to involve more than simply requiring families to work. When mandated to find work, some families are likely to find employment on their own and to do so more quickly than they would had they not been faced with such a mandate. Other families will find work with limited assistance. But some families are likely to need more assistance than welfare-to-work programs traditionally provide. Providing this assistance requires flexibility, a broad range of "allowable" activities and additional or redirected staff resources. Utah's experience suggests that welfare reform can be used as an opportunity to help families with a variety of needs and circumstances take the necessary steps to become self-sufficient and it is possible to incorporate the services these families need to leave the welfare rolls in a program that emphasizes employment.

For additional information:

Pavetti, LaDonna A. "Who is Affected by Time Limits?" in *Welfare Reform: An Analysis of the Issues*. Edited by Isabel V. Sawhill. The Urban Institute, 1995.

Pavetti, LaDonna A. "How Long Do Families Stay on AFDC?, Who Spends Longer Periods of Time Receiving Welfare? Why Do People Who Leave Welfare for Jobs Return to the Welfare Rolls?" in *Looking Before We Leap: Social Science and Welfare Reform*. Edited by R. Kent Weaver and William T. Dickens. The Brookings Institution, 1995.

Pavetti, LaDonna A. "Questions and Answers on Welfare Dynamics" Urban Institute Mimeo, September 11, 1995.

Pavetti, LaDonna A. *The Dynamics of Welfare and Work: Exploring the Process by Which Women Work Their Way Off Welfare*. Dissertation Series #D-93-1, Malcolm Wiener Center for Social Policy, The Kennedy School of Government, Harvard University.

Chairman SHAW. Thank you.
Mr. Schilling.

STATEMENT OF ED SCHILLING, DIRECTOR, FOND DU LAC COUNTY DEPARTMENT OF SOCIAL SERVICES, FOND DU LAC, WISCONSIN

Mr. SCHILLING. Thank you, Mr. Chairman.

I can only speak for what has happened in Fond du Lac County, and we have been, I think by anybody's measure, spectacularly successful in the last 16 months in moving families off welfare. What I would like to address is the issue of dependency on welfare. I think there is no question that in Wisconsin, Governor Thompson says it very strongly. The answer to dependency is work. It seems to have been working very well for us.

It starts right up when people come in the front door. Some of the essential elements of a welfare reform program that I think are necessary to reduce dependency are to require work right up front. When somebody steps in the front door, you make an attempt to divert them into the world of work immediately. By doing this, we have reduced the number of people who apply for aid, who actually complete the application and become eligible for aid.

We have reduced that by 27 percent coming right in the door, and that is basically by pointing out other options to people or discussing options. Sometimes those options are work. Sometimes what we find out is they always did have a choice and did not need to come onto welfare in the first place.

In my view, welfare does need to be time limited. In my judgment, somewhere in the design of the program, there has to be a line in the sand that this is as long as you can be on and there is a clear expectation you will leave welfare at the end of that period of time.

I believe that you have to have a component where you work for your welfare. I do not believe it is much of a tradition or a thing to encourage, to give somebody, frankly, something for nothing. I believe that required activities are extremely important. They may be activities that should be geared toward people becoming employed and preferably involving activities directly leading to paid employment as soon as possible.

I believe we need to stop treating welfare recipients as if they are less capable than the rest of the public as far as taking responsibility for their own actions. They can make decisions as everyone else needs to do in our society. We have had a system that basically says to people when they walk in the front door, you are less capable, you need to be told various kinds of things to do in order to remain eligible for welfare.

I think what we need to do is encourage independence by showing people they can stand on their own two feet; they can get jobs. We have encouraged that very strongly in Wisconsin. We do require that everybody who is on aid must put in a proportional amount of generally work time in order to continue to receive their public assistance.

We do have a time limit of 24 months within a 48-month period of time. After 16 months on this—by the way, there is not any single recipient in either of the pilot counties of the State of Wisconsin

that is still on welfare after the first 16 months that started at the beginning. What I am trying to illustrate is that the people have moved off cash public assistance benefits.

We have pay for performance, where people—I am sorry, self-sufficient first in the State of Wisconsin, which definitely gears people into the job market as an alternative to going on welfare This has been an extremely successful program in the State of Wisconsin and it is one component that is included in the Work, Not Welfare Program in my county in the State.

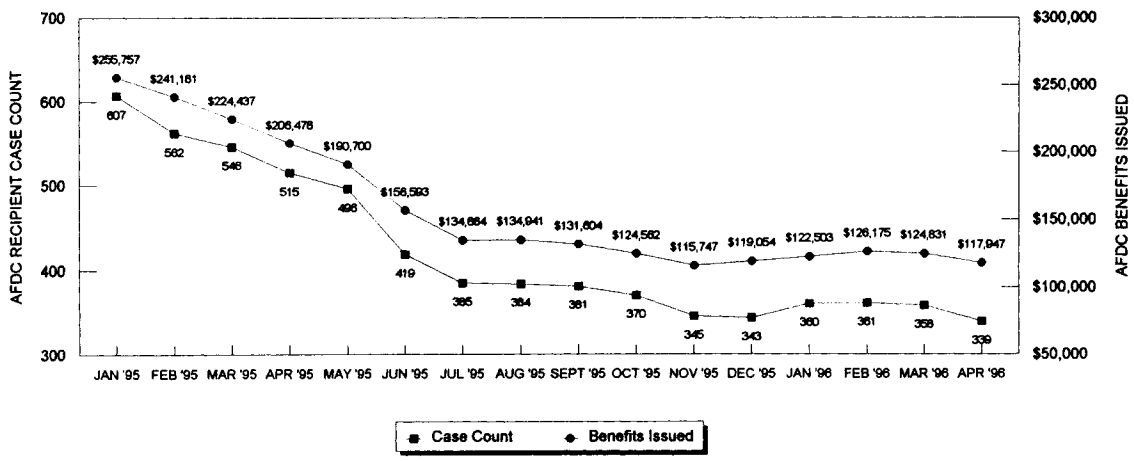
One other element I strongly believe in is a welfare cap. By and large, it is our view that childbearing is an elective process and people in the work force do not receive raises when they have more children, nor do we feel that welfare recipients should. We believe they are responsible for their childbearing. I will concede there may be some rare exceptions to this rule and they can certainly make rules that account for that at this point in time.

I believe you have the chart—I think that has been passed out—and that would tell you what we have done with our welfare caseload in Fond du Lac County in Wisconsin. As the welfare has declined, I would point out, I think it is quite naturally, the cost of child care to the county has risen considerably, but I can absolutely guarantee you the welfare savings many times over make up for the extra costs of child care in our county.

That concludes my remarks.

[The information follows:]

AFDC RECIPIENT DECLINE UNDER WORK NOT WELFARE
FOND DU LAC COUNTY, WISCONSIN



January 1995 through April 1996

Chairman SHAW. Thank you, Mr. Schilling.
Mr. Rector.

STATEMENT OF ROBERT RECTOR, SENIOR POLICY ANALYST, HERITAGE FOUNDATION

Mr. RECTOR. Thank you, Mr. Chairman.

I am here today to talk primarily about the relationship between out-of-wedlock births and welfare dependence and the effect of welfare dependence on children. I have with me today a chart, which I have presented in the past. If I could just briefly run through that, this chart comes from the National Longitudinal Survey of Youth and it looks at the effects of marital status on children's welfare dependence.

We divided the children in this survey into four different categories. On the left-hand column are children born out of wedlock where the mother has never married after the birth. The second column are the children born out of wedlock but the mother does marry after the child is born. The third column are the children born in wedlock, but there is a subsequent divorce. The fourth column are children that are born in wedlock and the marriage remains intact.

The black columns show the percentage of months that the average child is on AFDC in each of these categories. The red columns show the percentage of months the child spent on a broader array of welfare benefits, including AFDC, food stamps, Medicaid, WIC, and SSI.

If you look at the column where children are born out of wedlock and there has never been a marriage, they have spent 50 percent of their time on AFDC since birth. If you compare that with children born in wedlock where there has never been a divorce, they have spent 3 percent of the time since birth on AFDC. That means that the out-of-wedlock birth increased AFDC receipt by 1,700 percent.

Similarly, these children on the left-hand column, if you look at a broader definition of welfare dependence, they have spent almost three-quarters of the time since birth receiving some form of welfare, compared to about 12 percent for those where the child is born inside marriage.

What I think is interesting, though, in particular, is to compare the left-hand column, where it is a never-married mother, with mothers that marry after the out-of-wedlock birth. What you see in both cases, for example, it cuts the rate of welfare dependence roughly in half for the mother to marry after the birth of the child. It is, of course, much, much better for the mother to be married at the time of birth, but even that subsequent marriage cuts the rate of AFDC dependence in half. Marriage still remains, even after an out-of-wedlock birth, the most effective mechanism for reducing welfare dependence.

The second point I would like to make today is that dependence harms kids. There is a notion somehow that if you can just get enough welfare benefits into a family, if we can just have a sort of syringe and inject welfare income into a family, that that is going to support the family and it is going to have beneficial effects for the kids. That is categorically untrue.

The fact of the matter is, the more we spend on this welfare system, the more dependence and the more out-of-wedlock births we have, and both of those things are profoundly harmful to children. It is far better for a child to be poor but to have working parents than it is for a child to be on a generous welfare system but to be dependent on welfare. Welfare dependence per se harms and destroys children.

In my written testimony, I refer to excellent research done by Dr. June O'Neill, current Director of CBO, that shows the longer a child stays on welfare, the lower that child's scores will be in terms of its verbal and math ability when compared to children that were poor but were on welfare for a less amount of time. The longer a child stays on welfare, the less likely it is to succeed in life.

The final and third point I would like to make is to look at the overview. If we recognize that reducing dependence and increasing marriage are our goals, look at the overview of the different mechanisms by which dependence can be reduced. There are really six of those.

The first is by reducing the out-of-wedlock birth rate in the first place. Stop the problem before it gets started.

The second is by reducing the divorce rate within a State. Divorce reforms could have a profound effect in bringing down dependence.

Third is marriage after the out-of-wedlock birth.

The fourth is work programs that dissuade mothers from ever enrolling in welfare in the first place. They have excellent programs like that in Wisconsin that bring down applications. They break the dependency habit before it even starts.

Fifth is marital exits from AFDC, which are still quite common.

And the sixth is having a mother on AFDC get a job.

I would strongly suggest the current legislation that you are looking at does reward the whole array of different mechanisms for reducing dependency, whereas, in contrast, the Clinton bills in the past have focused exclusively on employment exits by AFDC mothers and that is a very biased system which is unlikely to be beneficial to children.

I would ask you to ensure that any subsequent legislation treats at least equally all of those six methods of reducing dependence. I understand there is a performance incentive grant that is to be in this bill and I would just hope and urge you in the formulating of that particular performance incentive grant, that it recognize not merely employment exits off of AFDC but also marital exits off of AFDC, reductions in divorce, and so forth, all the other mechanisms for reducing dependence which are, in fact, better for the children's well-being simply than having a single mother get a job.

Thank you very much.

[The prepared statement follows:]

STATEMENT OF ROBERT RECTOR
SENIOR POLICY ANALYST
HERITAGE FOUNDATION

SUMMARY

Illegitimacy is the principal route to welfare dependence. Children born out-of -wedlock to never married women will receive some type of means-tested welfare for 70% of the time during the first decade of life. Children born to never married women receive AFDC 1700 percent more often than do children born to stable married couples.

On average, children born to out-of -wedlock to women who remain unmarried will spend roughly half of the first decade of their lives in poverty. An illegitimate child of a never married mother is 700 percent more likely to be poor than a child born to an intact married couple. Although it is, by far, in the best interest of the child to be born within a marriage, marriage following an out-of-wedlock birth does have a positive effect on the life of the child, cutting the rate of welfare dependence and poverty in half.

The welfare system plays a powerful role in promoting illegitimacy. Research by CBO Director , Dr. June O'Neill shows, for example, that an increase in monthly AFDC and Food Stamp benefit levels of 50 percent will cause an increase of 43 percent in the number of illegitimate births within a state.

Illegitimacy and Dependence Harm Kids The current liberal system is based on the assumption that higher welfare benefits and expanded welfare eligibility are good for children. According to this theory, "poverty" is harmful for children, and welfare, by allegedly reducing poverty, will increase children's lifetime well-being and attainment. This is untrue. Higher welfare payments do not assist children; they increase dependence and illegitimacy, which have a devastatingly negative effect on children's development. It is welfare dependence, rather than poverty, which has the most negative effect on children.

* Recent research by Congressional Budget Office Director June O'Neill shows that increasing the length of time a child spends on welfare may reduce the child's IQ by as much as 20 percent.

* Welfare receipt as a child has a negative effect on the earnings and employment capacity of young men. The more welfare income received by a boy's family during his childhood, the lower will be the boy's earnings as an adult, even when compared to boys in families with identical non-welfare income.

* Receipt of welfare and living in a single-parent family during childhood are strongly associated with criminal activity among young men and having illegitimate children among young women.

Illegitimacy has an enormous negative effect on children's development and on their behavior as adults. Being born outside of marriage and raised in single parent homes:

* triples the level behavioral and emotional problems among children;
* nearly triples the level of teen sexual activity;
* doubles the probability a young woman will have children out of wedlock; and,
* doubles the probability a boy will become a threat to society, engage in criminal activity, and wind up in jail.

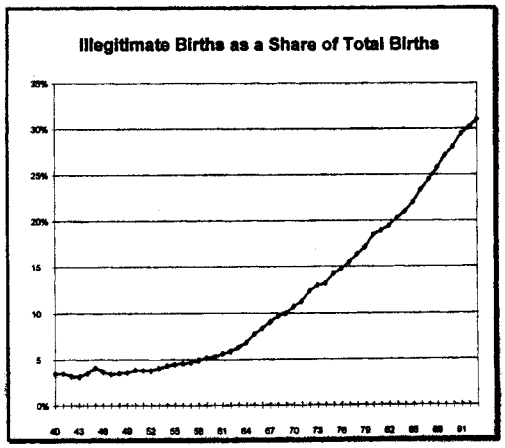
Dependency and illegitimacy go hand in hand and are both harmful to kids. Welfare dependence can be reduced by six means: 1) reducing illegitimacy; 2) Reducing divorce; 3) Increasing marriage among women who have had children out of wedlock but have not yet enrolled in welfare; 4) encouraging single mothers to take jobs before they enter AFDC; 5) increasing marriage among welfare mothers; and, 6) having welfare mothers obtain jobs.

For purposes of shrinking dependence, reducing child poverty and enhancing children's well-being employment of welfare mothers is the least effective and least desirable of these mechanisms. Unfortunately, the current proposed Republican welfare legislation contains a large performance incentive grant which encourages states to focus exclusively on the least effective means of combating dependence: employment on mothers already on AFDC. This performance incentive grant should be altered to reward states for a broader range of pro-marriage and dependency reduction actions.

THE GROWTH IN ILLEGITIMACY AND THE DECLINE IN MARRIAGE

According to the most recent statistics released by the Center for Health Statistics at the U.S. Department of Health and Human Services, illegitimacy continues to rise rapidly and marriage continues to decline across the U.S. According to the recently released HHS data, out-of-wedlock births represented 31.0 percent of all births in the U.S. in 1993 -- up from 30.1 percent just a year earlier in 1992. This rapid increase in illegitimacy, nearly 1 percentage point in a single year, follows the pattern of increasing illegitimacy which has occurred since the beginning of the War on Poverty in 1965. In that year, 7.7 percent of children were born out-of-wedlock. By 1993 the number had risen four-fold.

Chart 1



The percentage of births that are out-of-wedlock is expanding rapidly for both whites and blacks. Among whites in 1993, 23.6% of births were out of wedlock, up from 11 percent in 1980. Among blacks 68.7 percent of births were out-of-wedlock in 1993 up from 58 percent in 1980.

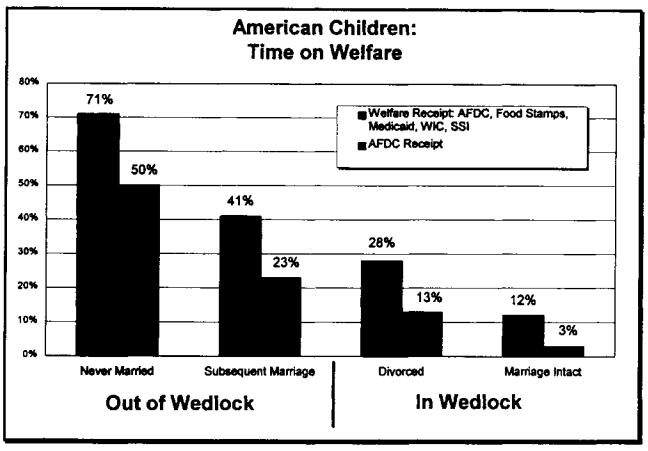
RISING ILLEGITIMACY IS A MAJOR CAUSE OF WELFARE DEPENDENCE AND POVERTY

The most obvious consequences of the rising tide of illegitimacy and declining marriage are welfare dependence and child poverty. Charts 2 and 3 show data from the National Longitudinal Survey of Youth (NLSY) which contains a national representative sample of young mothers and their children.[1]

The charts divide children into four groups:

1. *Out-of-wedlock-Never Married* ---Children born out of wedlock whose mother has never married after the birth of the child;
2. *Out-of-wedlock-Subsequent Marriage* --- Children born out of wedlock whose mother marries subsequent to the child's birth
3. *Within Wedlock- Divorced* ----Children born to married parents who later divorce;
4. *Within Wedlock- Marriage Intact* ----Children born to parents who were married at the time of birth and remained married.

Chart 2



As chart 2 shows, children born out-of-wedlock whose mothers have not married have received AFDC benefits for fifty percent of the time since birth. By contrast, children who were born in wedlock and whose parents have remained married have received AFDC only 3 percent of the time since birth. Thus AFDC receipt is 1700 percent more frequent among illegitimate children of never married mothers than among legitimate children raised by intact married couples.

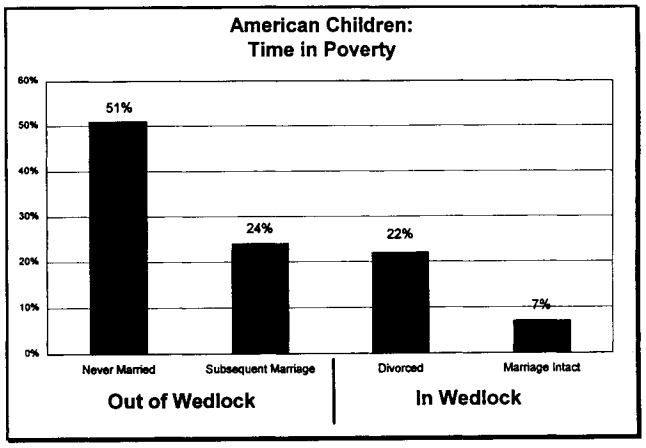
If a woman gives birth out-of-wedlock but subsequently marries the average length of time spent of AFDC will be cut in half, falling from 50 percent (for children of never married mothers) to 23 percent. Marriage even after an out-of-wedlock birth is thus quite effective in

[1] The National Longitudinal Survey of Youth (NLSY) contains a nationally representative sample of men and women who were aged 14 to 21 in 1979 when the survey began. In each year, the survey has tracked these individuals, compiling a detailed social and economic history of each ,including information on each child born to NLSY women. The youngest NLSY women have now reached age thirty; children of NLSY mothers had an average age of roughly nine years at the period of this analysis (1992).

reducing dependence. Conversely if the parents of a legitimate child divorce, the length of time on AFDC will rise from 3 percent (for intact married couples) to 11 percent for divorced families.

Chart 2 also shows the portion of time which children in the four different categories received any of the following means-tested welfare benefits: AFDC, Food Stamps, Medicaid, SSI, and WIC. On average, children in the "out-of wedlock-never married" group received some form of welfare benefit for 71 percent of the months since birth. By contrast, legitimate children whose parents remained married have received some welfare for 11 percent of the time. Welfare receipt is seven times greater among the never-married group.

Chart 3



Poverty Chart three shows the amount of time since birth that a child has lived in poverty for the four different categories of children. Children born out-of-wedlock to never married women are poor fifty percent of the time. By contrast children born within a marriage which remains intact are poor 7 percent of the time. Thus the absence of marriage increases the frequency of child poverty 700 percent. However, marriage after an illegitimate birth is again relatively effective, cutting the child poverty rate in half.

HOW WELFARE DEPENDENCE HARMS KIDS

From its onset, the liberal welfare state has been founded on faulty logic concerning the impact of welfare on children's well-being. This flawed logic, embedded in nearly all liberal thinking about welfare, runs something like this:

PREMISE #1: Children in families with higher income seem to do better in life.

PREMISE #2: Welfare can easily raise family income.

CONCLUSION: Therefore, welfare is good for kids.

From this logic has sprung a relentless thirty-year effort to raise welfare benefits, expand welfare eligibility, create new welfare programs, and increase welfare spending. The welfare reform legislation passed by congress, last year, sought to slow down the automatic growth of welfare

spending; it therefore violates these cardinal tenets of the liberal welfare system and thus has led to cries of alarm from the welfare establishment.

In fact, each of the central tenets of modern welfare is misleading and deeply flawed. Together they become a recipe for a disastrous system of aid which harms rather than helps, aggressively crushing the hopes and future of an increasing number of young Americans.

It is useful to examine each of these cardinal liberal tenets individually. The first is that raising incomes is crucial to the well-being and success of children. The common liberal corollary to this premise is that poverty "causes" such problems as crime, school failure, low cognitive ability, illegitimacy, low work ethic and skills, and drug use. Hence, reducing poverty through greater welfare spending will reduce most social problems. History refutes this belief. In 1950, nearly a third of the U.S. population was poor (twice the current rate). In the 1920s, roughly half of the population was poor by today's standard. If the theory that "poverty" causes social problems were true, we should have had far more social problems in those earlier periods then we do today. But crime and most other social problems have increased rather than fallen since these earlier periods.

History and common sense both show that values and abilities within families, not family income, lead to children's success. Families with higher incomes tend to have sound values concerning self-control, deferred gratification, work, education, and marriage which they pass on to their children. It is those values, rather than the family income, that are key to the children's attainment. Attempting to raise the family income artificially through welfare is very unlikely to do much to benefit the child, but it is likely to destroy the very values which are key to the child's success.

Does Welfare Raise Income? The second flawed liberal premise is that it is very easy to raise family income through welfare. This also is untrue. Because welfare reduces work effort and promotes illegitimacy and poverty-prone single-parent families, it actually may cause an overall decrease in family incomes. Welfare is extremely efficient at replacing self-sufficiency with dependence, but relatively ineffective in raising incomes and eliminating poverty.

This is borne out by experimental evidence. During the late 1960s and early 1970s, social scientists at the Office of Economic Opportunity (OEO) conducted a series of controlled experiments to examine the effect of welfare benefits on work effort. The longest running and most comprehensive of these experiments was conducted between 1971 and 1978 in Seattle and Denver, and became known as the Seattle/Denver Income Maintenance Experiment, or "SIME/DIME."[2]

Advocates of expanding welfare had hoped that SIME/DIME and similar experiments conducted in other cities would prove that generous welfare benefits did not affect "work effort" adversely. Instead, the SIME/DIME experiment found that each $1.00 of extra welfare given to low-income persons reduced labor and earnings by an average of $0.80.[3] The significant anti-work effects of welfare benefits were shown in all social groups, including married women, single mothers, and husbands. The results of the SIME/DIME study are directly applicable to existing welfare programs: Nearly all have strong anti-work effects like those studied in the SIME/DIME experiment.

Does Welfare Help Kids? The third liberal tenet is that higher welfare benefits and broadened eligibility will help children and improve their success in later life. In certain limited cases, such as when welfare is needed to eliminate serious malnutrition, welfare can help. But there is no evidence that enlarging benefits and expanding enrollments in most U.S. welfare programs will improve children's lives. While higher welfare payments and spending do not benefit children directly, they do increase dependence and illegitimacy, both of which have devastating negative effects on child well-being. Thus, overall, welfare operates as a system of organized, well-funded child abuse.

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[2]SRI International, *Final Report of the Seattle-Denver Income Maintenance Experiment, Vol. 1, Design and Result* (Washington, D.C.: SRI, May 1983).

[3]Gregory B. Christiansen and Walter E. Williams, "Welfare Family Cohesiveness and Out of Wedlock Births," in Joseph Peden and Fred Glahe, *The American Family and the State* (San Francisco: Pacific Institute for Public Policy Research, 1986), p. 398.

The available scientific evidence clearly refutes the liberal hypothesis that attempting to raise family income through more generous welfare payments will benefit children. For example, the average monthly value of welfare benefits (AFDC and food stamps combined) varies between states. The conventional liberal assumption is that children on welfare in states with lower benefit levels will be markedly worse off than children in states with higher benefits. Children on AFDC in high benefit states, according to the theory, should have improved cognitive ability when compared to children without access to more generous welfare. However, recently published research by Congressional Budget Office Director June O'Neill and Anne Hill of Queens College, City University of New York, demonstrates that this theory is incorrect. O'Neill and Hill examined the IQs of young children who were long-term welfare dependents, having spent at least half of their lives on AFDC. Contrary to the expected theory, they found that the higher welfare benefit did not improve children's cognitive performance. The IQs of long-term welfare-dependent children in low-benefit states were not appreciably different from those in high benefit states.[4]

Moreover, this picture is overly optimistic. In restricting the sample to long-term dependent children, the analysis ignores the effects of higher welfare benefits in encouraging welfare enrollment and lengthening the time spent on welfare. O'Neill and Hill have shown that a 50 percent increase in monthly AFDC and food stamp benefit levels will lead to a 75 percent increase in the number of mothers with children enrolling in AFDC and a 75 percent increase in the number of years spent on welfare.[5] Once the effects of increased dependence are included, it becomes clear that higher welfare benefits have a decisively negative effect on children.

Dependence Lowers Children's I.Q Comparing children who were identical in social and economic factors such as race, family structure, mothers' IQ and education, family income, and neighborhood residence, Hill and O'Neill found that the more years a child spent on welfare, the lower the child's IQ. The authors make it clear that it is not poverty but welfare itself which has a damaging effect on the child. Examining the young children (with an average age of five-and-a-half), the authors found that those who had spent at least two months of each year since birth on AFDC had cognitive abilities 20 percent below those who had received no welfare, even after holding family income, race, parental IQ, and other variables constant.[6]

O'Neill and Hill conclude:

> Our findings of a negative impact of a welfare environment are particularly troubling. After controlling for the effects of a rich array of characteristics, a mother's long-term welfare participation is associated with a significant reduction in her child's [IQ] score and this effect is reinforced by the mother's having grown up in an underclass neighborhood, defined as one with a high proportion of welfare recipients. Although long-term welfare recipients are generally poor, persistent poverty does not seem to be the main reason for the poor performance of these children. Moreover, our analysis suggests that policies that would raise the income of children on welfare simply by increasing AFDC benefits are not likely to improve cognitive development. Children on welfare in high benefit states do not perform measurably better than their counterparts in low benefit states.[7]

More Evidence A similar study by Mary Corcoran and Roger Gordon of the University of Michigan shows that receipt of welfare income has negative effects on the long-term employment and earnings capacity of young boys. The study shows that, holding constant race, parental

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[4]M. Anne Hill and June O'Neill, "Family Endowments and the Achievement of Young Children With Special Reference to the Underclass," *Journal of Human Resources*, Fall 1994, pp. 1090-1091.

[5]M. Anne Hill and June O'Neill, *Underclass Behaviors in the United States: Measurement and Analysis of Determinants* (New York: City University of New York, Baruch College, August 1993).

[6]Hill and O'Neill, 1994, *op. cit.*

[7]Hill and O'Neill, 1994, p. 1094.

education, family structure, and a range of other social variables, higher *non-welfare income* obtained by the family during a boy's childhood was associated with higher earnings when the boy became an adult (over age 25).[8] However, *welfare income* had the opposite effect: The more welfare income received by a family while a boy was growing, up the lower the boy's earnings as an adult.[9]

Typically, liberals would dismiss this finding, arguing that families which receive a lot of welfare payments have lower total incomes than other families in society, and that it is the low overall family income, not welfare, which had a negative effect on the young boys. But the Corcoran and Gordon study compares families whose average non-welfare incomes were identical. In such cases, each extra dollar in welfare represents a net increase in overall financial resources available to the family. This extra income, according to conventional liberal welfare theory, should have positive effects on the well-being of the children. But the study shows that the extra welfare income, even though it produced a net increase in resources available to the family, had a negative impact on the development of young boys within the family. The higher the welfare income received by the family, the lower the earnings obtained by the boys upon reaching adulthood. The study suggests an increase of $1,000 per year in welfare received by a family decreased a boy's future earnings by as much as 10 percent.

In attacking the welfare reform legislation passed by the House and Senate, the Clinton Administration has embraced the central erroneous tenets of liberal welfarism. The Administration's report on welfare makes clear its belief that rapid automatic increases in welfare spending are essential to the well-being of children and that any attempts to slow the growth of future welfare spending will significantly harm children.[10]

The Administration report is founded unequivocally on the failed hypothesis that combating "poverty" through more generous welfare spending is crucial to children's future. This thinking is simply wrong. An expanded and more expensive welfare system will not benefit children. Instead, expansion of welfare leads to greater dependence and illegitimacy which, in turn, have devastatingly negative consequences on children. Those truly concerned with the welfare of children must seek a radical transformation of the welfare system aimed, not (as the Clinton Administration does) at increasing welfare spending and enrollment, but at reducing dependence and illegitimacy. That is the core of Congress's plan.

MODES OF REDUCING WELFARE DEPENDENCE

Welfare dependence can be reduced by six means:

* Reducing illegitimacy;
* Reducing divorce;
* Increasing marriage among women who have had children out of wedlock but have not yet enrolled in welfare;
* Encouraging single mothers to take jobs before they enter AFDC;
* Increasing marriage among welfare mothers; and
* Having welfare mothers obtain jobs.

Employment of welfare mothers is, in fact, the least effective of these six mechanisms for purposes of shrinking dependence, reducing child poverty, and enhancing the well-being of children.

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[8]Higher levels of earned family income will tend to be correlated positively with better parenting practices and higher parental cognitive abilities. It is likely that these traits, rather than higher income, lead to improved earnings for sons.

[9]Mary Corcoran, Roger Gordon, Deborah Loren, and Gary Solon, "The Association Between Men's Economic Status and Their Family and Community Origins," *Journal of Human Resources*, Fall 1992, pp. 575-601.

[10]Office of Management and Budget. "Potential Poverty and Distributional effects of Welfare Reform Bills and Balanced Budget Plans," November 9, 1995.

Unfortunately, the NGA welfare plan contains a huge performance incentive fund which myopically focuses on only one mechanism of reducing dependence. This fund -- a central feature of the Clinton reform strategy -- would provide cash bonuses to states which have higher rates of AFDC mothers obtaining jobs. This is a very limited and illogical measure of success. For example, increasing marriage and reducing out-of-wedlock births would have far more beneficial effects on children and society than merely increasing employment of single mothers. Even from the more limited perspective of reducing welfare dependence, the NGA plan is illogical. But by encouraging states to focus on the least effective and least desirable means of reducing dependence, the governor's plan actually will slow the reduction of welfare dependence.

Rewards for Bogus "Success" The NGA's focus on "exits from welfare," borrowed from the Clinton Administration, is illogical. The evidence indicates that serious work requirements have their strongest impact not by encouraging people to leave welfare, but by reducing the number of persons who bother to apply for welfare in the first place. Similarly, a state which restricts welfare entry to the truly needy (those who are the least able to support themselves) almost certainly will have proportionally fewer "exits" from the welfare caseload than would states with more liberal entrance standards.

The entire notion of measuring success in welfare by caseload exits makes no sense. It is like measuring success in the war on drugs not by a decline in drug use, but by an increase in the number of persons passing through rehabilitation, or judging the nation's health by counting the number of successful exits from hospitals -- a criterion which might be popular among hospital administrators but would make no sense for society at large.

Moreover, there is little relationship between "employment exits" and the level of welfare dependence or caseload size. In the NGA plan, there is no requirement that "successful" states actually lower caseloads. States would be rewarded for "success" even when their caseloads were consistently growing. If, for example, the NGA "performance incentive fund" had been created seven years ago, states automatically would have been rewarded with billions for "success," year after year, while their AFDC caseloads were growing between 25 and 30 percent.

Anti-Marriage Bias Even from the limited perspective of promoting welfare exits, the NGA plan is inconsistent. The NGA bureaucrats would reward states when a single mother gets a job and leaves welfare, but give no reward if a mother marries and gets off welfare -- even though the marriage is far more effective in reducing long-term dependence and poverty. In keeping with the prevailing ideology of the nation's welfare establishment, the plan is heavily biased against marriage and focused on obtaining employment for single mothers.

CONCLUSION

Illegitimacy is the principle cause of welfare dependence. With the interest of the children in mind, welfare reform should focus on a broad array of strategies to increase marriage and reduce dependence -- not solely on the employment of single mothers already on AFDC.

Chairman SHAW. Thank you, Mr. Rector.

Mr. Camp may inquire.

Mr. CAMP. Thank you, Mr. Chairman.

Dr. Pavetti, could you reconcile the experience in Utah with the experience in Fond du Lac County, Wisconsin, where everyone in Wisconsin apparently left the roll, whereas your testimony was that in Utah, more than one-half of the recipients stayed on the roll.

Ms. PAVETTI. Actually, we were talking before, and the experience looks very similar. In Fond du Lac, they have had a caseload reduction of about one-half, and Utah has had a very similar caseload reduction. So both have a group of people who are left behind. The difference is, in Fond du Lac, they also exempt some people, so they do have a group of people who are not subject to the policy at all.

Mr. CAMP. I thought the testimony of Mr. Schilling was that there is no one left on the roll who was on the roll when the program began. Is that correct? Did I misunderstand that?

Mr. SCHILLING. To clarify that, the program was phased in over a period of the first 6 months of 1995, so everybody who was receiving cash public assistance was on Work, Not Welfare, by July 1. What I was trying to point out is when the program started, as we phased people in, because there is a 24-month clock, nobody who initially went on the program when the program was initiated on January 1, 1995, is currently receiving cash public assistance benefits. Then we look at the next month, February, March, to see how it is, and we are not alarmed by what we see because people are exiting welfare.

Mr. CAMP. Dr. Pavetti, then, is it fair to assume the groups that were left divided the welfare caseload into short period versus long period? Are those all long-period individuals or not?

Ms. PAVETTI. They are not all long-period individuals, but what Utah did find is they did similar to what Fond du Lac did. They had new people coming in as well as their current caseload and what they found is the people on the current caseload, who were, by and large, people who had been on longer periods of time, were the ones who it was taking longer to actually move into the labor market. I think that is generally true. You have a different set of characteristics with those two groups of people.

Mr. CAMP. Does anything in your research suggest what effect the 5-year time limit might have? I am not referring so much to the people who stay on for 5 years or longer but for those initially coming in that might be diverted into other avenues, who might seek jobs in the job market, what effect that 5-year limit would have.

Ms. PAVETTI. I think it is hard to say—we do not really know. I think one thing about a 5-year time limit or any time limit is it is a new experiment, so that we do not know how many people will actually change their behavior.

My guess, from my own research and talking to people in the field, is that for people coming in who have not been on welfare before, that changing the behavior of that group of people will be easier than people who have been on welfare for long periods of time. If you think about people who we get concerned about, who

have been on welfare 10, 15, 20 years, trying to help that family to figure out how you get into the labor market, find somebody to hire them, is going to be a more difficult task.

Mr. CAMP. Of the long-period group, are they staying on longer than in previous years? Does anything tell you that?

Ms. PAVETTI. No. I do not know. We really do not have any good research to look at that right now.

Mr. CAMP. What percentage of families stay on welfare as long as 25 years? You mentioned that some stay on a very, very long time.

Ms. PAVETTI. As long as 25 years? That is the cutoff in my research, so we do not have anybody who is on for longer than 25 years. So it is very small. It is probably two out of every 100, at most.

Mr. CAMP. I am just trying to get at a better understanding of this long-period group. What percentage stay on longer than 10 years?

Ms. PAVETTI. I have it with me. If you look at the current caseload, it is about 60 percent, I believe is the number. But if you look at people who are beginning a spell, those who will be on longer than 10 years is about 20 percent, so about one-fifth.

Mr. CAMP. I am sorry, I did not hear. Those who are beginning a——

Ms. PAVETTI. The new people coming on, it is about 20 percent.

Mr. CAMP. It is shorter? It is a smaller percentage, then?

Ms. PAVETTI. A smaller percentage. And of those currently on, those who eventually spend 10 years is about 60 percent.

Mr. CAMP. How does a child's being raised in a welfare family affect the likelihood that that child will go on welfare as an adult, and is there any intergenerational transfer of welfare dependence, in your opinion?

Ms. PAVETTI. There definitely is research in this area and I am not familiar with exactly what that is.

Mr. CAMP. All right.

Thank you, Mr. Chairman.

Chairman SHAW. Mr. Ford.

Mr. FORD. Thank you.

Could you give your overview of this chart that has been offered by Mr. Rector? I am assuming that it was Mr. Rector who presented the chart.

Mr. RECTOR. Yes, it was.

Mr. FORD. Could you give us an overview, Doctor?

Ms. PAVETTI. Sure. My guess is that is accurate. I do not question whether that is true or not, but I think there are two different ways to look at it.

One way to look at it is that there is—for new people coming in, you can think about reducing out-of-wedlock births and hoping that that would, in fact, make a difference in the long term, but the reality is that the current caseload, and when people talk about long-term welfare dependency, of that group of people who people are very concerned about, in some ways, this is a moot issue. It has already happened.

I do not think we know how to actually get people to consider marriage as an option if it is not already there as an option for

them. So even though there are longer periods of welfare stays by marital status, I think as far as translating that into actual policies, we really do not know what will increase marriage. We do not know what will reduce out-of-wedlock births, so it is harder to translate it into how you actually make changes in welfare systems.

Mr. FORD. So the out-of-wedlock births would be true in the non-welfare population, as well?

Mr. PAVETTI. Actually, what we——

Mr. FORD. Right. We cannot gauge that. There is no way to know how we are going to match people up.

Ms. PAVETTI. Right. I think the other important point I would make that I think is not here, and what I tried to indicate at the beginning, is that even though never-marrieds stay on longer, the factors that really predict strongest whether somebody is going to be on or is going to leave or not are their work characteristics. So their education levels, their mastery of basic skills, and their work experience, those, I think, are things we do know more about how to affect than some of the other things.

Mr. FORD. Tell us more about welfare recipients coming into the welfare rolls. Have you studied to see what percentage of the welfare recipients come on and go off within the first 12——

Ms. PAVETTI. I am sorry?

Mr. FORD. The welfare recipients that enter into the welfare population, how long do they stay on on the first round? Do you find 25, 50, or 60 percent of welfare recipients are coming off after the first 12 or 15 months?

Ms. PAVETTI. Yes. There are actually one-half that leave within the first year. Seventy percent are off within the first 2 years.

Mr. FORD. Why do they leave? Do they leave on their own?

Ms. PAVETTI. Yes, and most of them are leaving for work. What the pattern tends to be is there are a large number of people who leave for work, and for a variety of reasons, which I do not think we know as much about as we would like to. They go into the labor market but for relatively short periods of time. Then they come back on, and then there is a group that cycle off again.

Mr. FORD. Is that reflected in the chart?

Ms. PAVETTI. That is not reflected in that chart, and one thing I might——

Mr. FORD. How would that be reflected in that chart? Mr. Rector left it out of the chart. Where would that be reflected? Where would you put it in the chart?

Ms. PAVETTI. I do not see how you can put it in this chart. The only thing that I think that I was not quite sure that I would agree with Mr. Rector on is he said a lot of people do leave for marriage. My research shows that there is a very small percentage of people who leave for marriage, and there is research done by other people who use different data sets who find the same thing, so I am not sure where that——

Mr. FORD. Do you find a large percentage of the 50 percent that leave within the first 12 or 15 months come back into the population?

Ms. PAVETTI. About 45 percent actually come back within the first year and between two-thirds and maybe 70 percent actually——

Mr. FORD. What does it suggest? What happened in the work force or in the private sector that forced these recipients to come back?

Ms. PAVETTI. I think there are a variety of reasons. Some are family crises that occur. There are a lot of women that do have children who have medical problems and they end up in jobs with very few benefits, so there are times when those things break down and they need to leave because they do not have benefits to take care of their kids, or they have medical——

Mr. FORD. Benefits like what?

Ms. PAVETTI. Sick leave or vacation that they can actually draw down when a family crisis occurs. There are medical problems. There is a very high percentage of recipients on welfare who do have medical problems themselves.

Mr. FORD. What about the transition of Medicaid?

Ms. PAVETTI. We do not know about that. I think the other thing that is important, though, is that some of it is job related. The low-wage labor market is very volatile and there are a lot of jobs that are short-term jobs. So some of it has nothing to do with individual circumstances.

Mr. FORD. What about the time on welfare with this chart? Would child care and health care be a factor in some of these large percentages that have been presented by Mr. Rector here on this chart?

Ms. PAVETTI. We do not have good research on the length of stay as it relates to health and child care. Particularly health care, though, if you ask recipients factors that are keeping them from work, and again, it goes back to the medical——

Mr. FORD. But would it not be equally as important to know about that than just the never-married people, subsequent marriages, and divorce rates? Would you not think that that should be a factor here——

Ms. PAVETTI. Yes.

Mr. FORD [continuing]. When these charts are presented to us and we are looking at numbers and seeing what the trends are with the welfare population?

Ms. PAVETTI. Yes, I do.

Mr. FORD. All right.

Thank you.

Ms. PAVETTI. I think it is a complicated picture and we need to try and keep all the pieces together.

Mr. FORD. Thank you, Mr. Chairman.

Chairman SHAW. Mr. McCrery.

Mr. MCCRERY. Mr. Rector, would you like to respond to any of the comments that Mr. Ford and Dr. Pavetti have made?

Mr. RECTOR. Sure. First of all, this is very simple data. It is a percentage of months since birth that the child was on AFDC or on welfare in general. Therefore, it incorporates cycling on and off and all of those things. The fact of the matter is, if the mother never gets married, she gets welfare for almost 75 percent of the

time since the child was born. It is dramatically less for all these other categories.

I have spent many years looking at this data and this is, in fact, the strongest determining variable in affecting how long a mother stays on welfare. It is marriage.

Now, the fact of the matter is that irrespective of when the mother marries after the out-of-wedlock birth, you still get a huge reduction in dependency. Some of these women may be marrying before they get on welfare. That helps pull the rate down. Some of them, they may be exiting off of AFDC but then they do not come on because they got married. That is a good thing and is something that ought to be factored into any welfare reform. The fact of the matter is, if you look at the data, marriage is much more likely to keep a mom off welfare than any type of training program. It is the biggest bulwark you have got.

Finally, we said, Well, we do not know how to increase marriages. I would just say, If you do not look, you are not likely to find the answer. The fact of the matter is that up until now, there has been very little emphasis in the States in how we can promote marriage or how we can reduce illegitimacy. One of the good things in your legislation, as I understand it, is promoting a broad array of reward systems that will encourage States to look at different mechanisms to bring down the rate of single parenthood. We all recognize that that is in the best interests of the child and, in fact, it is even better for the child than simply having the mother get a job, although it is good for her to get a job, too.

So let us look for the answers rather than saying, Well, we do not know what the answer is, so we ought to ignore it and focus only on employment exits from AFDC.

Mr. McCrery. Thank you.

Dr. Pavetti, your research has shown, and I want you to confirm this, that there is a significant portion of the welfare population that is long-term dependent and that is the real problem in our welfare system. It is not those who come on as a genuine fallback from hard times. It is not those who come on in transitional periods between jobs or something like that. It is that group of long-term dependents that create the real problems, both from a social standpoint and from a fiscal standpoint.

The bill we have introduced and some of the ideas that the President originally came out with, although he has backtracked a little on his time limit, try to get to that problem. The work requirement, the training programs, together with money for child care—all of those things—we put in the bill to try to alleviate this problem of long-term dependency. The Wisconsin experience, I think, demonstrates that it can have a positive effect on getting some of those long-term dependents into a work program and off the rolls.

I would like for you to comment on that problem and some ways we can get to that problem.

Ms. Pavetti. First of all, I would like to say that I do think we can do much better in terms of getting people into the labor force than we have. I think we would be remiss to take Wisconsin's experience or any experience that has happened so far and to say we are getting long-term recipients off. I think we really do not know that.

What we know is that the caseload has gone down, and it could go down because we have taken people who were going to be on 2 years and they do not come on at all, or they are on for 6 months.

I believe that we will have two stages of welfare reform. I believe that the first stage, that is what we will do. We will get people who would have been on 2, 3, 4, maybe even 5 years, off, and we are going to get them off quicker. Then we are going to have a group of people who are harder to work with and we are going to have to rethink what we do.

I think it is possible to put some of that rethinking up front, but there is so much work that can be done. I think we do not know until we have started to do it. I think Utah has done it. There is no doubt about it.

Mr. MCCRERY. I think the Governors' proposal anticipates some of that problem, and in anticipation of that, they worked into their proposal a 20-percent exemption from the time limit so that States, after examining the long-term dependent population, can exempt from that time limit 20 percent of their caseload if they see that there is a certain amount of them that need more time. Do you think that is a good idea?

Ms. PAVETTI. I actually think using a percentage of the caseload is a problem, because what happens——

Mr. MCCRERY. It is up to a percentage.

Ms. PAVETTI [continuing]. What happens is if you go through what I have just described, that you do very well at getting some people off in a shorter period of time, you are going to have a very different group of people left. It is going to be a smaller base. It is going to be more long term, and it may be the 20 percent is not the right number anymore because it is on a different base.

So I think a better way to think about it is, are there specific situations you would want to give people more time, because then you do not have States trying to play games to get people who may be harder to serve out of the system so they do not have to worry about the 20 percent, and then it becomes much more based on specific circumstances, rather than a percentage which is going to change.

Mr. MCCRERY. But as you said, Utah is not like Wisconsin——

Ms. PAVETTI. Right. Exactly.

Mr. MCCRERY [continuing]. So it should not be necessarily the same for every State. There should be some discretion on the part of the States to determine——

Ms. PAVETTI. Right, and that may be a way to do it, is that States have the option. There may be some things you want to guarantee, that there are certain families that should not be penalized if they really cannot make it, and then there may be some State options beyond that.

Mr. MCCRERY. Thank you.

Chairman SHAW. The time of the gentleman has expired.

Mrs. Kennelly.

Mrs. KENNELLY. Thank you, Doctor. Listening to your testimony, it comes through very clearly what many of us already know. There are two things going on. One is to get somebody off welfare, and then we have to keep them off welfare. Some of these numbers are skewed because what we have is people go off and return, go off

and return. If you just take a snapshot, as some do, you don't get a sense of the recurring caseload.

Getting people off welfare is something we are all interested in and we all agree on. Where we differ sometimes is keeping people off welfare. We have, over the years, and I am sure with your reading, you are probably familiar with it, the earned income tax credit, which we have worked on for many, many years to increase it to the point where it is real money now. In your work or in your studies, have you seen any evidence that allowing people to keep more money in their pocket, and even, in fact, getting a rebate if you work under a certain income, that helps keep people off welfare?

Ms. PAVETTI. I have not looked specifically at the earned income tax credit, but certainly, women who move into higher wage jobs do stay off longer. What we do not know is it may be the characteristics of those jobs rather than the actual income, but if you assume that at least some of what is going on with the higher wages is that when you have some of the crises I have described, you can buy the services you need. We would hope that that would make a difference.

Mrs. KENNELLY. Your testimony was excellent, and you obviously have been putting a great deal of your life's work into this, yet I found it very interesting that you said you do not know or you have not looked at out-of-wedlock births or what to do about it. I was involved in the 1988 Family Support Act and we got so far and then it was not funded so we did not get too many results. But I think we all know, if you are a two-parent family, obviously, you are going to have a much better chance to get off welfare and the child has a better chance in the future.

But Doctor, with all of this work you are doing on this subject that vexes us too much, have you got any ideas how you avoid teenage pregnancy or out-of-wedlock births?

Ms. PAVETTI. I think one of the things that does not get talked about very much is one thing that is striking is that some of the women who have out-of-wedlock births are also women who have very low skills. So I think some of it has to do with opportunities and there is much less to lose when you look ahead and do not really see a future because you have not done well in school, you are not sure what is ahead for you. So I think there is definitely a connection there, and we need to look more at ways to have teens understand there are options for them and trying to help them figure out what those options are.

Mrs. KENNELLY. Would that not suggest early education, sexual education at an early age?

Ms. PAVETTI. I think that we probably will not—my guess is that there is not one thing that will make a difference, that it will probably be a number of different things are happening together.

Mrs. KENNELLY. But do you not think we had better start spending some time in that area?

Ms. PAVETTI. I think we definitely——

Mrs. KENNELLY. Or you are going to just have so much work to deal with and so many studies to write up that Mr. Rector's chart will be even higher.

You are the expert. All I am suggesting is maybe we are looking at getting people off and maybe we should be looking more at why

they get on and how to keep them off. We have become mesmerized with getting them off and we do not think of the reason they are on and the reason they are falling back.

Ms. PAVETTI. Right. I think that is absolutely true, and I think we need to be doing both.

Mrs. KENNELLY. Having looked at the Governors' bill and looked at the President's proposal, do you think this is going to happen?

Ms. PAVETTI. I do not have a comment. I have not looked at the recent ones that closely, and so to comment——

Mrs. KENNELLY. Even the early ones.

Ms. PAVETTI. One thing I will say is I have spent a lot of time out in the States and I think there is an incredible amount of activity happening. I think it will continue to happen. It may happen at a slower pace, but I think there are lots of things like Fond du Lac happening in other places, as well. There are different kinds of reforms, but I think there is a lot of activity.

Mrs. KENNELLY. So it would almost seem, with the President giving 38 States waivers, that we are doing welfare reform as far as we could without getting into all of these root causes and effects.

Ms. PAVETTI. There is definitely activity happening because of the waivers. There are welfare systems I have seen that have changed dramatically.

Mrs. KENNELLY. I agree with you, because as I said, I have been through this. The States have gotten to the point where they say, Look, the system is broken. It is not working. If someone is not going to fix it for us, we will fix it for ourselves, and that is about what is happening right now.

Thank you, Doctor.

Chairman SHAW. Thank you.

Mr. Collins.

Mr. COLLINS. Thank you, Mr. Chairman.

To follow up on Mrs. Kennelly, I think it was evident yesterday by our witness, Mary Jo Bane, that there are some positive results going on in the fact that there have been quite a few waivers that have been granted to several States.

My followup to that, though, is I think there would be more activity and more positive strides would have been made, had the President accepted our bill that would have given more flexibility to the States, rather than the mandates that are included in his bill.

I appreciate the information, Dr. Pavetti, that you provided on Utah. To follow up a little bit on Mr. McCrery, we have put in a figure of 20 percent exemption over the 5-year limitation, and that is a figure. It is a figure that, over a period of time, if it proves to be wrong, could be adjusted.

But also, we have a figure to exempt 50 percent as a goal, at least have 50 percent reach the work requirement. So that means there would be possibly 50 percent who would not reach the work requirement. So I think that still is going right along the lines you are talking about as to what has happened in Utah. Mr. Schilling, as you said, it is very similar to what is happening in Wisconsin.

But you mentioned, too, the fact that a number of people who leave welfare, leave for a short period of time, go to work, and then are back on welfare. You mentioned the volatile labor market.

Have you done any studying in the labor market itself to see why they left those jobs, or did the jobs leave them?

Ms. PAVETTI. I have not. The best information I know of, actually, comes from a study done by MDRC where they actually looked at reasons for leaving work among GAIN recipients. Some of it is personal reasons of people quitting, and I do not remember the exact numbers, but I can get that if you would like that. But there are a certain number who actually leave because they were laid off or because the job ended, so that there is some of the time that the leaving actually occurs not due to their own choice.

The other thing I think is important is that, particularly for young people, whether they are women, men, on welfare or not, there is a lot of movement in and out of jobs. I think one thing we may need to be thinking about is our welfare system is not set up generally to get people into jobs quickly. So it may be we need to be again worrying about two things at one time. One is how can we help people keep jobs, but the other is, if the job does not work out, how can we help them get another one quickly? It may be that there is a short-term crisis we need to take care of and then go right back into the work mode.

Mr. COLLINS. That leads me into the fact that you have to have a job market, so maybe we should look at provisions that parallel welfare reform that also encourage a job market out there, because if you are going to move people from a welfare roll, you need a payroll to move them too. If you have a volatile labor market, then maybe you can address some other areas. I think that is one of the reasons tax reform should parallel welfare reform, so that you do create the incentive to have jobs out there.

I know in Georgia, I have heard the story many times of someone leaving welfare and going into the job market. They may be in public housing, section 8 housing, or whatever, and once they report their earnings, there is an adjustment made and their bottom line becomes less than it was prior to the job. So what do they do? They leave and go back to the welfare system. I think that is a problem, and I believe we were trying to correct that just recently with our housing reform bill.

Most of those who leave welfare, and this may I add was the testimony of Ms. Bane yesterday, they go into the job market and are usually absorbed by small business rather than the larger corporations. Do you have any thoughts on the fact that some of the things we are doing today in Congress, on the floor of the House today, may lead to a reduction in jobs available for these people, and that is the increase in the minimum wage? Do you have any knowledge of any reports or studies as to how the minimum wage will actually affect these type of low-skilled, nonskilled, low-wage jobs?

Ms. PAVETTI. I think there are studies on both sides of the issue and it is not an area I know really well and would come down on one side or the other.

Mr. COLLINS. Do any of you have any thoughts on that, Mr. Rector?

Mr. RECTOR. I think that raising the wage rate, if that was the question, an artificial raising of the wage rate will make it harder for women to exit off of welfare, that you are hurting the job market, and it is much better to try to supplement low-income wages

with the earned income tax credit, if that was the gist of your question.

Mr. COLLINS. Thank you. Thank you, Mr. Chairman.

Chairman SHAW. Mr. Levin.

Mr. LEVIN. Mr. Chairman, I think I will resist the temptation to debate the minimum wage. It is going on on the floor right now and I hope to join the debate in a few minutes.

Mr. Schilling, I enjoyed your testimony. There has been a lot of discussion about Wisconsin, so let me ask you a few questions. You mentioned there is a provision for child care for everybody who leaves the welfare system and goes into work if they need it?

Mr. SCHILLING. That is correct. With the Work, Not Welfare pilot project that we are operating, anybody who exits the program when they become employed is guaranteed child care assistance for 12 months after they go off the program.

Mr. LEVIN. Let me ask you about health care. If there is no health care in the position they take, is there any——

Mr. SCHILLING. The same provision. There is 1 year of transitional medical assistance.

Mr. LEVIN. So there is a guarantee of transitional Medicaid or health care for 1 year, right?

Mr. SCHILLING. That is correct.

Mr. LEVIN. If someone on the welfare system has a drug abuse problem, what do you do? Is there any provision? As I understand, Fond du Lac is one of the several counties in Wisconsin that are demonstration projects, right?

Mr. SCHILLING. Fond du Lac County is one of two counties in the State of Wisconsin, which has 72 counties, that is demonstrating the Work, Not Welfare demonstration project.

Mr. LEVIN. If there is a drug abuse problem within the household or for the person on welfare, on AFDC, what happens there?

Mr. SCHILLING. People where we have identified there is either drug or alcohol abuse, and alcohol is the drug most commonly abused in our population, are referred to the appropriate kinds of therapeutic services to be treated for this, but they must cooperate in the treatment. They must put—in effect, we will assign the hours that someone has to put in in the therapeutic process in order to——

Mr. LEVIN. There is a provision for that kind of service within your system?

Mr. SCHILLING. The service is not provided directly by the welfare system.

Mr. LEVIN. No, I know, but it is an assured part of the program, though you do not deliver it?

Mr. SCHILLING. Yes.

Mr. LEVIN. Is there any provision within your demonstration area for a public service position or community service?

Mr. SCHILLING. Absolutely. That component of our program is community work experience and those persons who are not yet ready, at least in our judgment, to go into a private employment kind of position, we do have them in community work experience job sites, which are primarily nonprofit, private sector jobs or government positions. We also have what we call other work experience, which, frankly, takes the same kind of people and we put

them in private for-profit sector jobs. We generally use this after we have had very short-term jobs skills training with people. What it is, they are working for their welfare literally on the job site where they are training.

Mr. LEVIN. So they continue to receive AFDC, but they are working in a public service or perhaps a private sector position?

Mr. SCHILLING. That is correct, and their hours they must put in are directly proportional to the amount of cash public assistance they are receiving.

Mr. LEVIN. There seem to be similar efforts within the State of Michigan. I think that provision of health care, child care, some help if there is an alcohol or other drug abuse problem within a system that move people from welfare to work and simply says that has to be done with these support services is essentially the mainstream position that binds a lot of people here on both sides of the aisle, if we will exert ourselves, combining welfare to work with some time limits, providing the backstopping so that kids are not hurt in the process, health care, child care, and so forth. I am in favor of giving more flexibility to the States, provided that the national interest in the health care and child care services that impact on kids is reflected.

Mr. Rector, I do not have very much time left. Let me just ask you quickly, do you favor a mandated family cap?

Mr. RECTOR. Yes. I think the family cap sends a very strong moral message.

Mr. LEVIN. So you think Washington should mandate that to the States?

Mr. RECTOR. I would make the distinction that you need to have general moral principles——

Mr. LEVIN. No, but just——

Mr. RECTOR. Yes.

Mr. LEVIN. The answer is yes. Do you favor a national mandate that would cut off benefits where a mother is under a certain age?

Mr. RECTOR. I believe that you should not give cash benefits to an underage mother, yes.

Mr. LEVIN. You would mandate that?

Mr. RECTOR. I think that would be the best policy.

Mr. LEVIN. That policy is opposed by the national Governors?

Mr. RECTOR. Yes, it is.

Mr. LEVIN. Thank you.

Chairman SHAW. Mr. Ensign.

Mr. ENSIGN. Thank you, Mr. Chairman.

I found this dialog most interesting. Dr. Pavetti, I would like to just address you very briefly, because I found some of your comments intriguing. When you were talking about the welfare system and the dependency cycle that is created, having worked quite a bit in the prison systems and with some of the halfway houses after people get out of prisons, I have seen that dependency cycle that is so difficult and so frustrating to deal with, developing the work ethic in people again.

I think what it does, and your point made it clear to me, is that the welfare system itself has destroyed these people. It literally has institutionalized these families to the point where they have an incredible amount of difficulty even wanting to go to work.

Being a veterinarian, I always get back to animal examples. It reminds me almost of what we do to animals when we put them in zoos. They lose the ability to hunt, as people on welfare almost lose the desire, the willingness to go out and work. That is similar to what we are doing with people on welfare.

It seems to me that we all need to, first of all, fundamentally agree that our current welfare system is not compassionate. Would you agree with that?

Ms. PAVETTI. Yes.

Mr. ENSIGN. And having said that, for some people to then say that when you are trying to reform welfare, you are trying to destroy and you are trying to hurt children and you are trying to be mean to children when, in fact, our current welfare system is destroying children—it is totally destroying families, white, black, Hispanic, whoever ends up in this dependency cycle. It is destroying those people.

I want to get to one point. You mentioned illegitimacy, and I believe that illegitimacy is one of the biggest problems, but it is part of a larger problem we have in this country, this multifactorial moral problem I think we have in this country. You mentioned some of this has to do with hopelessness, or you felt that that was a large factor. Did I hear that correctly?

Ms. PAVETTI. I did not say that, although I do——

Mr. ENSIGN. You said hopelessness. I remember that word. You said that the women that are lower skilled, that are lower paid, there is a sense of hopelessness and that can lead to, Well, I will get pregnant, go on welfare, whatever it is. Did I state that correctly, or a similar concept?

Ms. PAVETTI. Similar.

Mr. ENSIGN. The reason I bring that point up is during the depression, do you know what happened to illegitimacy rates during the depression, when there was incredible hopelessness in this country?

Ms. PAVETTI. I do not.

Mr. ENSIGN. Mr. Rector, could you comment on that, because from what my understanding is, when there was incredible despair in this country, there was not a moral problem that we have today in higher illegitimacy rates.

Mr. RECTOR. Right. The out-of-wedlock birth rate was quite low. There is no evidence that it went up during the Great Depression. It probably went down, but we cannot tell. It was very low for both blacks and whites. Quite clearly, something—I think hopelessness is part of the problem, but there are a lot of other things going on—removing the cultural sanctions against it, having a welfare system that basically says, if you make this mistake, we are going to support you.

I think the interesting thing is that during the Great Depression, when AFDC was created, Frances Perkins, who was FDR's Secretary of Labor at that time, the first woman cabinet officer, the most liberal member of the FDR cabinet, she was not aware when the legislation was written at the bureaucratic level that AFDC permitted never-married women to get cash, and when she found out, she said, right from the beginning, this program will destroy the black family. All the way back then, she understood exactly

what was going to happen with this program. The out-of-wedlock births were very low in the depression. We have generated the collapse of marriage through our welfare system.

Mr. ENSIGN. Just briefly, I want to touch on two quick points, Mr. Chairman, and that is the whole idea of cash benefits in the first place. I can tell you that, coming from a State that relies a lot, obviously, on gaming revenues, I can tell you that when food stamps come out, when AFDC checks come out, there are some of the local casinos that filled up, but also, the drug dealers get filled up. When you have cash benefits like that, the money does not get to the children who it was intended to help. It goes to fostering a lot of the underground economy and the drug culture that we have in this country, and that is one of the big problems with cash benefits.

The last thing I would like to point out gets back to the whole work ethic and everything we are trying to do with this. One of the things people have talked about is job training, and I have heard it mentioned there is no better job training than a job.

There is a great program in Las Vegas that is totally privately funded. It is called Nevada Partners. The gentleman who runs that, they take only welfare recipients and what they do is teach them just life skills, just basically how to get up, how to take a shower, how to go in for a job interview, get themselves cleaned up, and then how to go in and try to just land that first job.

Seventy percent of the people they have gotten off of welfare—they have been in business now for 2 years—70 percent after 2 years still have their jobs. The reason is because they got them that first job, whether it was minimum wage, whatever it was as an entry level job, they got them that first job and taught them just how to go to work to get out of that dependency cycle.

Thank you, Mr. Chairman.

Chairman SHAW. Mr. Rangel.

Mr. RANGEL. Thank you, Mr. Chairman.

I hope Mr. Ensign has written something on how these welfare recipients are responsible for the gambling and the drinking and the immorality that is happening in Las Vegas because I knew there was some cause, but I would like to work with you on that. [Laughter.]

Mr. ENSIGN. Would you yield just briefly? I was not—what I was simply saying——

Mr. RANGEL. No, I know. They get on welfare, they start gambling and drinking——

Mr. ENSIGN. No, no, no. I was just pointing out the cash benefits——

Mr. RANGEL. No, no, please. I will work with you on it. Please.

Mr. ENSIGN. I was pointing out that casinos should not be supplied by our welfare checks.

Mr. RANGEL. I understand. I have to deal with Mr. Rector. I agree with you.

Chairman SHAW. The gentleman from New York has the time.

Mr. RANGEL. I agree with you. Once we get the welfare recipients out of there, we will clean up the whole business you have down there. [Laughter.]

Mr. Rector, you have been working on this subject matter for a long time at the Heritage Foundation. I assume you have been working with Members of Congress in formulating legislation that could resolve some of these issues. I assume you are willing to work with Democrats and Republicans and we can work together.

Mr. RECTOR. Yes, sir.

Mr. RANGEL. You are my type of person, because none of this stuff you have up there deals with social workers, sociologist, psychologists, and psychiatrists. What you are saying is that getting married reduces poverty, welfare, drug abuse, crime, and produces children with higher IQs. I am inclined to agree with you. I did not know the chart would turn out the way it did, but if you had asked me, I would have agreed.

The reason I want to work with you is I accept this end and I will just ask some basic questions to make certain we can work together. First, what percentage of all of this stuff would deal with the families that find themselves in the very poorest communities, cities, or rural areas of just hardcore type of people that Dr. Pavetti is saying that somehow cannot get out of this rut?

Mr. RECTOR. I do not have the answer to that question.

Mr. RANGEL. Just roughly.

Mr. RECTOR. I would be hesitant to guess, but let me make a comment on what I think your point is.

Mr. RANGEL. I have not made my point.

Mr. RECTOR. OK. I see a similar pattern——

Mr. RANGEL. I just want to make certain that when I make my point, I am not talking about rich white teenage girls who get pregnant.

Mr. RECTOR. These are predominately—the girls who are having children out of wedlock and who never get married or who subsequently get married, whether they are white or black, are predominately poor educated women who come from low-income backgrounds.

Mr. RANGEL. There we go.

Mr. RECTOR. I would not say they are necessarily concentrated in urban areas. Maybe some are——

Mr. RANGEL. I do not care where they are. I just want to make certain we have a profile on who we are talking about and how we can help them.

Would you agree that in these poorer communities, most of the kids are enrolled in generally ineffective public schools?

Mr. RECTOR. I think the public schools in the inner city are a national disgrace. They are a form of organized child abuse and they are horrendous.

Mr. RANGEL. You and I are really going to get along, because I agree with you 100 percent. [Laughter.]

The system is geared toward that because teachers with the most experience go to school districts that have better salaries and classroom conditions.

Having said that, have you noticed those inner-city teenagers who are exposed to scholarship or some other alternatives, that once they achieve academically, they are the ones that are least likely to get pregnant as a teenager?

Mr. RECTOR. I think that is a factor. Let me give you one other factor I think you will agree with. The other factor that I find very, very crucial in allowing a young woman to escape from this pattern is church attendance.

Mr. RANGEL. Is what?

Mr. RECTOR. Is church attendance, and let me——

Mr. RANGEL. Please stick with me a little longer. I am with you.

Mr. RECTOR. It is directly related.

Mr. RANGEL. Listen, I got that, except the inconsistency is, I have figured that if you get married and that reduces poverty, the more you get married, the more it reduces poverty, and as a Catholic, that would work against me because I only get one marriage out of it. [Laughter.]

So stick with me. Those that manage to get on some type of an academic ladder, especially since they are coming from a school and a community that has the most crime and violence, and to use Mr. Ensign's word, hopelessness, those who have an academic goal are least likely to be getting involved to become a teenage mother, and, therefore, having illegitimate children, if you want to call them that, and therefore, get on welfare.

Mr. RECTOR. I think that is a valid point. Let me——

Mr. RANGEL. Let us say this. We are going to meet and I am going to ask staff to arrange an appointment today or as soon as possible, because we would be able to take that chart, if you and I were working together and I said this is what I want you to prove for me, and that would be that those kids who get a good education, that have training to get a good job, that do have jobs, do not do drugs, are not as sexually active, do not get babies out of wedlock, do not get involved in criminal activities, and they are the ones, when you look at the profile of those who are in jail, it is not them. It would be the ones that are unemployable and do not want to say no to anything because they figure they have nothing to lose.

I am not as good on this as you are, but if we work together to find the similarities of the problems and make the same investment we make in terms of billions of dollars to take care of the problem in jail, and all other crises, if we can somehow shift the attention to preventing these problems, I am convinced you and I could come up with a chart that would really substantiate what you are saying and what I am saying.

Mr. RECTOR. I believe so. I would simply say I think there are two ladders. There is a ladder of academic achievement and there is a ladder of moral achievement. The one factor I find strongest and perhaps we can most easily influence in terms of whether a young girl becomes sexually active as a teenager or whether she has a child out of wedlock is church attendance. It cuts the probability of teenage sexual activity by 66 percent.

I think what we need to do in order to bring about this moral salvation which we both want is to allow every single parent in these inner cities who are in these horrendous public schools to have an option to get out through a publicly funded scholarship and put their child in a school of their choice, including a school which is a religious organization. That is the strongest thing I can think of.

Mr. RANGEL. We will work together on the solution, but we need more of these kids that are successful and get married and go to church than those kids who get involved in crime.

Mr. RECTOR. The two factors wrap together.

Mr. RANGEL. We will be working both in getting more people involved in church work, higher morals, family values, education, job training, employability, and having jobs available.

Mr. RECTOR. I would be happy to work with you on that.

Mr. RANGEL. Thank you, Mr. Chairman.

Chairman SHAW. The time of the gentleman has expired.

Mr. Schilling, I am very impressed with the remarkable achievement you have had in the Wisconsin project. I have a question. Do you do any followup with the families to see what happens with the children? Let me explain to you the direction I am going with this questioning.

I have talked to someone who was once involved in the Wisconsin project, Eloise Anderson, who now is in California, and she told me yesterday she sees a marked difference, a very good difference in the children whose parents go off of AFDC. They seem to all of a sudden do a lot better, which certainly means to me there is a role model now and they can hold their head up high and no longer are dependent upon a corrupt welfare system. Have you noticed this or seen this in your work?

Mr. SCHILLING. I have no statistical evidence in that area, but anecdotally, the strongest evidence I have and we have experienced this in Fond du Lac is the talking of the parents who have gotten a job. They have spoken of the pride they have felt and transmitted to their kids and they will report things their kids have said, such as "My mom is going to work today," and things of that nature in their classes and at school.

So although it is only anecdotal, there is no doubt in my mind that those people that have viewed themselves as losing their dependency are transmitting that sense of pride and sense of being able to direct their own lives to their children.

Chairman SHAW. Dr. Pavetti, I see you nodding your head. Would you like to respond to that same question?

Ms. PAVETTI. I have heard the same thing. As I have said, I have spent a lot of time in the field in the last year and a half talking to people, staff, and you do hear the same thing, there is a sense of accomplishment, of incredible accomplishment, of people doing things they never felt they could do before, and they really do feel it does make a difference for their kids.

Chairman SHAW. I think in telling our story on trying to reform welfare, we make a mistake of focusing on the statistics on the "bad kids," the kids that are getting in trouble with the law and doing poorly in school, and then we see those numbers are higher in the cases of people on welfare. But I think what we need to do is to focus our attention on those that got out and are success stories. I think people will rise to our expectations. If you expect nothing, that is what you are going to get. That also reflects in the children. I think that is the tragedy of the present welfare system.

Mr. Rector, did you want to comment on that?

Mr. RECTOR. Yes. I think the data does show if the mother gets employed, there is a positive change in her parenting activities and

that is likely to have a large effect, particularly on the young child's cognitive achievements. On the other hand, it does not have as much effect in terms of behavioral/emotional sorts of things, which are more likely to be positively affected by marriage.

I did want to make one comment on Congressman Ensign's comment. I think it is very important in welfare reform to remove as much of the cash from the welfare system as we can, to move in the direction of providing vouchers and inkind services, particularly for young, never-married mothers.

I think it is particularly regrettable that in each case where a State has asked for a waiver, including Delaware—as I understand it, Delaware with a Democratic Governor has asked for a waiver to replace cash assistance to welfare mothers with inkind benefits or vouchers—that waiver request has been rejected and I think that is a very sad trend coming from the White House.

Chairman SHAW. I am very sorry to hear that. I talked to Governor Carper yesterday about our welfare reform. Certainly, among the Democratic Governors, he has been a national leader and I am very proud of the work he has done and proud we continue to associate with him in trying to reform the system.

I want to thank this panel. I think you can see by the interest of the Members of the Subcommittee that we very much enjoyed your testimony and the knowledge we were able to gain from it.

Thank you very much.

Chairman SHAW. We now will go to the next panel. We have Kim Bell from North Salt Lake, Utah; Bruce Wagstaff, who is deputy director of the Department of Social Services in Sacramento, California; Willie Bell, who is the principal of the Southside Elementary School in Lake Providence, Louisiana; and the fourth witness will be introduced by our colleague, Congressman Herger. Willie Bell will be reintroduced by my colleague, Mr. McCrery. I am sorry.

Wally.

Mr. HERGER. Thank you very much, Mr. Chairman. I do appreciate the opportunity to sit in with your Subcommittee this morning. I applaud your efforts and the efforts of Chairman Archer to make substantial changes in our Nation's welfare program.

With specific regard to your adoption of legislation to halt inappropriate payments to prison inmates, I am especially pleased to have with us our Butte County Sheriff, a constituent of mine, Sheriff Grey. You may recall seeing him on appearances on television when he has spoken out against the widespread entitlement fraud committed by prison inmates. As a law enforcement professional who first brought this issue to my attention and who helped us draft the Criminal Welfare Prevention Act of 1995, Sheriff Grey is uniquely qualified to testify on this widespread problem.

I thank you, Sheriff Grey, for appearing with us today.

Thank you, Mr. Chairman.

Chairman SHAW. Mr. McCrery.

Mr. MCCRERY. Thank you, Mr. Chairman.

It is my pleasure to introduce to the Subcommittee Willie Lee Bell from Lake Providence, Louisiana. Mr. Bell is the principal of an elementary school in Lake Providence. He has come to Washington before to testify before the special study commission that was set up through legislation that the last Congress passed which

studied the SSI for children's programs. I think Mr. Bell's testimony was compelling before the commission and I am glad he is here today to share with us his testimony.

Chairman SHAW. Thank you.

Ms. Bell.

STATEMENT OF KIM AND SHELAH BELL, NORTH SALT LAKE, UTAH

Ms. BELL. Thank you. My name is Kim Bell, and my husband, Kevin and I are the parents of five children, ages 21 months to 13 years. Our oldest three children are adopted. Two of them have disabilities and receive the maximum amount in SSI. Even though my husband works full time for the State of Utah, he only earns $25,000 a year.

Both of our daughters have developmental delays and mental retardation. Marissa, who is not with us, has Down's syndrome and has had three heart surgeries, one of which was open heart surgery. She is now 7 years old. Marissa qualifies for SSI because Down's syndrome is one of the disabilities in the Social Security medical listings.

My other daughter is here today. Can you tell everyone your name?

Ms. SHELAH BELL. Shelah Bell.

Ms. BELL. Can you tell them how old you are?

Ms. SHELAH BELL. I am 12 and in the sixth grade.

Ms. BELL. What kinds of things do you like to do, Shelah?

Ms. SHELAH BELL. I like to play with my friends and ride my three-wheel bike, write, and draw.

Ms. BELL. When you were in the hospital, you told Mommy there were some things you did not like. You told Mommy and the doctors. Do you remember you told us you wanted to die?

Ms. SHELAH BELL. Yes.

Ms. BELL. Do you remember why you told us that?

Ms. SHELAH BELL. Because I wanted to go to heaven and I did not want to be handicapped anymore.

Ms. BELL. What else? Would it help you to be like more kids, other kids?

Ms. SHELAH BELL. Yes.

Ms. BELL. What kinds of things can other kids do that you want to do?

Ms. SHELAH BELL. They can ride two-wheeler bikes and they can do hard math and hard reading.

Ms. BELL. Did you also want to stop hurting?

Ms. SHELAH BELL. Yes.

Ms. BELL. Shelah has Myotonic Muscular Dystrophy, which will get worse as she gets older. She has had six surgeries. The last two have been within the last 6 weeks. While in the hospital, her weight dropped to 53 pounds and we found out she has some other problems internally. The tube you see in her nose is giving her nourishment so she can gain weight, her bones will heal, and she will be strong enough for the next surgery, which is in 6 months, unless they have to do internal surgery.

Most parents of 12-year-old girls watch them get their first crush on a boy, try outlandish hair styles, experiment with makeup, and take turns having sleepovers at one another's homes. Kevin and I worry that Shelah will not gain enough strength to endure the next surgery, that her current health problems are the beginning of the end, and her wish to die will come true.

Shelah qualifies for SSI through the individualized functional assessment, which measures how far behind a child is in comparison to other kids their age. I was horrified last year when I heard claims that parents coached their kids to pretend they were disabled in order to get an SSI check. It is beyond my comprehension why anyone on Earth would do such a thing. Yet, because of those claims, I now face the possibility Shelah will never receive another SSI check.

I want you to understand we have that SSI check in order to keep our family together. Kevin brings home about $730 every 2 weeks. Our $514 house payment and utility bills take one of those checks every month. With the other check, we spend about $450 a month on food, which leaves about $280 to cover all other expenses.

If we were not getting the SSI checks, we could not manage. Some people have wondered why I do not go to work so I will have more income. First, there is the desire to raise my children instead of having a babysitter to do it.

Second, I could not afford the day care I would need for our two youngest children, and now with Shelah's medical needs, we would have to hire somebody who is in the nursing area of care.

Third is the amount of time we have to spend at the hospital and the doctors' offices with our daughters. I have spent 2 weeks out of the last 6 weeks at our local children's hospital. For 9 of the last 12 years, even with me not working, Kevin has used up all of his sick leave and vacation because of our daughters' medical needs. In addition, if our income gets high enough, the girls would lose not just their SSI but their medical coverage.

Our five children are wonderful, delightful human beings, but the everyday challenges of raising them, added to the uncertainties and medical problems caused by the girls' disabilities, can be hard. We sometimes feel our lives are like a roller coaster ride at the amusement park. The big difference at the park, the ride stops and you get off. We never get off. As long as our girls are on this Earth, we must try to make the ride as comfortable as possible, though the challenge is constant. Support like SSI provides the essential padding needed for a lifelong roller coaster ride.

I am here to tell you today if SSI funding is eliminated for my daughters, I would be forced to consider some kind of institutional placement, not because this is what we want for our girls, but because the financial strain added to the already existing physical, emotional, and mental stress, would be unbearable. And the result? You would save approximately $4,580 a year each girl receives from SSI funds and instead you would spend almost $80,000 a year for each in institutional costs, not to mention the fact it keeps families together.

I plead with you today to leave the children's SSI Program intact and keep the individualized functional assessment for the sake of Shelah and more than 300,000 children like her.

Thank you for your time and consideration today.

[The prepared statement follows:]

STATEMENT OF KIM AND SHELAH BELL

My name is Kim Bell. My husband, Kevin and I are the parents of five children ages 21 months to 13 years. Our oldest three children are adopted. Two of them have disabilities and receive the maximum amount in SSI because even though Kevin works for the State of Utah, he only earns $25,000 to support all seven of us.

Both of our daughters have developmental delays and mental retardation. Marissa has Down Syndrome and had open heart surgery when she was 2. Although she is now 7 years old, we are still trying to potty train her. Marissa qualifies for SSI because Down Syndrome is one of the disabilities in the Social Security medical listings.

My other daughter is here today.

KIM: Can you tell everyone your name?
SHELAH: Shelah Bell
KIM: Can you tell them how old you are and what grade you are in?
SHELAH: I am 12 and in the sixth grade.
KIM: What kind of things do you like to do?
SHELAH: Play with friends, ride my three wheeler, write, draw.
KIM: When you were in the hospital, there were some things you told Mommy and the doctors you didn't like. Do you remember you told us you wanted to die?
SHELAH: Yes, I did.
KIM: Do you remember why you told us that?
SHELAH: Because then I can go to Heaven.
KIM: Why did you tell us you wanted to go to Heaven?
SHELAH: Because I won't be handicapped anymore and I can do things like other kids.
KIM: What things can other kids do that you can't?
SHELAH: Ride a two-wheeler bike and do hard math and hard reading.
KIM: Did you also want to stop hurting?
SHELAH: Yes.

Shelah has Myotonic Muscular Dystrophy which will get worse as she gets older. She has had six surgeries on her feet and legs. The last one was two weeks ago. While in the hospital her weight dropped to 53 pounds and we found out she has some other problems internally. The tube you see is giving her nourishment so she will gain weight, her bones will heal and she will be strong enough for the next surgery.

Most parents of 12-year-old girls watch them get their first crush on a boy, try out outlandish hairstyles, experiment with make up and take turns having sleep overs at one another's homes. Kevin and I worry that Shelah won't gain enough strength to endure the next surgery, that her current health problems are the beginning of the end, and that her wish to die will come true.

Shelah qualifies for SSI through the Individual Functional Assessment which measures how far behind a child is in comparison to other kids their age. I was horrified last year when I heard claims that parents coached their kids to pretend they were disabled in order to get an SSI check. Who on earth would do such a thing? Yet because of those claims, I now face the possibility that Shelah will never receive another SSI check.

I want you to understand that we have to have that SSI check in order to keep our family together. Kevin brings home about $730 every two weeks. Our $514 house payment and utility bills take one of those checks every month. With the other check, we spend about $450 a month on food, which leaves about $280 to cover a car payment, gasoline, clothing, insurance, and any medical or dental costs. If we were not getting the SSI checks, we could not manage.

Some people wonder why I don't go to work so we will have more income. First, there is my desire to raise my children instead of having a baby-sitter do it. Second, we can't afford child care for our two youngest who are not in school. Third is the amount of time we have to spend at the hospital and the doctors' offices with our daughters. For nine of the last 12 years, even with me not working, Kevin has used up all of his sick leave and vacation time because of our daughters' medical needs. In addition, if our income gets high enough, the girls would lose not just their SSI but also their medical coverage.

Our five children are all wonderful, delightful human beings. But the everyday challenges of raising them, added to the uncertainties and medical problems caused by the girls' disabilities, can be hard. We sometimes feel our lives are like a roller coaster ride at the amusement park. The big difference is that at the park, the ride stops and you get off. We never get off. As long as our girls are on this earth, we must try to make the ride as comfortable as possible, though the challenge is constant. Support like SSI provides the essential "padding" needed for a lifelong roller coaster ride. If the government is able to provide the extra "durable padding" required, we are better equipped to stay on the ride, regardless of its highs and lows.

I am here to tell you today that if SSI funding is eliminated for my daughters I would be forced to consider some kind of institutional placement— not because this is what we want for our girls, but because the financial strain added to the existing physical, emotional and mental stress, would be unbearable. And the result? You would save the $4,580 a year each girls gets in SSI funds. And instead you would spend almost $80,000 a year for each in institutional costs. Obviously SSI is not only cost effective, it keeps families together. I plead with you today to leave the children's SSI program intact and keep the Individual Functional Assessment for the sake of Shelah and more than 300,00 children like her.

Chairman SHAW. Ms. Bell, that is very strong testimony and I very much appreciate your being here to give it to the Subcommittee. I can assure you, neither under our bill nor under the President's bill, are the SSI payments in any way in danger of being lost.

Thank you.

Mr. Wagstaff.

STATEMENT OF BRUCE WAGSTAFF, DEPUTY DIRECTOR, WELFARE PROGRAMS DIVISION, CALIFORNIA DEPARTMENT OF SOCIAL SERVICES, SACRAMENTO, CALIFORNIA

Mr. WAGSTAFF. Thank you, Mr. Chairman, honorable Members. My name is Bruce Wagstaff. I am deputy director of the Welfare Programs Division of the California Department of Social Services.

You have asked me here today to discuss the issue of welfare fraud, which is a problem that faces not only California but our entire Nation. As a welfare program administrator, I have found the extent and the impact of welfare fraud to be alarming and it causes me great concern, because this is an integrity issue which strikes at the basic heart of our public assistance programs.

Unabated, welfare fraud draws away millions of dollars from Federal, State, and local welfare budgets could and should be utilized to meet the legitimate needs of families and children, like our first witness. This is particularly true during this time of budgetary constraints and program limits.

Welfare fraud exists when a person knowingly makes a false or misleading statement to obtain benefits or fail to disclose a fact that could affect the amount of the benefit. In the past, a lack of valid data on the extent of welfare fraud has clouded the debate on the priority of aggressive fraud detection and prevention programs.

To remedy this, in California, we commissioned some fraud incident studies in three counties to determine the extent of fraud for specific welfare populations. The studies commissioned were conducted in Orange, Fresno, and Los Angeles Counties and looked specifically at the Aid to Families With Dependent Children child-only cases. These are cases where you have a child eligible for aid but the adult is not, either because of their immigration status or for some other reason. We took a look at this portion of the caseload because it was our fastest growing portion of the caseload that now represents about 20 percent of all of our recipients and because local program staff urged us to do just that, take a look at the integrity in this area.

The results of these studies were very disturbing. Fraud was found in a range of 30 to 60 percent of the child-only cases that were investigated. As a result of these studies, we commissioned an additional study in Orange County which would determine the incidence of fraud in all welfare cases. While we expect the results of this study to be available by the end of this summer, preliminary information suggests the overall incidence rate is in the neighborhood of about 30 percent.

So this data provides some very strong indication we have a significant problem, and in California, we are attacking the problem head-on. We have implemented a 5-year strategic plan to enhance

program integrity. The plan is the result of Governor Wilson's commitment to improve the integrity of welfare through fraud deterrence, prevention, detection, and overpayment recovery.

Some of the specific steps we have taken and I think could be looked at on the national level are to strengthen what we call our early fraud prevention and detection program by which we fund over 350 fraud investigators who are available during the welfare application process to resolve questionable situations or clarify conflicting information. We project this program saves taxpayers about $400 million annually.

We have also implemented a demonstration project in Los Angeles County to conduct fingerprint imaging of applicants for aid. In this demonstration project, fingerprint imaging is a condition of eligibility and is used to provide positive identification of recipients. This project is expected to achieve a total net savings of about $67 million over the 26-month demonstration period. We are also developing, based on these results, a statewide fingerprint imaging project for AFDC and food stamps, which we expect will have similar results.

We have further provided overpayment collection incentives to counties, which we expect to result in collections of more than $76 million, an all-time record, in the 1995–96 State fiscal year.

In addition, we have jointly worked with the Federal Government to crack down on illegal food stamp trafficking. The U.S.DA has estimated nearly $1 billion per year in food stamps are subject to trafficking. As a result of our joint project, there have been approximately 796 investigations, 266 arrests, 105 convictions, and no acquittals over a 1-year period.

We project our welfare fraud prevention and detection efforts will have saved a total of about $600 million in the 1994–95 State fiscal year, so we have had some results. We have made some efforts, but there are limits to what States can do and welfare reform is absolutely needed to allow States to pursue welfare fraud more aggressively.

There are several provisions in the legislation that have been proposed that we would strongly support, including allowing Federal tax refund intercepts for AFDC overpayments, increasing penalties for intentional program violations, and providing for the exchange of information with law enforcement agencies.

In addition, there are some items that are in the recently introduced Republican proposal we would support, including exemptions from what is known as regulation E for EBT, the electronic benefit transfer systems. This is a banking regulation which would expose government agencies to losses of over $50 that are issued as a result of a lost or stolen EBT card. This creates an additional liability for government agencies and an entitlement for recipients that does not exist under the existing benefit delivery system. Because of this requirement, implementation of EBT in California and other States has been delayed.

The Republican proposal also includes efforts to implement a nationwide automated data processing system capable of tracking participants over time and would deny SSI benefits for 10 years to a person found to have fraudulently obtained SSI benefits while in prison and would also institute additional computer matches which will detect prisoners receiving benefits who are not entitled to aid.

My time is up, but I just wanted to emphasize I have found this to be a very serious issue, one that must be addressed through welfare reform, and I urge you to pass along the legislation that would give States the flexibility and the authorization to take the steps needed to ensure the benefits and services we offer go to those who are truly in need.

[The prepared statement follows:]

UNITED STATES CONGRESS

HOUSE OF REPRESENTATIVES

COMMITTEE ON WAYS AND MEANS

HUMAN RESOURCES SUBCOMMITTEE

MAY 23, 1996

WELFARE FRAUD TESTIMONY OF BRUCE WAGSTAFF, DEPUTY DIRECTOR WELFARE PROGRAMS DIVISION CALIFORNIA DEPARTMENT OF SOCIAL SERVICES

Mister Chairman, honorable members my name is Bruce Wagstaff. I am the Deputy Director of the Welfare Programs Division of the California Department of Social Services. I am here today to discuss with you the welfare fraud problem which faces not only California, but our entire Nation. As a welfare program administrator, I have found the extent and impact of welfare fraud alarming and it causes me great concern.

This is an integrity issue which strikes at the heart of our public assistance programs. Unabated, welfare fraud draws away millions of dollars from federal, state and local welfare budgets that could be utilized to meet the legitimate needs of families and children. This is particularly true during this time of budgetary constraints and program limits.

Welfare fraud exists when a person knowingly and with intent to deceive makes a false or misleading statement to obtain benefits, or fails to disclose a fact that could affect the amount of the benefit. In the past, the lack of valid data on the extent of welfare fraud clouded the debate on the priority of aggressive fraud detection and prevention programs. To remedy this, California commissioned fraud incidence studies in three counties to determine the extent of fraud for specific welfare populations.

These studies commissioned were conducted in Orange, Fresno and Los Angeles counties and looked at Aid to Families with Dependent Children (AFDC) Child-Only cases. This group was selected because it is the fastest growing segment of the California AFDC caseload and currently makes up approximately 20 percent of all AFDC recipients; and, local program staff had expressed concerns regarding program integrity in this area. The results of these studies are very disturbing. Fraud was found in 30 to 60 percent of the sampled child-only cases investigated. As a result of these studies, California commissioned an additional study in Orange County which would determine the incidence of fraud in all welfare cases. We expect the results of this study to be available by the end of summer; however, preliminary information suggests that the overall incidence rate is 40 percent, of which 30 percent resulted in reductions or terminations of the AFDC grant. The remaining 10 percent had no fiscal effect on the grants.

California is attacking welfare fraud head on. We have implemented a five year strategic plan to enhance program integrity. This plan is the result of Governor Pete Wilson's commitment to improve the integrity of welfare through fraud deterrence, prevention, detection, and overpayment recovery. It was developed by a task force which included key state and county welfare staff who worked three months to identify 85 action steps to improve welfare integrity. These action steps were organized into five broad areas of improvement:

- Emphasizing prevention.
- Improving tools and technology to detect fraud.
- Increasing accountability through more effective penalties and better collections of

overpayments.
- Cracking down on program abuse.
- Refocusing program management on integrity, quality, and efficiency.

Some of the specific action steps which we have implemented include:

- Strengthening our Early Fraud Detection Programs to fund over 350 early fraud investigators who are available during the welfare application process to resolve questionable situations or clarify conflicting information. This program saves California taxpayers $400 million annually.
- Implementing a fingerprint imaging demonstration project in Los Angeles County to further eliminate misspent dollars. In the demonstration project, fingerprint imaging is a condition of eligibility for the receipt of aid for most adults and minor parents and is used to provide positive identification of recipients. This project is expected to achieve total net savings of $67 million over the 26 month demonstration period.
- Developing a proposal for a statewide system of fingerprint imaging for AFDC and Food Stamps cases which would be implemented in the 1997-98 fiscal year. A statewide system patterned after the Los Angeles model could be expected to achieve program savings in excess of $100 million annually.
- Providing overpayment collection incentives to counties which we expect to result in collections of more than $76 million, an all time record, in 1995-96 fiscal year.
- Participating in the United States (U.S.) Residency Verification Pilot Project which was designed to identify non-residents attempting entry into the U.S. who are or have been recipients of aid. Persons in this group are referred to an investigator who verifies residency. County actions in these cases have resulted in net grant and administrative savings of $3.8 million per year.
- Expanding the Income Eligibility Verification System (IEVS) to include: 1) searches of the Employment Development Department new hire file to determine if anyone receiving aid is now employed and no longer eligible for AFDC; 2) searches of the California Youth Authority and Department of Corrections records to determine if anyone incarcerated is also receiving aid and is ineligible; and, 3) Department of Motor Vehicles and Workers Compensation matches to identify reportable assets. These new matches will significantly increase the identification of AFDC fraud.
- Participating jointly with federal agents to crack down on illegal Food Stamp trafficking. Trafficking occurs when Food Stamps are used for unauthorized purposes. Most often Food Stamps are illegally sold for fifty-cents on the dollar to retailers who then redeem them for 100 percent of face value. In most cases the recipient then uses the money to purchase guns, drugs, alcohol, etc. The USDA has estimated that nearly $1 billion per year in Food Stamps are trafficked. As a result of this project, there have been 796 investigations, 266 arrests, 105 convictions and no acquittals over a one year period.
- California presently participates in a duplicate aid prevention/detection program. At intake, the 58 counties input SSNs, names, birthdates, etc. for all applicants of AFDC and Food Stamps into the statewide IEVS Applicant System. The state also matches SSNs against active AFDC and food stamp recipient database as well as Social Security Administration (SSA) files for SSN validation, Title II (RSDI) and Title XVI (SSI/SSP), and the Employment Development Department files for wages, UI and DI benefits, and Franchise Tax Board for asset information. When matches are complete, usually within three to five days after receipt by the state, the information automatically prints in each county which disseminates to the intake worker for action. This is a highly automated system which, when used properly at the county, will provide some level of overpayment and duplicate aid detection. For ongoing active cases, as part of our IEVS Recipient process, we currently have an agreement with Oregon, Nevada, and Arizona to match their active caseload against California's active caseload. The resulting match is returned to the appropriate California county, for follow-up. California also participates in the Bendex process under contract with the SSA. For this match, California, as well as other participating states, request RSDI information monthly for the active AFDC and food stamp recipients. During this process, SSA matches all states against each other and provides; (1) matches between states and (2) matches on clients receiving RSDI benefits. The resulting matches are forwarded to the appropriate county for follow-up. This system

is a fraud detection system designed to identify potential overpayments and possible duplicate aid.

The average fraud overpayment for investigated AFDC cases has ranged from $1,100 to $1,400 during the period January-March 1995 through October-December 1995. The average Food Stamp overissuance for the same period ranged from $239 to $278. California's welfare fraud prevention, detection and collection programs including implementation of strategic plan inititatives saved a total of $605 million in the 1994-95 fiscal year.

A recent audit of these welfare fraud programs was conducted by the California Bureau of State Audits. The audit found that early fraud prevention and detection programs are highly cost beneficial and returned between $6 and $67 in saved program benefits for every $1 invested. In addition, the audit found the continuing fraud prevention and detection programs return between $3 and $12 in savings for every $1 spent. We believe these types of programs, if implemented nationwide, would result in similar savings.

While these efforts have been successful, there are limits and barriers to what states can do. Welfare reform is needed to allow states to pursue welfare fraud more aggressively. Recently, the Clinton Administration released a new welfare reform proposal entitled, "The Work First and Personal Responsibility Act of 1996." Yesterday, the Republican Congressional leadership released its revised welfare reform proposal which incorporated many of the provisions unanimously recommended by the bipartisan National Governors Association. California strongly supports the following provisions which are part of both proposals:

- Allow Federal Tax Refund Intercept for AFDC.
- Increase penalties for Intentional Program Violations (IPV) in the Food Stamp Program.
- Allow compatibility of AFDC and Food Stamp reductions for overpayment collection for non-fraud overpayments.
- Provide a 10 year disqualification period for criminal conviction if a client received AFDC in more than one state.
- Provide that when a non-compliance penalty established under AFDC is a reduction in benefits, there is to be no commensurate increase in Food Stamp benefits.
- Provide that when an AFDC disqualification penalty is imposed on a Food Stamp household member for failure to perform an action required under any other federal, state, or local welfare program, the same penalty may be applied to that person for Food Stamps.
- Provide for the exchange of information with law enforcement agencies.
- Prohibit eligibility to persons fleeing felony prosecution or conviction or who has violated conditions of state or federal parole or probation.

In addition to these provisions, California supports the following additional provisions which are included in the revised Republican proposal:

- Exempt states from Regulation E for Electronic Benefit Transfer (EBT) for any state or federal program. The Federal Reserve Board ruled that welfare programs using electronic benefit issuance are subject to the consumer protection provisions of Regulation E under the Electronic Funds Act. This means that government agencies are responsible for benefits over $50 that are issued as a result of lost or stolen EBT cards prior to the report of the loss or theft. This creates a liability for government agencies and a entitlement for recipients that does not exist under other benefit delivery systems. Because of this requirement the implementation of EBT in California (and other states) has been delayed. Currently, California has a Request for Proposal (RFP) approved to go out to bid on EBT projects in San Diego and San Bernardino counties, but the release of the RFP is pending resolution of the Regulation E issue.
- Require a report to Congress on what would be needed to implement a nationwide automated data processing system capable of tracking participants over time. In this area, California believes such a data processing system should be required nationwide as soon as possible.

- Provide for the attribution of alien sponsor income and resources when alien residents apply for aid.
- Deny SSI benefits for 10 years to a person found to have fraudulently obtained SSI benefits while in prison.
- Require applicants to cooperate with the state in establishing paternity and allows the state to apply Food Stamp disqualifications to persons with delinquent child support payments.
- Provide for computer matches which will detect prisoners receiving benefits who are not entitled to aid.

If welfare reform legislation does not pass, states need federal government support to provide permanent federal waivers which would allow for the provisions previously identified for welfare reform and, in addition:

- Restore enhanced funding for fraud investigations. The loss of the 75 percent federal funding for fraud activities has seriously restricted fraud prevention, detection and prosecution activities.
- Allow Federal Tax Refund Intercept for Unemployment Insurance Benefits.
- Provide the ability for state and local government to share information with local law enforcement agencies.

I challenge Congress to address the serious problem of welfare fraud by enacting the welfare reform legislation necessary to strengthen fraud prevention, detection and overpayment collection programs nationwide.

Thank You!!

Chairman SHAW. Thank you, Mr. Wagstaff.
Mr. Grey.

STATEMENT OF MICK GREY, SHERIFF, BUTTE COUNTY, CALIFORNIA

Mr. GREY. Mr. Chairman, honorable Members, thank you for inviting me here today.

The abuse of the Social Security system and particularly SSI, the Supplemental Security Income system, by inmates in county jails is a widespread problem of enormous proportions. Inmates are routinely collecting full benefits while in jails and under the care of counties.

In April of last year, our local Social Security administrator in Chico, California, John Woodbury, met with several California sheriffs and jail managers and we had an opportunity to discuss what we believed to be a problem with our inmates. What we had noticed, and specifically in my jail, I noticed a lot of inmates with a lot of cash to spend. They were putting money in their jail accounts. It was not unusual to spend $200 to $300 a month on candy and goods out of our jail commissaries.

We learned the source of this cash was SSI checks coming right into the facility. The inmates were so bold about this, they were actually mailed to the office and were endorsed and put on their accounts. Other times, family members when they went to the house would bring the check into the jail and sign and endorse the check and the family member would cash the check for them.

To his credit, Mr. Woodbury offered us the opportunity to determine who was collecting the benefits by furnishing them complete lists of all of our inmates in custody. We chose to do that in our facility. It is a little bit time consuming. To determine who has to be disqualified, someone has to be in custody for a full calendar month, from the beginning of the month to the end of the month, to be excluded. My staff put together the list and we turned them over to the Social Security Administration. We found out 9 percent of my inmates were collecting Social Security SSI payments.

I made a news release about this finding. It was picked up by the wire services, and I also contacted my local Congressman, Wally Herger, who offered some assistance and wrote a bill. This generated quite a bit of controversy around the country. I received probably no less than 50 calls from other sheriffs around the country and jail managers who had been besieged by their local media's press reporters asking them if this problem was in their jail, also. Nobody knew.

Those jails that were checked, those sheriffs that did take the time to have their staff do the research and turn the numbers in, all reported between 5 and 15 percent of their inmate populations were also collecting SSI payments while in custody and while under the care of the county and being fed and housed and taken care of medically by counties.

The system is literally made for abuse. Under current regulations, when a recipient is in jail for 1 calendar month, he is not eligible to collect the benefit. The fallacy is that the inmate, the inmate himself, is required to pick up the phone and call the Social Security office and tell them they are not eligible because they are

in jail. Knowing inmates the way I do, and I sure you can understand, very few of them do this. Actually, I think if an inmate did do it on a charge phone at a county jail, the receptionist at the Social Security office would refuse to accept the collect call. There is no system in place for the notification to be made.

Even today, with the publicity we have had locally in my small county about us vigorously going after Social Security SSI recipients in county jails, every month we turn in those lists and every month we get a 4-percent hit on our inmates. Four percent are still attempting to beat the system.

In the State of California, there are over 100,000 inmates in county jails. If just 5 percent of those figures, and those are very conservative figures, are collecting SSI, that equates to about $35 million a year that is going directly into pockets of inmates while in custody in the county.

Under the current regulations, drug and alcohol dependence solely allows you to collect the benefit. As of January, I understand this changes, that drug and alcohol dependency by itself is not going to be a criterion for you to be able to collect a benefit. We are already told by inmate advocate groups for the inmates not to worry, do not panic, the money will still be available. They will be able to collect it because they will have other ailments they will be able to collect on that are a direct result of their drug or alcohol dependence. It could be mental problems or cirrhosis of the liver or whatever. They are not concerned about it.

But my counterparts are worried around the country that the legislation that may come out of this, we are hoping will not put another unfunded Federal mandate on local sheriffs who are already understaffed and unable to do their jobs today. If the solution were to come through, it would be one that would reimburse us administratively for our work to be able to research who is in custody for a calendar month and generate those lists every month back to the Social Security office. Congressman Herger has such a bill and we wholeheartedly support it. I have talked to the other 58 sheriffs in California and we are all in agreement that from our State, we would be happy to do it.

Thank you very much.

[The prepared statement follows:]

May 23, 1996

Testimony of Mick Grey, Sheriff, Butte County California

The abuse of the Social Security system and specifically the Supplemental Security Income (SSI) program by inmates in county jails is a widespread problem of enormous proportions. Inmates routinely collect full SSI benefits while in jails and under the care of counties.

In April of last year, our local Social Security Administration District Manager, John Woodbury, met with several California jail managers and discussed our belief that the SSI program was being abused by inmates. We had noticed that some of our long term inmates were flush with cash. They had so much money they were able spend hundreds of dollars monthly on snacks and candy in the jail commissary. We learned that these inmates were collecting SSI benefits. Some were so bold that they had their SSI checks sent directly to the jail to be placed on their jail account. Others had family members or friends bring them in for endorsement and cashing.

To his credit, Mr. Woodbury actually encouraged me to send lists of inmates including all known and used social security numbers, dates of birth of those who had been in custody for over one calendar month. We discovered 9% of our inmates were collecting SSI! Because I someday hope to collect Social Security myself, I was outraged to learn the system was literally being ripped off by convicted inmates sitting in my jail! These are the same criminals that our county pays to house, feed and provide medical care while at the same time were also collecting cash from the federal government.

I made a local news release of our efforts and contacted my Congressman, Wally Herger, for assistance. Our local experience was picked up by the wire services and our jail became the focus of national media attention for days.

Our findings placed the spotlight on jails all over the country. In the following few weeks, I received calls from no less then 50 Sheriffs and Jail managers around the country that were under pressure from their local media to determine if the problem existed in their jails. The sheriff's that did work with their local Social Security offices also experienced numbers of abusers similar to what we discovered. From 6% to 15% of all their inmates were collecting SSI benefits.

The system is made for abuse! Under the current regulations, when a recipient is held in a jail for one calendar month, he or she is not eligible to collect the benefit for that month and any month after that while in custody. The fallacy is that the system is dependent on the "honor" system. It relies on the inmate call the local Social Security office and inform them that they are in jail and not send the check for that month or and proceeding month that they are held in the jail... This is ridiculous. Inmates don't do that. Besides, I seriously doubt if any Social Security Office receptionist would accept a collect call from an inmate at a county jail.

We are one of very few jails in the country that now report monthly to the local Social Security office. Even with all the local media attention to our efforts, we still experience 4% of our inmate population that still attempt to take advantage of the system. In the 13 months we have been furnishing the lists, we have estimated to have saved the Social Security administration over $125,000.

In California alone, there are over 100,000 inmates in county jails. If only 5% of those are collecting SSI benefits, the saving would be over $35,000,000

Under the current Social Security regulations, alcohol and drug dependence qualifies for SSI benefits. When the regulations change in January of 1997, making these ineligible, we have already heard that they should not worry about being excluded by the new rules. We have been told that inmate advocate groups are advising inmates that they will probably still be eligible to collect from disabilities directly attributed to their drug and alcohol abuse.

My counter parts around the country are worried that one solution to this problem will be to pass a law requiring sheriffs to research, compile and submit the lists on a monthly basis. Most of us don't have sufficient funds or staff to perform another unfunded federal or state mandate. I for one would like to see the Social Security Administration pay a bounty to those sheriff's who make the effort to submit the lists. I have talked to most all of the 58 sheriff's from California and they have agreed that they would favor this solution.

Chairman SHAW. Thank you, Sheriff. Mr. Herger's provision is in the welfare bill.

Mr. Bell.

STATEMENT OF WILLIE LEE BELL, PRINCIPAL, SOUTHSIDE ELEMENTARY SCHOOL, LAKE PROVIDENCE, LOUISIANA

Mr. BELL. Good afternoon, gentleman. My name is Willie Lee Bell and I am principal of the Southside Elementary School in Lake Providence, Louisiana. It is in East Carroll Parish. We are in the extreme northeast section of the State. When you leave us, you go to Arkansas.

I am here to talk to you this morning, and I want to implore you as Members of Congress not to throw the baby out with the bathwater. But also, I want to let you know I do not have charts, I do not have graphs, and I do not have a written statement, but Houston, we have a problem.

I am principal of an elementary school with 501 students and this SSI Program has been a blessing in a sense in that for a lot of the people in East Carroll Parish, it is the sole source of income and without it, some of them just would not survive.

It is also a curse in that it has allowed my students to make intellectual prostitutes of themselves for $450 a month. I have watched my school's test scores plummet because kids have been coached to come to school and do nothing in order to satisfy mama or daddy's urge or desire to collect $450 a month. Their academic skills are suffering and so are their self-esteems.

I do not want to take up time by reciting data to you this morning because the story I would relate to you appeared in the January 1995 issue of the Baltimore Sun and it was reprinted in the May 1995 issue of the "Reader's Digest." We had a reporter named John O'Donnell who came to our community, he interviewed me, and I made some comments regarding the abuses of this program. In that article, he profiled a family who was collecting $48,000 a year of tax-free income sitting on their butts doing absolutely nothing. I do not make that as a school principal. I wish I did.

My school last year received $201,000 from the Federal Government title I program through Improve America's Schools Act to build up our reading and math achievements, and yet, we have over 200 students in my community receiving $450 a month to keep those scores down.

Gentlemen, we also received a $7,000 grant, again from title I, because our test scores had fallen down so low, we were put in what they called mandated remediation, and that $7,000 that was in addition to the $201,000 was to help us get our achievement back up. But it had no impact on my school because you are giving me $7,000 to get the scores up and the Social Security Administration is standing on the corner handing out $450 a month to keep those scores down. We have used money from Goals 2000, from so many programs to improve the educational function and the academic skill level of my school and it is of no avail.

I do not begrudge anybody's chance to do something, and I want to let you know this morning that this is a necessary program. East Carroll has no industry. We are a farming community and there are no jobs. People are using this program as a means of survival

and they have decided, If this is all I have, I will lie, I will cheat to get what I need to get to get by, and that is what is happening.

Gentlemen, I am 42 years old and I am an end-stage renal patient. When I leave here this evening, I will have to go home tonight and plug myself up to a dialysis machine for 6 hours, and then I have to get up in the morning and go to a job supervising 501 kids, 53 teachers, and bus drivers, cooks, and whatever. But there is a family right across the street from my school who will collect $48,000 doing absolutely nothing. I do not think that is fair. I do not think it is fair to the kids who have to come to school and do nothing, lower their self-esteem, not perform on tests, just to get $450 a month.

I could retire right now on disability and probably get on the SSI Program and lay up and watch soap operas every day, and it may come to that for me, but as long as I can go, I think I should be doing that.

The gentleman I mentioned across the street, I am told he is on SSI because he is overweight. He weighs 378 pounds. My wife and I often joke—I weigh 300—if I gain another 78 pounds, I could quit working and count on making a salary increase because I could probably collect a little bit more from SSI than I am making as an elementary school principal.

Gentlemen, this program was designed for a good reason but it has run amok. I hope you all will take the time to give it some serious consideration and do something for the young people I love and that this program is impacting.

Thank you very much.

Chairman SHAW. Thank you, Mr. Bell. Now I understand why Mr. McCrery has gone in and done a lot of investigation on this and done a lot of work for this Subcommittee. I appreciate your testimony.

Ms. Bell, I just have one question I want to ask you. Who in the world told you that you were going to lose Shelah's benefits under this bill?

Ms. BELL. We qualify for SSI through the IFA. Shelah initially did not qualify for SSI for the first 5 years of her life, even though she was very medically needy and developmentally delayed because she was not on the original Social Security medical listing.

Chairman SHAW. But who told you this bill was going to take her off?

Ms. BELL. That is the only way we can qualify. If you eliminate the IFA, we lose our money. We have to reapply and then be determined whether we qualify for it or not, and originally, we were not. We went into debt on our own trying to pay the bills by ourselves.

Chairman SHAW. I can assure you, you do qualify.

Mr. McCrery.

Mr. MCCRERY. Thank you, Mr. Chairman.

Ms. Bell, I agree with the Chairman that certainly your other child qualifies under the listings and she would continue to receive benefits. Shelah, I cannot imagine, would not qualify under something called functional equivalency under the current SSI law. I just find it hard to believe she would not qualify under one of the available tests outside the IFA.

Hardly anyone recommends keeping the IFA because it is so vague and so open to abuse. GAO, the General Accounting Office, did a study. They said the IFA could not be fixed. Every bill that has come before this Subcommittee, including the President's bill that is now out there, including the Deal bill that every one of the Democrats voted for last year, does away with the IFA. We simply cannot fix the IFA.

So I hope we have put that to rest, but your child, we think, would qualify under the functional equivalency test. According to data I have here from Social Security, only 16 percent of the children with muscular dystrophy qualify through the IFA, and as we have heard before through testimony before this Subcommittee, there is no requirement for disability examiners or for the Social Security Administration to qualify a child under the medical listings or exhaust every other avenue before qualifying through the IFA.

I hope you will go home with some comfort that Shelah is not going to lose her benefits under our bill or under the President's bill, because his does away with the IFA, as well, or under any other bill we pass. She will not. But I do appreciate your coming today and sharing with us your concerns.

Ms. BELL. I guess my concern is I have advocated enough for my daughters over the last 9 years and learned that language is pretty important in politics, and I have not seen language I am comfortable with yet that assures me. You can tell me that here in this meeting, but I have no assurance when I leave here how that language is going to appear and how it is going to qualify or disqualify my daughter.

Mr. MCCRERY. I understand that.

Ms. BELL. I do know the reality is we have been disqualified in the past. So it is more of a reality to me than it may be to somebody else. I knew what it was like living without the IFA. I had no benefits and we went into debt and ended up living with family because our medical insurance did not pay everything that was covered for Shelah. If we are getting into the long haul of her disease, we have a lot more to come.

So I guess I am a little uncomfortable until I see that final language and understand exactly how it is going to apply to my daughter. The other reality is, it is not just my daughter. There are over 300,000 other children. You may say it is only 16 percent, but there are faces behind those percentages and there are names and families, just like mine.

Mr. MCCRERY [presiding]. The point Mr. Bell makes, though, is that many of those 300,000 children are not children with severe developmental disabilities. They are not children who have severe physical impairments. They are children who would receive plenty of assistance through existing programs, education programs, and other Federal and State programs that do not need to be on SSI. So that is the problem we are grappling with. We are trying to reach a middle ground here that handles the abuse which we think is widespread in the system and yet does not do damage to children who legitimately need assistance.

Ms. BELL. Right, and I understand that.

Mr. MCCRERY. We are trying to walk that line, and it is difficult, I admit. Your testimony today will help us as we look at that.

Ms. BELL. I guess I am uncomfortable with that, and I appreciate Mr. Bell's comment, that he said he is not a professional and has not really done the controlled studies, so I am a little nervous at the types of stories you are hearing and how controlled and really how probable they are.

Mr. MCCRERY. Perhaps we will let Mr. Bell expound a little bit and you will be more sanguine with his remarks, because even though he is not a psychiatrist or a researcher, he is the principal of a school in the real world where he sees the real impact of this every day.

Ms. BELL. Right, and that is one school in the United States, so I am still a little nervous.

Mr. MCCRERY. I can assure you Mr. Bell's comments have been repeated to me any number of times by other principals and other teachers across North Louisiana. This is not an isolated case. You are simply incorrect to assume there is no abuse in this program, and for you to make the statement that it is incomprehensible that a parent coach his children in order to get a check is a perfectly reasonable statement for you——

Ms. BELL. For me.

Mr. MCCRERY [continuing]. And me. It is incomprehensible. The facts are otherwise, though, Ms. Bell, and Mr. Bell knows it. If one of my colleagues would lend me some of their time, I will have a chance to explore with Mr. Bell some of the statements that parents and children have made to him that will give you some more assurance it does, in fact, occur.

Mr. Levin.

Mr. LEVIN. Mr. McCrery, let me follow up, because I hope this hearing will become an important moment in the consideration of this issue.

I just want to make a plea to you, others, and to all of us that we take a hard look at this again and that we know what we are doing, because what Ms. Bell has said is that her second child, Shelah, was qualified through the IFA. She was not qualified under the medical listing.

We have abolished the IFA. It is not correct that no bill went beyond simply abolishing the IFA and leaving the medical listing provisions as is. In the minority bill that every one of us voted for, we abolished the IFA, it is true, but we put in a new category outside of the medical listings for those children who had a combination of handicaps that by themselves individually would not necessarily qualify those children under the medical listings.

I would plead with you to take another look at that. I am not saying the language we derived was perfect, but it was an effort to make sure we got at the abuse without disqualifying children like Shelah. There is nobody here, if I might say so, who can say, under your bill, under the President's proposal, that Shelah is sure to be able to qualify for benefits. Under the bill we put forth that did not gain enough votes, we could have given that assurance.

I do not think you want to disqualify families with kids like Shelah Bell, but we may end up doing it, and that is why I have

been urging you and all of us to take a very hard look at it, and we have time to do that.

Mr. Bell, I just want to say, the GAO report indicates there is some abuse. There has been some coaching. What they say is that of the million kids on SSI, they were able to identify 1,232 cases where coaching was suspected or allowed. Of those, only 77 actually resulted in awards. When SSA did its analysis, they found abuse or a reason for reversal in 2.5 percent of the cases. So there is some abuse, but there are, of the 300,000 kids, likely more who are closer to the handicapped circumstance of Shelah than to the kids who have been coached in your school.

Mr. Bell, we need to be sure we do not throw the—I am not sure we want to use that analogy. You talked about the baby with the bathwater. It sounds a little too hard. You did not mean it that way. In a sense, it is true. There are some young children who should not be thrown off the SSI Program, their families, because there is abuse in programs like yours.

The GAO report indicates the abuse is very much, not confined to, but is very much highlighted in a few States and the worst is Louisiana. I called the people who run the Michigan program. They did not know I was calling. They are appointees, in some cases, of Governor Engler. I said, What is the level of abuse in terms of coaching? They all said, Less than 1 percent.

Mr. Bell, have you reported these abuses to the State authorities?

Mr. BELL. No, sir, and one of the reasons why I have not is there is a discrepancy between what we consider abuse, to mean, Mr. Levin, if there is an able-bodied person walking around who can work and they are not working and they are drawing SSI payments, that is abuse to me. If I have a kid in my school who can function academically and they are not functioning that way just to stay on the SSI rolls, that is abuse to me.

Mr. LEVIN. But why not report this to the State authorities?

Mr. BELL. One of the reasons is that until recently, we had no one to report it to. I am under a rule of confidentiality where it concerns my students and our State just set up, and not long ago, a hotline for fraud and abuse.

Mr. LEVIN. But there is no confidentiality—if I might just pursue this for another 30 seconds or so—if you see abuse, you do not have any confidential information.

Mr. BELL. Yes, we do. I am not allowed to discuss my students' records with anybody.

Mr. LEVIN. But now you are reporting this abuse to the State?

Mr. BELL. Yes, sir, through an anonymous hotline.

Mr. LEVIN. Look, then the problem is, in part, the States that do not administer this program appropriately. Those States that allow abuse should be chastised. The States are operating these programs, not the Federal Government. If there is that kind of an abuse, if there is coaching, it should be weeded out. But children like Shelah should not be thrown out, and the families like Ms. Bell, who is staying home to take care of two handicapped children.

Mr. BELL. Sir, I prefaced my remarks with the statement that I hope that will not happen, and I really do. See, this is a necessary program. I have kids in my community who deserve their benefits

and who could not survive without them. But I also have kids in my community who are walking around doing nothing but getting somebody's daughter pregnant and they are having a field day on $450 a month.

Mr. LEVIN. That should be eliminated.

Mr. BELL. I agree.

Chairman SHAW [presiding]. The time of the gentleman has expired.

Mr. Collins.

Mr. COLLINS. Thank you, Mr. Chairman.

I would like to say I appreciate each one of the panelists being here to testify and I would like to yield my time to Mr. McCrery.

Mr. MCCRERY. I thank the gentleman for yielding.

Mr. Bell, you cannot prove, can you, all the instances of abuse of the program that you suspect, is that correct?

Mr. BELL. No, sir.

Mr. MCCRERY. In fact, your conclusion that there is abuse in this program in terms of children qualifying who really should not qualify is based on anecdotal evidence from a few parents and a few students, is that correct?

Mr. BELL. Mr. McCrery, this is what I see in my school every day, yes, sir.

Mr. MCCRERY. So you cannot tell this Subcommittee that 50 percent of the students who qualify for SSI at your school should not be on the program. You do not have that kind of data. But you feel it in your bones that there is something going on out there in your community that is not right.

Mr. BELL. Sir, I see it, and I made a statement once about the estimated number and then I was asked to prove that. I cannot go to your house and ask you, Are you on SSI and are you faking it? But it does not take a genius to see what is going on in my community.

Mr. MCCRERY. Are you familiar with the *Zebley* decision?

Mr. BELL. Yes, sir.

Mr. MCCRERY. Do you know about when that decision occurred?

Mr. BELL. Back in 1990, or in the late eighties or early nineties.

Mr. MCCRERY. Did you notice a difference in the attitude of your students following that decision?

Mr. BELL. Mr. McCrery, following the *Zebley* decision, the situation just mushroomed. From 1991 to 1994, when we would go to the mail, we would just count them everyday, the school function forms that we would collect. We just wondered, How many are we going to get today? We knew we were going to get some. We just did not know how many.

Mr. MCCRERY. Mr. Bell, do you consider it a problem that children are applying for SSI benefits under this program even if they do not get the benefits, even if they are not found to be qualified by Social Security?

Mr. BELL. Yes, sir. The problem there is if they are turned down, they can appeal, and they are going to keep their little charade going to make sure that they get it the next time.

Mr. MCCRERY. So the statistics that Mr. Levin brought out, that there is only 1 percent that have been overturned and those kinds of numbers, are not necessarily the numbers that this Subcommit-

tee ought to be concerned with. We ought to be concerned, too, about the children who apply and get turned down——

Mr. BELL. Absolutely.

Mr. MCCRERY [continuing.] Because it is those children who are being encouraged by their parents based on what they have heard around the community to go to your school, fail their exams, act up in class in order to try to qualify. Even if they are found by the examiner to be faking it and turned down, that is still an abuse of the problem. That is still an abuse of that child. That still has an indelible negative impact on that child's life.

Mr. BELL. It also has a negative impact on the academic standing of my school.

Mr. MCCRERY. Has that gone down somewhat since the *Zebley* decision?

Mr. BELL. Representative McCrery, we got our test scores this past week, and I am kind of proud of it, we are pulling ourselves back out of the hole that we fell into when we got into this SSI thing here. For the first year since 1991, we met our State test score standards. Of course, they changed the standards and they made it a little bit easier for us. When we go back to tougher standards, we will probably be back in the same—and I am not saying that SSI is at fault for everything that happens in my school. I would be lying if I said that. But sir, it has a major impact on what goes on in my school.

Mr. MCCRERY. And the drop in your scores just happens to coincide with the change in the SSI Program?

Mr. BELL. Almost with the *Zebley* decision.

Mr. MCCRERY. Mr. Bell, your testimony here, I think, is quite compelling. We could have brought into this Subcommittee, Mr. Chairman, scores of teachers and principals from North Louisiana who would duplicate this testimony. Anyone who says this is not a problem is sticking his head in the sand and ignoring the abuses that are out there as a result of governmental action. I think it is despicable, and if this Subcommittee, this Congress, and this President do not do something about it, we ought to be ashamed of ourselves.

Mr. BELL. I agree.

Chairman SHAW. Thank you, Mr. McCrery.

We are going to have to recess. The Members have to make this vote. We will recess for approximately 15 minutes.

[Recess.]

Chairman SHAW. If the witnesses would return to the witness table, please.

Mr. Herger.

Mr. HERGER. Thank you, Mr. Chairman, and again, I appreciate the opportunity of sitting in on your panel this afternoon.

I would like to make a few comments, if I could, on what I have heard in the testimony so far. Our Republican plan will spend $1,305,000,000,000 over the next 7 years. We will be spending more over the next 7 years than we have in the past 7 years. The purpose of this legislation, as I understand it, is certainly not to address individuals who are truly needy, as we see Shelah Bell, who is one of those deserving. That is not the purpose of this hearing nor the purpose of this legislation.

We have heard through the testimony of Willie Bell, the principal of a school in Louisiana—I want to thank you, Mr. Bell, for the courageous individual you are and for the role model you are, not only for your students but for this Nation—but the observations you have made of the damage this system has done has gone astray and the need for the correction.

I also want to thank my own sheriff, Mick Grey. I want to thank you for the example you have set. I would like to also give some of the results, Sheriff Grey, of bringing to my attention abuses that you saw in your jail, of those who were receiving SSI payments illegally who should not have been.

The GAO did perform an investigation in which they analyzed some 12 counties in some 9 States to get an idea of what type of savings we would have. They found approximately 5 percent were misusing the system, receiving SSI payments which amounted to a savings of $181 million estimated nationally.

So again, because you took the time to bring this to our attention and I was able to draw up legislation, again, because of your input, it now has 161 cosponsors. It has been incorporated, and I thank our Chairman, Mr. Shaw, for incorporating it into this legislation. I am quite confident that, one way or another, we will see this come into law and we will help do away with this particular abuse.

So again, I commend each of you who is here today for the time you have taken to help right a system which is very clearly broken.

Thank you very much.

Thank you, Mr. Chairman.

Chairman SHAW. Mr. Rangel.

Mr. RANGEL. Thank you.

Sheriff, when did you report this condition that outraged you in the jail? When did you find out about it?

Mr. GREY. It was in April of last year.

Mr. RANGEL. Last year?

Mr. GREY. Last year, yes.

Mr. RANGEL. In 1995.

Mr. GREY. Yes, sir, 1995.

Mr. RANGEL. And that was the first time you had any indication that men or women were receiving SSI checks?

Mr. GREY. That is right.

Mr. RANGEL. Does the name Peter Abilene, branch manager, the Department of Health and Human Services, Social Security Administration on Lincoln Street, mean anything at all to you?

Mr. GREY. No, it does not.

Mr. RANGEL. Let me thank you for what you have done, but I have a letter addressed to you where they ask for your assistance in providing their office in Oroville and Chico with the identities of those who are incarcerated and may be receiving SSI or Social Security benefits. They wanted your cooperation in doing this and it is dated March 29, 1993. Anyway, we are all trying to get rid of the same problem and we want to thank you, at least a few years later, in getting in touch with the Congressman.

Let me join in thanking you, Mr. Bell, for having a serious concern about your students, about fraud, and about all those things where hard-working people really get disgusted when they see other people working the system and depriving those who should

truly be beneficiaries not being able to get those benefits. I, like my colleague, do not have to have a college degree to see who I believe is working the system.

When you first found this out, when did you get in touch with your Congressman to share this with him? How did it happen that he got to know you and you got to know him?

Mr. BELL. Through the newspaper article, sir.

Mr. RANGEL. He contacted you?

Mr. BELL. Yes, sir.

Mr. RANGEL. And you had said something in the newspaper?

Mr. BELL. Through the newspaper article in the Baltimore Sun.

Mr. RANGEL. And then you two had conversations?

Mr. BELL. Yes, sir.

Mr. RANGEL. How many?

Mr. BELL. Several, not with Representative McCrery but with members of his staff.

Mr. RANGEL. So it was pretty clear that both of you were reading from the same page?

Mr. BELL. Yes, sir.

Mr. RANGEL. So when you came up here, you knew you would be with friends?

Mr. BELL. Yes, sir. We have——

Mr. RANGEL. So being a good citizen does not necessarily mean it is courageous. You did the right thing and you ought to be lauded for it.

Mr. BELL. I do not know about that, but——

Mr. RANGEL. Are you obligated?

Mr. BELL. No, sir.

Mr. RANGEL. So let me join with others for pointing out fraud. I just do not see where we can give any medals for valor, but certainly you did your duties as a citizen and I think you should be respected for it.

Mr. BELL. I am not looking for one.

Mr. RANGEL. No, but someone down there said something about courage.

Mr. MCCRERY. If the gentleman would yield——

Mr. RANGEL. No, thank you.

Mr. MCCRERY. I would just point out that he is courageous to go to work every day. He is on renal dialysis. Give the guy a break.

Mr. RANGEL. I have congratulated him——

Mr. MCCRERY. Well, than you very much.

Mr. RANGEL. If there is something else you want signed, I will come with you and I will sign it.

Mr. MCCRERY. Thank you.

Mr. RANGEL. You talked with the witness. Your staffers talked with him. You knew his testimony, and I am glad that he gave it.

Mr. MCCRERY. Good.

Mr. RANGEL. Let me talk with Ms. Bell. Ms. Bell, your courage is to be respected. First of all, the pain you would have just in coming forward, but in knowing that there are so many people who have children, relatives, and loved ones that cannot come forward. Let me thank you for coming here. That is first.

Second, let me thank you for not being intimidated and bullied. That is a quality, as well. It is not courageous, it means you have

it and they are not going to push you around, and that is what America should be all about.

Now, I want to join with my colleagues and say nothing is going to happen to you. Trust us. We are from the U.S. Congress. [Laughter.]

I also would like to say to you that we do not intend to harm you and your child just because we have given up the Federal responsibility. I also would want to say, in all of our hearts, we want to make certain that cases like this are taken care of. All we are saying is that we are changing the law. Soon, you will be receiving a notice from the U.S. Government and that notice will tell you that you may not be eligible for benefits, but do not worry—do not worry—because it is not our intent that you or your child be hurt.

All they would tell you is they are going to review your case. There is nothing for you to be upset about. It is just an ordinary review. They are going to review the medical evidence, the doctors' evidence. They may ask you for additional evidence. But all of the time you and your husband are concerned, I want you to remember the words you heard from this Subcommittee. Do not worry. Trust us. If their thinking is like our thinking and the evidence proves you still are eligible, then you will continue to get the check.

Until that time, though, please take our word for it. We never intended to hurt you. We are just saying the Federal Government would like to get out of this type of business and leave it up to local and State governments who are closer to the problem.

You should also know that when it reaches the point that the State government and the city government——

Mr. McCrery. Would the gentleman yield?

Mr. Rangel. No, no, no. I am on a roll now.

Mr. McCrery. You are out of time.

Mr. Rangel. When it reaches the point that the city government and the State government cannot help you, we always have charitable organizations, and do not ever forget that.

Thank you, Mr. Chairman.

Chairman Shaw. The time of the gentleman obviously has expired.

I would like to clarify one thing, though. SSI is a Federal program and it remains a Federal program. We are not block granting it to the States. It is going to stay a Federal program.

Ms. Bell, I do have a question, though. What condition was your daughter in when she was turned down? You told me that what she has is a progressive illness.

Ms. Bell. Right. Initially, with Shelah's type of muscular dystrophy, when they are born, they are very medically needy and then they kind of level off, and then, again in later years, start to become medically needy again. She was——

Chairman Shaw. Was she less afflicted then, when you first applied, than she is now?

Ms. Bell. No, actually, she was not. She had club feet, so we were taking her to the doctor every other week to get the casts recast. She had apnea spells. We were tube feeding her for all of her feedings for the first 9 months of her life. Obviously, she had no muscle tone, so she could not do a lot of the activities babies her age did.

Chairman SHAW. I want to thank you for bringing this situation to us as a reminder as to the beauty of this program, about which we have heard testimony today that is so self-destructive. When we think that you have to share a program with kids that are being encouraged to act up when really there is nothing functionally wrong with them, or that you have to share a program with people in prison or with drug addicts or with alcoholics who have engaged in self-destructive behavior, I think it is absolutely incredible. I think it is further incredible that this Congress has allowed this to progress as long as it has.

Mr. Rangel pointed to Sheriff Grey and said that he got a letter back in 1993 advising him there was a problem in this area. It is from the Clinton administration. I am absolutely amazed that the Clinton administration and the Social Security Administration knew of this problem so long and did not come to the Congress to get it fixed. That, to me, is an indictment of the people down at the Social Security office.

Mr. RANGEL. I agree with you, Mr. Chairman.

Chairman SHAW. Thank you. I think that is absolutely inexcusable.

I would like to say to Mr. Bell, I join Mr. McCrery and I think you are courageous. You get up every day, regardless of the fact that you are on dialysis, and you yourself would qualify for SSI. You told me over the break how much you love these kids and what you wanted to do for them and that you saw this abuse of the program as a force that was actually destroying them and destroying their future. It is melting away.

Also, Mr. McCrery told me over the break that you testified before some commission, I guess in Louisiana——

Mr. MCCRERY. No, here in Washington.

Chairman SHAW. Oh, here in Washington——

Mr. BELL. Yes, sir.

Chairman SHAW [continuing]. About one-half of the kids in your school have applied for SSI crazy checks, is that correct?

Mr. BELL. Yes, sir.

Chairman SHAW. That, to me, just shows what happens when Congress ignores the problems of Federal programs that were well meaning and meant to take care of situations such as Shelah but have gotten just so out of whack and so outrageous. I hope we can get the cooperation of all the Members in this matter.

I might say that in this one area, the President has adopted the position that the Congress had previously adopted, even though he vetoed the bill, so I am confident we will be able to solve this situation.

But I will say to Ms. Bell, trust Congress. Congress is concerned about you. You are here to talk to Congress. Congress has listened to you and the Congress agrees that this SSI check you receive for Shelah is exactly what it is intended for and we are not going to in any way diminish the amount of assistance which you so deserve and Shelah deserves, and I would like to say——

Ms. BELL. I think I will feel better when I see the language.

Chairman SHAW. I would like to say to Shelah, too, that you are a beautiful little girl. On the inside, you are courageous and think

well of yourself, because you certainly are overcoming tremendous problems and you have great courage.

Thank you.

Mr. RANGEL. Mr. Chairman, could I just be heard on the question of what you described as crazy checks? I do not know whether Mr. Bell described it that way or you did, but I think it kind of throws a connotation over all recipients when you just refer to it as that.

Ms. BELL. Thank you, Mr. Rangel.

Mr. RANGEL. I know it is not intended, but——

Ms. BELL. Thank you.

Chairman SHAW. No, the crazy check is referring to the people who are receiving the checks because of a court order back around 1990——

Ms. BELL. I understand that, but I think the media has sensationalized on it and it sort of puts us all in that same category.

Chairman SHAW. We are going to set that record straight. We are going to set that record straight.

Ms. BELL. I think repeating the word gives it more power sometimes.

Mr. LEVIN. Mr. Chairman, I would like to ask——

Mr. RANGEL. Thank you.

Chairman SHAW. Clearly, that does not apply to Shelah.

Mr. LEVIN. I would like to ask Ms. Bell, just so the record is clear, a couple of quick questions.

Chairman SHAW. Go ahead, and then we are going to have to move on.

Mr. LEVIN. First of all, how many children do you have?

Ms. BELL. I have five.

Mr. LEVIN. Five children? Have you been active on this issue in your home State?

Ms. BELL. Yes, I have.

Mr. LEVIN. Just describe briefly what you have been doing.

Ms. BELL. Initially, when I found out last January 1995, I wrote letters to my Senators and Congressmen, met with Senator Bob Bennett in his office in August, I have been in communication with Judy Hill through Senator Hatch's office, and I spoke with the Governor 2 months ago at a meeting about my concerns with the elimination of the IFA and what kind of criteria might be used in the future and how it would eliminate our family from the program.

Mr. LEVIN. Have you been active in any group, any State association or local association?

Ms. BELL. For this particular issue, or just anything?

Mr. LEVIN. No, generally, regarding handicapped children.

Ms. BELL. Yes, different ones throughout the community. Basically, I am kind of a self-motivated person, and so I go to whatever source I feel I need to help me with my cause.

Mr. LEVIN. I just, in closing, want to say that there is no question of the need to get at abuse. The question is whether in doing so we are going to affect children like Shelah. Mr. Chairman, I hope we can work together to make sure that does not happen.

Chairman SHAW. I can surely——

Mr. LEVIN. I think there are questions about the present langauge, and up until now, we have not had the kind of bipartisan

discussion we really need. I think we need more than a verbal assurance from us, because that does not carry the weight of law. We need to make sure the law is written so that families with kids like Shelah, the money goes to the family, so they have a little bit of help as they try to keep the family together while we get at the abuses.

I just want to say something, because you talked about this administration, the Social Security Administration. This is a very political season. I read this letter the branch manager wrote to the sheriff, to Mr. Grey, saying,

> I ask for your assistance in providing our offices in Oroville, in Chico, the identities of those who are incarcerated and who may be receiving SSI and Social Security benefits. I would like to establish some mechanism for a timely notification so that our office can take appropriate action to monitor and, as necessary, stop improper payments.

I do not think it is fair to blame, in this case, a Social Security Administration office that 3 years ago wrote a letter asking the cooperation of a local sheriff.

Chairman SHAW. No, the gentleman has misunderstood my remarks. We, with the Herger bill, which is incorporated in this welfare reform bill, we are going to legislatively fix this, and that is the provision that I was wondering why in the world the Social Security Administration had not brought to the Congress. They are supposed to bring these type of abuses to the Congress with some suggested language as to the legislative fix, and that is what we are going to do.

And also, I would like to further let the gentleman know he can be relieved that we no longer in this bill have a two-tier system with regard to SSI. It is a one-tier system——

Mr. LEVIN. I know. We criticized that as harsh. You dropped it. The Governors urged you to drop it. It was in the bill that was vetoed by the President as too harsh.

Chairman SHAW. Then hopefully we will look for your support, then, because——

Mr. LEVIN. I hope we can work it out, and I have said this to——

Chairman SHAW. And I would say to the gentleman, too, that if you have problems with the language that is in the bill and you feel there is any chance that people like Shelah might fall through the cracks because of inartful writing, drafting of the bill, bring that to my attention as Chairman of the Subcommittee and we will certainly see if we can improve upon it.

Mr. LEVIN. It is a deal. We will do it.

Mr. MCCRERY. Mr. Chairman, if you will allow me——

Chairman SHAW. I will yield to the gentleman and then I yield the extra time to the Minority side.

Mr. MCCRERY [continuing]. Just a moment to respond to something that Mr. Rangel said. Mr. Rangel asked Mr. Bell if he contacted me or if I contacted him, and Mr. Bell said my office contacted him after we read in the Baltimore Sun an account of the SSI problem in Lake Providence. That is correct. What Mr. Bell did not know was that my office had been contacted by a number of other principals and teachers in northwest Louisiana—Mr. Bell is from Northeast Louisiana—prior to that and we gave that information to the Baltimore Sun and to anybody else who would listen

and that information prompted the Sun and others to do investigations. That is how they found Mr. Bell.

That simply points out that this problem is widespread. I am now getting comments from States like Connecticut, not deep South States, Connecticut, where my colleagues are saying they are beginning to hear from teachers in the system who are uncovering the same kinds of problems. The word is spreading. If we do not do something about this program soon, we are going to make the lives of many, many, many children in this country immeasurably worse than they should be for absolutely no reason at all.

Chairman SHAW. Thank you. I thank again the witnesses for staying with us so long.

Now we are going to move along, and I apologize to all the witnesses that the hearing is taking as long as it is, but this is a very important subject and your presence with us today is very important.

The next panel of witnesses is Marilyn Ray Smith, who is associate deputy commissioner and chief legal counsel of the Child Support Enforcement Division of the Department of Revenue, Cambridge, Massachusetts; Susan M. Brotchie, who is the founder and past national president, Advocates for Better Child Support, Inc., from Peabody, Massachusetts; Jeffrey Cohen, who is the director, Office of Child Support, Waterbury, Vermont; and Dr. Wade F. Horn, who is the director, National Fatherhood Initiative, Gaithersburg, Maryland.

Again, we have each of your statements which will be made a part of the record and you may summarize as you see fit.

Our first witness will be Ms. Smith.

STATEMENT OF MARILYN RAY SMITH, ASSOCIATE DEPUTY COMMISSIONER AND CHIEF LEGAL COUNSEL, CHILD SUPPORT ENFORCEMENT DIVISION, MASSACHUSETTS DEPARTMENT OF REVENUE, CAMBRIDGE, MASSACHUSETTS

Ms. SMITH. Mr. Chairman, Members of the Subcommittee, good afternoon and thank you for this opportunity to testify in support of the child support legislation that you are currently considering.

My name is Marilyn Ray Smith. I am the past——

Chairman SHAW. Ms. Smith, could you suspend for just a moment. Could we take the conversation to the hall, please.

Please proceed, Ms. Smith.

Ms. SMITH. My name is Marilyn Ray Smith. I am the immediate past president of the National Child Support Enforcement Association, which is the largest association in the country of child support professionals. I am also Chief Legal Counsel at the Child Support Program in Massachusetts, where child support has been a priority for Governor Bill Weld.

Much of the media have focused on assertions that many families will be hurt by welfare reform. We are here to tell you that thousands of families will be helped by child support reform, which is an integral part of any real welfare reform. A regular child support check is a lifeline that can keep afloat millions of custodial parents, usually mothers, struggling to stay off welfare and raise their families in the dignity of self-reliance. Work requirements and time limits in whatever form they take will make child support—and the

health insurance that often accompanies it—more important than ever for families who must leave public assistance.

Mr. Chairman, in my testimony today, I would like to focus on three areas. First, I will comment on the careful attention this bill has received from Congress and from experts and advocates throughout the country. Second, I will highlight the bill's impact on the child support system. Finally, I will talk about how successful these initiatives have already proven in Massachusetts.

We have been working on this bill for 8 years, since the ink was scarcely dry on the Family Support Act of 1988. Congress then authorized the Interstate Commission to come up with state-of-the-art proposals to improve the Nation's child support program. The Interstate Commission combed the country looking for effective strategies and made its report to you in 1992. The Clinton administration made further refinements with its proposal in 1994.

More work has been done in the last year and a half as this Subcommittee and your counterparts in the Senate took a close, hard look at the many recommendations before you. You have involved every aspect of the Nation's child support community in this legislation—employers, advocates, State administrators, courts, mothers, fathers, all affected groups. The first thing I want to do is say thank you for listening to us.

As a result, this legislation contains the toughest provisions in the history of the child support program. By extensive use of automation, it shifts the burden for collecting support away from the custodial parent. She will no longer have to be the squeaky wheel to initiate enforcement at every step of the way. She will not have to work as a private investigator on her own case. Instead, child support agencies will be able to get the information we need to do the job—information from licensing agencies, employers, banks, credit bureaus.

When new-hire reporting and central case registries are fully in place, wage assignments will be transferred to the new employer before the custodial parent even knows the noncustodial parent has changed jobs. Checks for past-due support will appear out of the blue in the custodial parent's mailbox because a data match resulted in the seizure of a bank account. Obligors with valuable professional licenses will think twice before forgetting to mail that child support check.

Fathers who want to establish paternity will no longer face the barriers of an intimidating court process. Instead, they can sign a voluntary acknowledgement that gets their name on the birth certificate. Finally, families who leave welfare will benefit from a families first policy which gives them priority in collecting past-due support before the State steps in to claim its share.

These tools are not ivory tower concepts. They have been tested by innovative States, such as Virginia, Washington, Iowa, Maine, California, and many others. In Massachusetts, we have already implemented virtually every enforcement tool in this legislation and the results have been outstanding. We have used automation to transfer 150,000 wage assignments as employees hop from job to job. We have levied 25,000 bank accounts to collect $16 million from child support delinquents who put money in the bank instead of food on the table for their children.

Massachusetts has demonstrated in reality, not just in theory, that a tough child support program enables families to go off welfare. After the new-hire reporting law went into effect, the number of families leaving welfare rolls tripled. We can also show that as more families receive child support payments, fewer families are forced to go on welfare in the first place. As the number of paying child support cases climbed by 25 percent, the AFDC caseload in Massachusetts dropped by 25 percent. To give you a more vivid picture of these results, I refer you to the charts in my written testimony.

But there is only so much one State can do. Since almost one-third of the child support cases are interstate, a State's program is only as good as its neighbor's. We need Congress' help for the next significant improvement in collections. Only Congress can give us the tools to ensure that noncustodial parents' obligations to support their children do not end at the State border.

Only Congress can ensure we have the necessary uniformity and coordination among States. Only Congress can use the full force of the Federal Government to send a message to all parents that supporting their children is their first responsibility as citizens of this country.

Mr. Chairman, I wish to commend you and the Members of this Subcommittee for your outstanding leadership and hard work in bringing this bill once again before the Congress. We all agree on what is needed to improve the Nation's child support program. We have worked out the details for years. We have tested these innovations in the laboratories of the States. We must not delay any longer.

If welfare reform gets bogged down yet another time, we urge you to pass the child support provisions as a separate and free-standing bill. America's children cannot afford to wait any longer. These kids need economic security in order to have a childhood that will prepare them to lead us into the 21st century. We must not and we cannot rest until child support is paid on time and in full in every single case.

We look forward to continuing to work with you to get this legislation passed and out there working for our kids.

Thank you very much.

[The prepared statement follows:]

UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON HUMAN RESOURCES

HEARING ON CHILD SUPPORT ENFORCEMENT LEGISLATION

Statement of

MARILYN RAY SMITH

Immediate Past President

NATIONAL CHILD SUPPORT ENFORCEMENT ASSOCIATION

and

Chief Legal Counsel
Associate Deputy Commissioner

CHILD SUPPORT ENFORCEMENT DIVISION
MASSACHUSETTS DEPARTMENT OF REVENUE

May 23, 1996

Mr. Chairman, distinguished members of the Committee: Thank you for this opportunity to testify in support of the child support legislation currently pending before this Committee.

My name is Marilyn Ray Smith. I am the immediate past president of the National Child Support Enforcement Association (NCSEA). I am also Chief Legal Counsel and Associate Deputy Commissioner for the Child Support Enforcement Division of the Massachusetts Department of Revenue.

NCSEA is the largest organization of child support professionals in the country. Our members include State and local agencies, administrators, caseworkers, attorneys, judges, prosecutors, advocates, private companies, and mothers and fathers -- all joined together to promote effective child support enforcement.

In Massachusetts, child support enforcement has been a priority for Governor Bill Weld. We have enacted into law virtually all of the mandates that this legislation would impose on the States. We are here to tell you that it works. We have boosted child

support collections, and we have helped thousands of families get off and stay off welfare.

We believe that if these tools are enacted by every State, they will yield billions of dollars in increased child support for families. In addition, better child support enforcement promotes parental responsibility and helps families become independent of public assistance, saving taxpayers billions of dollars.

While most of the media have focused on assertions that many families will be **HURT by welfare reform**, little attention has been paid to the fact that hundreds of thousands of families will be **HELPED by child support reform**. Because they enjoy bipartisan support, the important changes that are about to take place in the nation's child support program have been overshadowed by the more vocal public debate over block grants, cash benefits for teen mothers, family caps, and child care funding.

Mr. Chairman, in my testimony today, I would like to trace the evolution of this bill to illustrate the careful attention this bill has received from experts and advocates throughout the country. I will then highlight the bill's key provisions. Finally, I will talk about how these initiatives have worked in Massachusetts.

Evolution of Current Child Support Legislation

Improved child support enforcement is an integral part of real welfare reform. When just one parent provides for a family, children all too often sink into poverty, and taxpayers grow weary of paying for other people's children. A regular child support check is the lifeline that keeps afloat millions of custodial parents -- usually mothers -- struggling to stay off welfare, and to raise their families in the dignity of self-reliance. Work requirements and time limits, in whatever form they ultimately take, will make child support and the health insurance coverage that often accompanies it more critical than ever for families who are forced to resort to public assistance.

The child support legislation this Committee is considering contains the most far-reaching and toughest provisions on child support since the inception of the program more than 20 years ago. These provisions have been years in the making, and the national child support enforcement community has been involved in their development every step of the way. In fact, we have been working on this bill for almost eight years, and we are ready and eager to see it enacted as soon as possible.

This seeds for this bill were sown in 1988 when, in the Family Support Act, Congress called for the appointment of the U.S. Commission on Interstate Child Support. We worked closely with this Commission, whose members included Congresswoman Barbara Kennelly of this Committee, as well as Congresswoman Marge Roukema and Senator Bill Bradley. In 1992, the Commission issued its bold and comprehensive report,

which provided detailed recommendations for specific actions Congress could take immediately to improve the nation's child support system.

In 1993, President Clinton convened the Working Group on Welfare Reform, which conducted another extensive analysis of the nation's child support system. Again, we consulted extensively with members of the Working Group, which in June of 1994 issued its recommendations and the legislative proposal which forms the framework for the bill before you.

Throughout 1995, Congress took a hard, close look at these many recommendations, and our work began to bear fruit.

- We testified at Congressional hearings, answering detailed questions about the workings of new hire reporting, how to improve paternity establishment, and the effectiveness of license revocation as an enforcement tool for the self-employed.

- We worked with Committee staff in both houses of Congress to hammer out the technical details of this complex proposal.

- We conferred with Clinton Administration staff at Health and Human Services to strike the right balance between Federal mandates and State flexibility.

- We wrote position papers and fact sheets, chronicling States' successful implementation of these innovations.

- We drafted amendments and got them adopted, to make sure that no critical tool was omitted and that every technical detail was attended to.

- We joined informal networks with other organizations interested in child support enforcement, including the American Public Welfare Association, the Children's Defense Fund, the National Women's Law Center, the Center for Law and Social Policy, the Eastern Regional Interstate Child Support Enforcement Association, and the American Bar Association.

As result, our voices have been heard as never before in the halls of Congress. This has been a truly collaborative legislative process, showcasing democracy at its best. Congress is not proposing to include child support in the block grants. Congress is not federalizing the program. Instead, Congress is continuing the Federal-State partnership that has been the hallmark of this program for the last 20 years. More important, Congress is sending a clear message that it will put the full force of the Federal government behind the efforts of the States to secure support for our children. In short, this strong, bipartisan legislation is a work of which Congress can justly be proud.

Highlights of this Legislation

This bill contains virtually every tough enforcement tool under the sun -- the proven winners.

- It consolidates the caseload onto central registries of child support orders at the State and Federal level, so that we can make effective use of the location tools at our disposal.

- It makes it easy for unmarried parents to do the right thing, and establish paternity right at the hospital, so that we can get a father for every child.

- It sets up centralized collection and disbursement units using the latest in payment processing technology, so that employers will have one location in the State to send wage assignment payments and parents will have up-to-date account records.

- It makes it easy for States to transfer health insurance orders, so children don't run the risk of being without coverage when the noncustodial parent changes jobs.

- It achieves the full potential of administrative enforcement remedies, by requiring regular searches of available databases of income and assets and by providing for automatic issuance of wage assignments, liens, levies, and other administrative enforcement remedies when income or assets are located.

- It makes maximum use of automation, by requiring States to shift from "retail to wholesale," to use high-volume strategies to enforce a high-volume caseload.

- It has new hire reporting, so that wage assignments can keep up with job hoppers as they move from job to job and from State to State.

- It requires States to revoke licenses of people who owe child support, but who continue to drive, work, or play while making the rest of us foot their bill.

- It calls for a bank match program to locate bank accounts of child support delinquents who put money in the bank instead of food on the table for their children.

- It breaks down barriers in interstate cases, by requiring all States to adopt the Uniform Interstate Family Support Act, to close the net on delinquent parents who just skip across State lines to avoid paying child support.

- It even makes the Federal government become a model employer, by requiring it to participate in new hire and quarterly wage reporting, and to honor wage assignments without unnecessary bureaucratic barriers.

- Finally, it adopts "Family First" distribution rules, giving families who leave welfare priority in the distribution of collections when past-due support is owed to both the family and the State.

Moreover, throughout the individual provisions, this legislation establishes the proper balance by creating Federal mandates that set standards to push States to improve their programs, while maintaining States' flexibility for continued innovation that responds to local needs and charts new directions.

But most importantly, by its extensive use of automation, this legislation shifts the burden away from the custodial parent, so she no longer has to be the "squeaky wheel" to initiate enforcement action at every step of the process. When new hire reporting and central case registries are fully implemented, wage assignments will be transferred before the custodial parent even knows the noncustodial parent has changed jobs. Checks for past-due support will appear out of the blue in the custodial parent's mailbox because of a successful data match that resulted in the seizure of a bank account. Obligors with valuable professional licenses who are not subject to wage assignments will think twice before forgetting to mail those child support payments. States will be able to cooperate in interstate cases by electronic communication instead of being buried in an avalanche of paper and overwhelmed by tedious court proceedings for the most routine cases. Fathers who want to establish paternity will no longer face the barriers of an intimidating and adversarial court process.

Massachusetts' Experience with These Reforms

These enforcement tools are not ivory tower concepts, but are tried and true, tested by innovative States such as Virginia, Washington, Iowa, Maine, California, and many others.

In Massachusetts, we have already implemented virtually every significant enforcement tool in this legislation, and the results have been outstanding. We have consolidated cases onto a central case registry. All payments are processed through a central payment processing unit. We have a highly successful paternity acknowledgment program, which has assisted the parents of almost 70% of children born out of wedlock to establish paternity within a few weeks of birth. All employers are required to report new hires within 14 days of hire. We have authority to revoke or deny professional, occupational, recreational, and driver's licenses of child support delinquents who fail to honor payment agreements. We use tax and bank information to locate assets.

In the last three years, we have used automation to transfer more than 150,000 wage assignments as obligors hopped from job to job, and we have levied almost 25,000 bank accounts to collect over $16 million from child support delinquents who accumulated assets rather support their children. In four years, we have increased collections by 34%. Our compliance rate has gone from 54% to 64%, and 18,500 more families now receive child support regularly.

In Massachusetts in FY95 alone, just five of the key provisions in this bill generated $44 million in increased child support collections. Based on CBO estimates of the **Federal** share of collections just for **families on welfare**, we estimate that this number will translate into more than $2 billion nationwide in increased annual collections for all families by the year 2002, when States fully implement this bill, as the chart below illustrates.

CHART 1

National Child Support Provisions Worth Over $2 Billion by 2002

	Massachusetts FY 1995 *(Millions)*	**National Estimate FY 2002** *(Millions)*
In-hospital Paternity	$ 7	$ 374
Financial Reporting/Bank Levy	$ 21	$ 1,210
New Hire Reporting	$ 15	$ 245
License Revocation	$ 1	$ 331
Total	**$ 44**	**$ 2,160**

But the huge increase in child support collections is just the tip of the iceberg. The Massachusetts new hire program requires employers to report new employees within 14 days of hire. It has saved Massachusetts $52 million every year not only by delivering steady child support payments, but also by reducing welfare dependency and abuse, and by detecting hundreds of cases where people were working while collecting unemployment benefits, as the chart below shows.

CHART 2

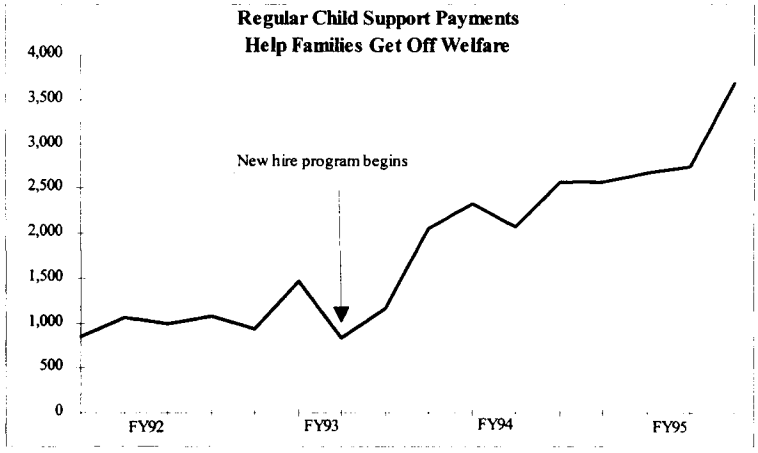
New Hire Match
A Massachusetts Success Story

Program Results

	(In Millions)
Increased Child Support Collections	$ 14.5
Reduced Welfare Dependency	$ 21.6
Reduced Welfare/Food Stamp Fraud	$ 14.4
Unemployment Compensation Savings	$ 1.5
Total Benefits	**$ 52.0**

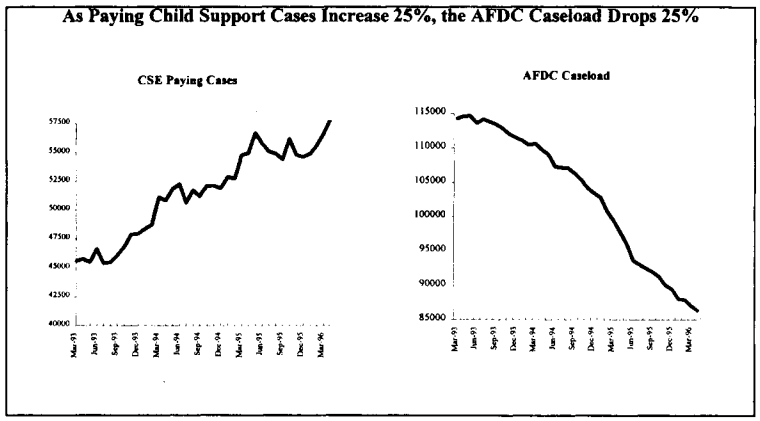
Welfare is, after all, child support paid by the taxpayer. All of the child support remedies in the welfare reform bill will help families get off -- and stay off -- welfare. Our track record in Massachusetts demonstrates that a tough child support program enables more families than ever before to achieve economic self-sufficiency and remain independent of public assistance. As the following chart shows, after we implemented the new hire reporting law, the number of families leaving the welfare rolls quickly tripled.

CHART 3



In short, as more families receive child support payments, fewer families are forced to resort to public assistance in the first instance. In Massachusetts, as the number of paying child support cases **climbed** by 25%, the AFDC caseload **dropped** by 25%, as illustrated in the following chart.

CHART 4



But there is only so much one State -- or the many other States that have also implemented some or all of these reforms -- can do alone or in small disparate groups scattered throughout the country. Since almost a third of the child support cases are interstate cases, a State's program is ultimately only as good as its neighbors'. For example, in Massachusetts, we have reached an 80% compliance rate for in-state cases, but less than 40% for interstate cases. We need Congress' help for the next significant improvement in our collections. Only Congress can give us the tools to ensure that noncustodial parents' obligation to support their children doesn't end at the State border.

Conclusion

Child support enforcement is all about giving families a hand -- instead of a handout. The child support provisions in the welfare reform bill promote parental responsibility and relieve taxpayers, many of whom have families of their own, of the burden of support. By placing responsibility for raising children where it belongs -- on their parents -- Congress will go a long way toward enhancing the economic security of the nation's children.

Mr. Chairman, I wish to commend you and the members of this Committee for your outstanding leadership and hard work in bringing this bill once again before the Congress. We know what is needed to improve the nation's child support program. We have worked out the details for years, and we have tested these innovations in the laboratories of the States. We must not delay any longer. If welfare reform gets bogged down yet another time, we urge you to pass the child support provisions as a separate, free-standing bill. America's children cannot afford to wait for the financial support they deserve. These kids need economic security in order to have a childhood that will prepare them to lead us into the 21st century. We must not -- we cannot -- rest until child support is paid on time and in full in every case in the country.

Thank you for your gracious attention.

Chairman SHAW. Thank you, Ms. Smith.
Ms. Brotchie.

STATEMENT OF SUSAN M. BROTCHIE, FOUNDER AND PAST NATIONAL PRESIDENT, ADVOCATES FOR BETTER CHILD SUPPORT, INC., PEABODY, MASSACHUSETTS

Ms. BROTCHIE. Good afternoon, Mr. Chairman, and thank you very much for the opportunity you are giving me today to testify on behalf of the Nation's children who are owed child support.

My name is Susan Brotchie. I am a single parent, never married, of a 14-year-old daughter. Through my frustrations and successes, I founded a national organization. Unfortunately, our organization is growing in leaps and bounds. This bag, sir and Members, represents 2 days' worth of mail from desperate custodial parents across the country, virtually from every State and even other countries who have noncustodial parents residing here in the United States. I am grateful for the opportunity you are giving me today to share some of these. By the way, there are eight other volunteers who have bags similar to these that we are all taking turns going through.

While the spotlight has been focused on getting mothers off of welfare, effective child support enforcement can prevent them from resorting to welfare in the first instance. Working mothers feel no incentive to remain in the work force. They feel they have not been acknowledged for their efforts. Child support can also prevent a low-income, non-AFDC mother from resorting to welfare. After all, a working low-income, non-AFDC mother receives no food stamps, no housing, and no clothing allowance.

If I may just share with you a quote from a letter from Montana, where a single custodial parent wrote,

> They can do nothing with him until he is over 6 months behind in child support payments, but in actuality, 7 months behind, and then they can start the long process to get the driver's license revoked. He owns a farm. He has hay, grain, livestock, and lives in the home that we once owned together, but they tell me they cannot attach anything. He basically pays what he wants when he wants.
>
> I have had to go on food stamps three different times and AFDC in the past. I tried to stay out of government subsidies unless I was desperate. Just before Christmas, a church came to my rescue with food and money for rent. I have been working hard to be in a position where I do not have to depend on the government for existence, but so far, I have not been able to do it.

And another mother from Pennsylvania wrote,

> If I do not receive child support, I must pay for day care with my household budget money. Then I cannot pay my monthly bills. While he gives just enough support, $19 at a time, to keep him out of jail, it is rare if I get anything lately. Why is he given all the chances when our existence is slowly going down the drain?

A letter from Indiana, this mother writes that she applauds the efforts of Congress and lawmakers to help find ways of controlling this problem. But she goes on to say,

> What gets me is that if I were on welfare and food stamps, they would sure be after him to collect the money so they would not have to continue helping us and supporting us. I do have a full-time job and have tried to do the best for my daughters and I am always there for them, but on my income, I cannot find a place to live that we can afford and pay the bills. The system definitely needs improvement.

But she goes on to say that she is very grateful that she can work. She said, "I am glad that I can work and that I do not have to be on welfare, but we have to live and survive."

A mother from Florida wrote to us. She is owed $40,000. She works full-time days and is struggling to provide for herself and her 13-year-old son. She goes on to say that,

> I have become an expert at coupons and second-hand stores. My son has not had a new pair of pants since he was 8 years old. However, I am afraid if I take a night job, I will lose my son to the streets.

This is a problem that many custodial mothers are facing now by working multiple jobs and going without, that they do not have enough time to spend with their children, not enough leisure time, not enough time. The children are often going unsupervised when the parents have to work two and three jobs.

In the one-third of child support cases in which the parents reside in different States, the remedies in your proposed legislation could mean the difference between welfare dependency and self-sufficiency. The proposed legislation will finally let delinquent parents run but will not allow them to hide. New-hire reporting, administrative liens, quarterly bank data matches, license revocation, these have all been proven to be effective in Massachusetts. They can be successful on a national scale if we just give them a chance. Central registries are a must.

I see the yellow light went on, but if I just may, again, we get tons of letters from people and they all have something in common. They are all interstate cases. The parents all have the ability to pay. More importantly, these are not just statistics. One woman from Virginia wrote she realizes that she

> . . . is just a statistic and that there may be many women in her shoes, but absent parents should not be permitted to keep dodging the system, accumulating thousands of dollars in back child support while they continue living for themselves and letting the children go without.

She said she keeps hearing and reading how Congress and local officials are cracking down on deadbeat parents. "I have yet to experience it firsthand."

So I think what we all need to remember is there is a human being that wrote every single one of these letters on behalf of their most precious children. Kids cannot wait another day. They have been waiting way too long now.

If I may close with this letter that we received on January 13, we receive many letters from grandparents asking for help on behalf of their grandchildren. One letter in particular exemplifies the urgency for strengthening our Nation's child support enforcement system.

Sarah E. Collins wrote us from Wellston, Ohio, on January 13. She wrote on behalf of her cancer-stricken 42-year-old daughter, who at the time of her letter had only 6 to 8 months to live. But Mrs. Collins wanted her daughter to die in peace. She wanted her daughter to know that her child had child support secured for her. Her daughter was 15 years old, the granddaughter. In 1983, the father was ordered to pay only $40 a week for two children, one of whom is of age now. He rarely paid, and as hard as Mrs. Collins' daughter tried, she was not able to collect the debt owed to her children.

Mrs. Collins' next letter was dated February 26, 1996. As soon as I opened the letter, attached to it was this card and it reads, "In memory of Roxie Ann Leach, who passed away on February 9, 1996," 3 weeks after her mother wrote this letter. Mrs. Collins wrote that we failed her daughter, and we did, all of us as a nation, because we waited too long to help the Roxie Leaches and their children. We cannot and we should not wait another day to implement these child support provisions included in H.R. 4.

In closing, we do commend you for your efforts and your acknowledgement of the missing link between welfare dependency and self-sufficiency and of the serious impact that nonpayment of child support has on families and your decision to do something to stop this problem now.

Thank you very much.

[The prepared statement follows:]

UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON HUMAN RESOURCES

Statement of

SUSAN M. BROTCHIE

Founder/Past President

ADVOCATES FOR BETTER CHILD SUPPORT, INC (ABC'S)

May 23, 1996

Mr. Chairman, distinguished members of the Committee: thank you for the opportunity to testify on behalf of the millions of our nation's children who are owed child support.

My name is Susan Brotchie. I am the founder and past National President of Advocates for Better Child Support, known by the acronym ABC'S. We are a non-profit organization operated by an entire staff of single, working parents who volunteer their time to help others help themselves. Founded in Massachusetts, our first year alone in 1993, we answered to over 9,000 custodial parents from across the nation, seeking assistance and started chapters in 11 other states. We accept no salaries for ourselves and operate solely on donations or small grants when time allows us to research and write for them.

ABC'S is growing at an alarming and overwhelming rate This can be attributed to a feature article in the February issue of Family Circle magazine. The article profiled my organization and the success of Massachusetts cases. Nothing prepared us for the thousands of telephone calls and letters that immediately started to pour in from mothers and grandparents across the nation - all with the same desperate cries for help collecting child support.

I am grateful for the opportunity you have given me today to share some of those letters and to stress the importance of the child support provisions this Congress added to H.R. 4 and the urgency to implement these long overdue enforcement tools. These tools have been proven to be effective in Massachusetts, but we need more and we need it now. It has been a long journey for children owed support, but for the first time, families are becoming optimistic, albeit cautiously. Summarizing the thousands of letters we received, there are three common issues I would like to share with you today:

- while the spotlight has been focused on getting mothers off welfare, effective child support enforcement can prevent them from resorting to welfare in the first instance;
- in the one-third of child support cases in which the parents reside in different states, the remedies in the proposed legislation can mean the difference between welfare dependency and self-sufficiency;
- most non-custodial parents have the ability to earn and pay their child support obligations.

Please allow me to briefly elaborate on each of these points.

CHILD SUPPORT PREVENTS WELFARE DEPENDENCY

While Congress is focusing on helping mothers leave welfare, and acknowledging that the missing link in helping mothers achieve financial independence is establishment and enforcement of child support orders, many hard working mothers who write to us feel more emphasis is being placed on mothers already on welfare than those of us who have struggled to stay off welfare. A clear message needs to be sent to those working mothers that these child support enforcement provisions will also help them secure their child support, enabling them to stay off the welfare rolls. Working mothers also need their child support in full and on a regular basis. Many former welfare recipients end up back on the rolls once child support stops, even though they've tried their hardest to make it on their own. What is needed is the incentive for a mother who has been in the work force at a low paying job, to remain there. That incentive is a child support check received on time and in full.

Mothers who have been forced to work full time plus additional part-time jobs to barely survive, upon receiving regular child support, are often able to give up their part-time jobs and spend more time with their children. Many children of mothers working multiple jobs are often unsupervised for too long a period of time, creating problems in other areas, yet all stemming indirectly from lack of child support.

Mothers who must work multiple jobs often can't cope with the stress and exhaustion leading to additional problems that regular receipt of child support would eliminate.

Grace Alva of Miami Beach, Florida wrote to us in desperation. She is owed $40,000 in child support. Her son is 13 years old and although she works full time days and is struggling to survive, she wrote: "I've become an expert at coupons and second-hand stores. My son has not had a new pair of pants since he was 8. But if I take a night job I will lose my son to the streets."

Karen Chudy of Milford, Connecticut wrote us of her struggles to stay off welfare. She lost her home by bank foreclosure, forcing her and her young daughter to live in one room kept at 50 degrees and use a quartz heater to keep them warm. She pays the bare minimum of her electrical bill, has little left over for food and utilities. She earns $230.00 a week. Her child support order is for $135.00/week, which she never receives. How are we to convince her to remain in the work force when she has been told she "makes too much" to qualify for assistance?

Pamela J. Ingalls of Cambridge City, Indiana wrote that she "applauded the efforts of lawmakers" in helping combat the problem of non-payment of child support. But, she went on to write: "What gets me is that if I were on welfare and food stamps, they would sure be after him to collect the money." She works full time and is "trying to do the best to stay off welfare, but her income isn't enough for her and her two daughters to live on." She also said she was glad to be able to work but has fears of succumbing to welfare.

Mothers fear leaving the welfare system and enter into the system in the first place because they are afraid they will not be able to provide food for their children, keep a roof over their heads, bring them to the doctor when they are ill and worries of daycare. Welfare provides some security in those areas by opening up access to food stamps, medicaid, and housing. But non-AFDC mothers find all their hard earned money going to daycare expenses, leaving no funds for food, rent and utilities. These expenses must be shared by both parents if the mother and children are to be free of government assistance.

The child support initiatives proposed by Congress would enable the states to enforce child support orders wherever the non-custodial parent resides.

INTERSTATE CHILD SUPPORT CASES

Interstate cases are both the child support agency and the mother's worst nightmare. All the child support provisions in the Congressional bill will greatly enhance child support collections and significantly reduce the welfare rolls.

It is an absolute necessity that we have uniform laws across the nation if self-sufficiency is to become a reality. Because so many non-custodial parents are crossing state lines to avoid child support obligations, central registries, new hire reporting, child support liens and quarterly bank matches can work as well on a national scale as they have proven to be effective in Massachusetts.

It's amazing how quickly delinquent non-custodial parents can find money when their driver's or professional licenses face potential suspension. We have witnessed this time and time again in Massachusetts. These measures work but we need them nation wide.

Our members in Massachusetts tell us that their worst fear is that the noncustodial parent will leave the state and venture beyond the reach of the Massachusetts Department of Revenue. If we have uniform laws and the enforcement tools provided in H.R. 4, than delinquent parents can run, but they won't be able to hide.

Marilyn Mitchell of Glendale Heights, Illinois has been trying to collect child support for 13 years. She is owed $135,000 in back child support. She wrote "the government does nothing except complain about how different all the states are and don't cooperate with each other." Her ex-husband lives in Oregon with his third family while she and her children are forced to live with her mother. Although she works, her money goes to pay off lawyers' fees and bill collectors. Her mother has been supporting them and is now just about out of money herself.

Misty Lee of Fairfax County, Virginia said she "realizes she is just a statistic, but that absent parents shouldn't be permitted to keep dodging the system, accumulating thousands of dollars in back child support while they continue to live life for themselves and let the children go without". She further writes, "I keep hearing and seeing how Congress is cracking down on deadbeat parents, but I have yet to experience it first hand." She's read of license revocation, liens, new hire reporting, etcetera. Her ex-husband is a "job-hopper" who changes jobs everytime a wage assignment is applied. Her son is owed $13,000.

Occasionally, we will receive a letter from a second wife like Sharon Town of Cicero, New York. She couldn't understand why her new husband would move her out to South Carolina. She wrote us that he told her "South Carolina does not enforce child support laws and he wouldn't get caught because he lives in a different state." She felt it unfair his son and first wife had to go without. She asked us to help his son and not to let her husband get away with it.

Leslie Dykeman of Albany, New York is a mother who has high praise for the Massachusetts Department of Revenue. Because of our enforcement techniques, she receives regular child support for her teenage son. Leslie, in the true spirit of advocacy, was ecstatic when her home state reported in February they had yielded $3.5 million in child support due to new initiatives that included revocation of driver's licenses. The license threat alone brought in $2 million.

All the thousand of letters we receive have commonalities. The majority are interstate cases, involve single mothers struggling to stay off welfare, or mothers too frightened to leave the security of welfare. Most importantly, the majority of the letters describe the absent parent as having the ability to pay.

As Rita C. Oh of Kapolei, Hawaii relayed to us, "Once you are off ADC you can say good-bye to ever seeing any assistance in child support enforcement against delinquent out-of-state parents." Her son was seriously injured in 1982 at the age of 14, five days before Christmas, while helping his mother deliver her morning paper route.

There is a human being behind everyone of these letters, writing on behalf of their most precious children. These are not just statistics, as Misty Lee wrote. These are America's families who are desperately trying to survive and who are greatly in need of the money that this legislation will help collect. These are families who deserve to regain their dignity and self-esteem by holding the irresponsible parent accountable.

We receive many letters from grandparents asking for help for their grandchildren. One letter in particular exemplifies the urgency for strengthening our nation's child support enforcement system. Sarah E. Collins wrote us from Wellston, Ohio on January 13, 1996. She wrote on behalf of her cancer-stricken, 42 year old daughter who at the time of her letter had only 6 to 8 months to live. Mrs. Collins wanted her daughter to be able to die in peace, securing child support for her 15 year old daughter. In 1983, the father was ordered to pay support of $40.00 a week for two children, one of whom is of age now. He rarely paid and, as hard as Mrs. Collins' daughter tried, she could never collect the debt he owed to their children.

Mrs. Collins' next letter was dated February 26, 1996. Enclosed in the letter was a card. It read: "In Memory of Roxie Ann Leach". Her daughter had passed away on February 9, 1996. Mrs. Collins wrote that we failed her daughter and granddaughter. We did, all of us, by waiting too long to help the Roxie Leaches and their children. We cannot and should not wait another day to implement these child support provisions included in H.R. 4.

In closing, we commend your efforts and acknowledgement of the serious impact non-payment of child support has on families and your decision to do something to stop this widespread problem.

Chairman SHAW. Thank you.
Mr. Cohen.

STATEMENT OF JEFFREY COHEN, DIRECTOR, VERMONT OFFICE OF CHILD SUPPORT, WATERBURY, VERMONT

Mr. COHEN. Thank you, Mr. Chairman. I am testifying before the Subcommittee today as someone who has been involved in child support since 1980 as an attorney, as an administrator, and now as director of the Vermont Office of Child Support.

When I started with the program, nationally, only about 13 percent of the cases this country had in its child support program received any payments. I suppose the good news is that since 1980, that has increased to 18 percent. The bad news is that over 80 percent of the cases in our caseload have not paid a single cent in 1984 in child support. That is unbelievable.

There are some reasons for that, obviously. One of them is the tremendous increase in our caseload since that time. We have experienced a 350-percent increase in child support cases since 1980. We now have over 18 million cases in our caseload.

To make matters worse, it is not just the number of cases but also the nature of the cases. In 1980, about 18 percent of this Nation's kids were born out of wedlock. In 1994, if you went to the average maternity ward, 3 out of 10 of those babies would have been born to out-of-wedlock parents, and not just to out-of-wedlock mothers but out-of-wedlock fathers, and that is, I think, something that is often overlooked.

It is important now that we take steps to make our child support enforcement program tougher, and I am glad Congress is taking steps in this direction. I would just like to say that it needs to be comprehensive and it needs to be done quickly.

Most child support professionals I have spoken to strongly endorse the comprehensive approach that past legislation such as H.R. 4 included, and I hope the pending legislation will also embody most of those elements. The reason I think most people endorse them is because they come from best practices in the States that have already been trying them and it is now a matter of spreading those practices throughout the country.

Congress also needs to be very concerned about this, not just because of the billions of dollars in taxpayer money that is subsidizing these children that should be subsidized by their natural parents, but because of the interstate nature of the caseload. We have heard a couple of times that one-third of the cases, about 30 percent, involve two different States. I would not be surprised if the bulk of the complaints your office gets involve interstate cases.

We found in our State tools like driver's license suspension and work search requirements really do work. In our very first license suspension case, for example, a person who had not made payments for years showed up with $3,000 in cash, and even more important, has been in compliance ever since. With work search requirements for noncustodial parents, we have once again seen people beginning to make payments. Even if they have not gotten jobs, those who have been working under the table have suddenly found it more convenient to make payments than to look for a job.

The point is that these people, the 80 percent who are not making payments, have the money but lack the attitude. The point I would like to make is that legislation like this, as important as it is with the individual elements, is even more important for the message it sends. Parents need to take responsibility for their actions.

To make an analogy to DWI in this country, we have seen an 18-point drop in the number of deaths due to DWI-related fatalities since 1980. Tougher laws went into effect. There were DWI roadblocks, public awareness, "friends do not let friends drink," that sort of thing, and what it has done, it has changed people's attitudes.

This is what needs to be done in child support, so that people themselves are taking more responsibility for their offspring, and maybe better yet, take responsibility before they have children. We should measure success not just in terms of dollars collected or licenses suspended but in the number of people who are taking responsibility for their own children.

My last point is, I think it is very important that Congress act quickly. States need time to absorb all of this legislation. We have seen from past legislation in 1984 and 1988 that the States need time to implement it. Automated systems need to be built. People need to be trained. It takes, I would guess, 2 to 3 years for all of this to filter out into real results. So if we want to see results before the end of this century, I really hope Congress will take steps this session and pass comprehensive legislation.

I do thank you for your time and your willingness to take steps that will help millions of children get the child support that they deserve and need.

Thank you.

[The prepared statement follows:]

TESTIMONY OF JEFFREY COHEN

DIRECTOR, VERMONT OFFICE OF CHILD SUPPORT

HOUSE WAYS AND MEANS COMMITTEE

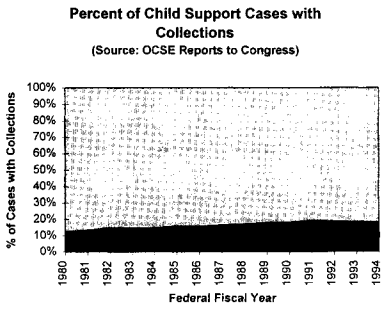
SUBCOMMITTEE ON HUMAN RESOURCES

MAY 23, 1996

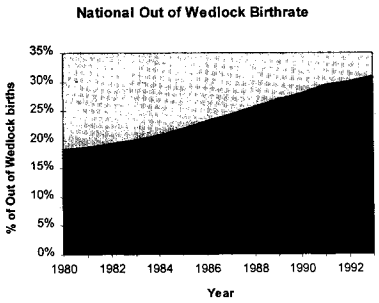
Thank you for the opportunity to comment on child support legislation now pending in Congress. I offer my comments as a practitioner who has been involved in child support enforcement for over 16 years as an attorney, administrator, and as Director of the Vermont Office of Child Support.

Background

Since the inception of the child support program under Title IV-D of the Social Security Act, there has been a slow but steady improvement in parental responsibility, at least measured in terms of the percentage of cases making some payments. The good news is that the percentage of child support cases with collections increased from around 13% of the cases in 1980 to 18% of the cases in 1994. Of course, the bad news is that over 80% of child support cases received no payments at all. This means that in 1994, over 15 million non-custodial parents failed to contribute a single cent toward formal child support contributions.



During the same 16 year period, the number of child support cases served by the program increased over 350% to over 18,000,000 million cases in 1994. To make matters worse, the national out-of-wedlock birthrate during this period increased drastically. When I started in 1980 about 18.4% of all children in this country were born out of wedlock. Now, almost 1/3 of the babies in the average maternity ward are born to unwed parents. This of course makes the job of providing child support even more difficult.



I am very glad to see that Congress is taking steps to improve the lives of millions of children in this country by adopting innovative, and long overdue, child support legislation.

I would like to make 2 points:

1. Comprehensive child support legislation needs to be passed and,

2. It should be done soon.

Why pass Comprehensive Child Support Legislation?

The legislative proposals now before Congress contain many provisions for improving the child support situation. Every child support professional I have spoken with supports the overall package of child support legislation. After all, the bulk of the legislative proposals is based upon proven and effective best practices already in place in a number of states. Aside from the fact that billions of federal and state taxpayer dollars are spent to provide for the basic needs of children in cases where their parents should be contributing, the interstate nature of the child support problem makes it an issue that is national in scope. Approximately 30% of all child support cases involve parents in different jurisdictions. I would not be surprised if the majority of the child support complaints and calls that you and your staff receive involve interstate cases.

I know from first hand experience that remedies such as license suspension and work search requirements for non-custodial parents are effective. In our state, parents who ignored court orders for years suddenly found ways to pay thousands of dollars when faced with the loss of drivers licenses or work search requirements.

The mere fact that our drivers license suspension law was about to go in the books prompted a number of parents to begin to make payments. This suggests that the ability to contribute is there but what is missing is sufficient attitude of responsibility. Perhaps more important than the impact in the individual cases, laws such as these send a clear message about parental responsibility: Society will not tolerate parents who neglect their children.

The most important thing about this legislation is not just the impact it will have in the individual cases, but rather the potential for changing attitudes. Those of us who are concerned about this country's child support problem can learn something from the national success in reducing the DWI fatality rate which has dropped over 18 percentage points between 1980 and 1994. Increased penalties for driving while intoxicated, stepped up law enforcement, and emphasis on public awareness, have changed people's attitudes toward drinking and driving. People now act more responsible when it comes to drinking and driving. Improved child support laws will prompt parents to act more responsibly when it comes to their children. Ultimately this country's child support effort will be successful, not because of the number of licenses suspended or dollars collected, but rather because people will take their obligations as parents more seriously. Better yet, people will consider the implications of parenthood before having children.

Why Should Congress Act Soon?

Comprehensive child support legislation should be enacted as quickly as possible for a number of reasons.

First, state legislatures with the best of intentions will need time to absorb the federal legislation and enact legislation on the state level. Since most state legislatures

convene in January, it is important that they have time prior to the session to study the issues and introduce legislation.

From another practical standpoint, experience with the Child Support Amendments of 1984 and the Family Support Act of 1988 shows how long it takes to properly implement legislation. State laws need to be changed, regulations adopted, automated systems programmed, court and child support personnel need to be trained on new procedures, and processes need to be worked out with employers, in-state agencies, out-of-state agencies, and a variety of contractors at the state and county level. In the past, it has taken at least 2-3 years before federal legislation has been adequately implemented. Without immediate attention to this problem, we will not see real results before the end of the century.

For the above reasons I hope Congress will take advantage of the present opportunity and quickly adopt comprehensive legislation for the benefit of the millions of children who are not receiving the support to which they are entitled.

Chairman SHAW. Thank you, Mr. Cohen.

Dr. Horn, if you could move the mail bag and get the microphone over, we can proceed.

Ms. BROTCHIE. We are keeping the Postal Service in business.

Chairman SHAW. I thought we had heavy mail.

Dr. Horn.

STATEMENT OF WADE F. HORN, PH.D., DIRECTOR, NATIONAL FATHERHOOD INITIATIVE, GAITHERSBURG, MARYLAND

Mr. HORN. Thank you, Mr. Chairman. My name is Wade Horn. I am a child psychologist and director of the National Fatherhood Initiative, an organization whose mission is to restore responsible fatherhood as a national priority. Formerly, I served as the commissioner for Children, Youth and Families and chief of the Children's Bureau in the U.S. Department of Health and Human Services, and I was a Presidential appointee to the National Commission on Children. I just recently finished up tenure on the National Commission on Childhood Disability, so I found the previous panel of some interest, as well.

I appear here to testify in strong support of the Personal Responsibility and Work Opportunity Act of 1996. In the past, fathers have been the forgotten figure when it comes to welfare. Yet, the empirical evidence is now incontrovertible. Children growing up without an involved and committed father are at significantly greater risk for a host of developmental problems, including school failure, juvenile delinquency, teenage pregnancy, drug and alcohol abuse, and suicide. The implication is clear. If we are ever to improve the well-being of children, we will have to address the growing problem of fatherlessness in America.

Unfortunately, many public policy experts and political leaders believe that making welfare father friendly means simply to enhance efforts to establish paternity and enforce child support orders. Certainly, paternity establishment and child support enforcement are important public policy endeavors. Any man who is capable of providing financially for his children and yet does not is not fulfilling his responsibility as a father.

But good fathers are also engaged in their children's lives as nurturers, as disciplinarians, as teachers, and as moral instructors. If we want men to take on these important tasks, we must give them a more compelling message about fatherhood than simply the image of getting tough on deadbeat dads.

This is what makes H.R. 4 so noteworthy. For the first time, child support enforcement has been coupled with a serious attempt to get and keep fathers involved in the lives of their children. It does this in two ways.

First and most importantly, the act adds to the purpose of welfare the goal of encouraging the formation and maintenance of two-parent families. Statistics show that 80 percent of women who have a child before finishing high school are living in poverty, compared to only about 8 percent of women who finish school, marry, and have a baby after the age of 20. Yet, present social welfare policies work against the creation and stability of two-parent families. For example, current Federal AFDC rules prevent a family from receiving full benefits if the father is in the home and does not have a

sufficient employment record or works for more than 100 hours a month.

By combining the encouragement of two-parent family formation as a fundamental purpose of welfare with the devolution of responsibility for welfare to the States, H.R. 4 empowers States to think creatively about how to restructure welfare to encourage and not punish marriage and responsible fatherhood. The States should, at a minimum, seize on this opportunity by allowing substantially higher earnings and asset disregards for low-income married couples than for single-parent households and by relaxing current restrictions on the eligibility of two-parent families for welfare benefits.

The second way the Personal Responsibility and Work Opportunity Act helps to get and keep fathers involved in the lives of their kids is by establishing a $10 million annual entitlement spending program to support and facilitate noncustodial parents' access to and visitation of their children. In approximately 85 percent of the cases, the noncustodial parent will be the father.

What this section of the act recognizes is that in order for children to thrive, they need not only the financial support of their fathers but their emotional and psychological support, as well. By establishing spending for access and visitation programs for noncustodial parents as an entitlement, fathers will be sent the message that they are not simply money machines when it comes to their kids. The end result is likely to be greater compliance with child support payments, not because of legal threats but because the fathers know they are acting in the best interests of their children.

I want to thank you for the opportunity to provide this testimony. I offer my very strong support to H.R. 4.

[The prepared statement follows:]

STATEMENT OF WADE F. HORN, PH.D.
DIRECTOR
NATIONAL FATHERHOOD INITIATIVE

My name is Wade F. Horn, Ph.D. I am a child psychologist and the Director of the National Fatherhood Initiative, an organization whose mission is to restore responsible fatherhood as a national priority. Formerly, I served as Commissioner for Children, Youth and Families within the U.S. Department of Health and Human Services, and was a presidential appointee to the National Commission on Children. Perhaps most importantly, I am the father of two young daughters. I appear here today to testify in strong support of the Personal Responsibility and Work Opportunity Act of 1996.

In the past, fathers have been the forgotten figure when it comes to welfare. Yet the empirical evidence is now incontrovertible: children growing up without an involved and committed father are at significantly greater risk for a host of developmental problems, including school failure, juvenile delinquency, teenage pregnancies, drug and alcohol abuse, and suicide. The implication is clear: if we are ever to improve the well-being of children, we will have to address the growing problem of fatherlessness in America.

Unfortunately, many public policy experts and political leaders believe that making welfare "father friendly" is to enhance efforts to establish paternity and enforce child support orders. Certainly paternity establishment and child support enforcement are important public policy endeavors. Any man who is capable of providing financially for his children, yet does not, is not fulfilling his responsibility as a father. But ***good*** fathers are also engaged in their children's lives as nurturers, disciplinarians, teachers, and moral instructors. If we want men to take on these important tasks, we must give them a more compelling message about fatherhood than the image of getting tough on "deadbeat dads."

This is what makes the Personal Responsibility and Work Opportunity Act so noteworthy. For the first time, child support enforcement has been coupled with a serious attempt to get and keep fathers involved in the lives of their children. The Act does this in two ways.

First, and most importantly, the Act adds to the purpose of welfare the goal of encouraging the formation and maintenance of two-parent families. Statistics show that 80 percent of women who have a child before finishing high school are living in poverty, compared to only 8 percent of women who finish school, marry, and have a baby after the age of 20[1]. The link between avoiding welfare dependency, finishing high school and having children within the context of the two-parent family is now irrefutable. Yet, present social welfare policies work against the creation and stability of two-parent families.

The antipathy of the welfare system to two-parent families and fathers dates back to the "man in the house" rules promulgated in the 1950's. At that time, there was increasing public sentiment that fathers who could not find work and whose families would otherwise go on ordinary relief, might do better by appearing to abandon their family so that their wives and children could get on AFDC (then called Aid to Dependent Children or ADC) with its better standards for relief. Consequently, in 1950 the ADC legislation was amended by the Notice to Law Enforcement Officials (NOLEO), requiring that public-assistance workers get information from mothers about deserting fathers and give this to the district attorney, who might seek financial support from the father by legal means. This quickly led to unannounced inspections of the home, even "midnight raids," to reassure officials that the mothers were, in fact, deserted and that no man was around the house.

Beginning in the 1960s, there have been attempts to extend the AFDC program to include situations in which both parents live in the home. But today only about 10 percent of all families receiving AFDC have both a mother and a father in the home. This is because welfare rules continue to discourage, rather than encourage, family formation and the presence of a father in the home. For example, current federal AFDC rules prevent a family from receiving full benefits if the father is in the home and does not have a sufficient employment record or works more than 100 hours a month.

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[1] William Galston, "Beyond the Murphy Brown Debate: Ideas for Family Policy," remarks given at the Family Policy Symposium sponsored by the Institute for American Values, New York, NY, December 10, 1993.

By adding the encouragement of two-parent family formation as a fundamental purpose of welfare and devolving responsibility for welfare to the states, the Act empowers states to think creatively about how to use welfare block grant monies to encourage, and not punish, marriage. States could, at a minimum, seize on this opportunity by allowing substantially higher earnings and asset disregards for low-income, married couples than for single-parent households, and by relaxing current restrictions on the eligibility of two-parent families for welfare benefits.

The second way the Personal Responsibility and Work Opportunity Act helps to get and keep fathers involved in the lives of their children is by establishing $10 million in annual entitlement spending for programs to support and facilitate noncustodial parents' access to and visitation of their children. In approximately 85 percent of cases, the non-custodial parent will be the father. What this section of the Act recognizes is that in order to thrive children need not only the financial support of their fathers, but their emotional and psychological support as well. By establishing spending for access and visitation programs for non-custodial parents as an entitlement, fathers will be sent the message that they are not just "money machines" when it comes to their kids. The end result of aggressively keeping non-custodial fathers involved with their children is likely to be greater compliance with child support payments, not because of legal threats, but because the fathers know they are acting in the best interest of their child.

I believe that the Personal Responsibility and Work Opportunity Act represents an important advance in the establishment of responsible and involved fatherhood as an important public priority. For this reason, the Personal Responsibility and Work Opportunity Act has my strong support.

I thank you for the opportunity to provide you with this testimony in support of this important legislation, and would be pleased to answer any questions you might have concerning my testimony.

Chairman SHAW. Thank you, Dr. Horn.

Mr. McCrery.

Mr. MCCRERY. I want to thank the panel for your testimony. You certainly seem to bolster the concerns that we have expressed in writing the legislation. We are trying to address many of the areas which you have pointed out here today.

Dr. Horn, let me ask you to give us, if you can, any specific actions you think State governments can take, if we devolve it to the States, to promote the stability of father-child relationships where there is a nonmarital birth. Do you understand what I am asking?

Mr. HORN. Yes.

Mr. MCCRERY. Have you given this any thought and can you give us some suggestions?

Mr. HORN. I think the best model program in this regard, the Institute for Responsible Fatherhood in Cleveland, Ohio, is run by a fellow by the name of Charles Ballard. What he does is start with the premise that the first step in effectively working with unwed fathers, and in his case, inner-city and mostly minority fathers, is connecting the child with the father and the father with the child.

His work begins by getting the father to hold the baby and to bond emotionally with the child. From that, he finds the motivation flows to do three things: One, to claim the child as his own, and second, to provide financially for the child, and finally, to stay involved in the child's life emotionally.

It seems to me that we spend a lot of time in this country going after paternity establishment and child support enforcement as the first step in the process. If, in fact, we invert the process and make the first step getting unwed fathers emotionally connected to their children, from that will flow the motivation to want to care for their children.

I am not suggesting that in the end we should not also have strong child support enforcement provisions. I think this bill has some very good enforcement provisions in it, and they have my very strong support. As I said, any father who does not take care of his child financially ultimately has to pay some consequences for it. But it seems to me if we are talking about unwed fathers, one of the things we need to do is rethink whether or not the first step ought to be paternity establishment and child support enforcement or whether the first step ought to be getting the father connected with his child.

Ms. SMITH. Could I comment on that 1 minute?

Mr. MCCRERY. Sure.

Ms. SMITH. We found that that actually is quite true in the implementation of our in-hospital paternity program. We really decoupled it from child support. The child support agency is not the one that is responsible for working with the parents in the hospital. It is done through the medical records clerk and then there is a very easy process for people to follow up with the city or town clerk if the mother's stay in the hospital is too brief.

Only after about 2 years in operation, about 70 percent of the parents are signing in the hospital. We think it is because it is being viewed apart from child support and apart from a more punitive enforcement system. We think there is a great deal of merit to what Dr. Horn is saying.

Mr. MCCRERY. Thank you.

Mr. Cohen, in your written testimony, you note that over 80 percent of child support cases result in no payment. Have you looked at our welfare bill, and if so, do you think there is anything in our welfare bill that will help to change the attitudes toward not paying child support and thereby increase the rate of child support payments?

Mr. COHEN. I am assuming that within the welfare bill are all the child support enforcement provisions.

Mr. MCCRERY. Yes.

Mr. COHEN. Yes. I think overall, all of those things really cannot hurt. They are all a help, not only for the individual impact but also the message that it sends. I know in our State, we have a waiver. One of the things we are doing is we are passing along the child support payment directly to the family, not in the form of a welfare check but a child support check, so that, once again, there is more of a connection between the noncustodial parent and their children. That is maybe something that should be considered, as well.

Mr. MCCRERY. Thank you, Mr. Chairman.

Chairman SHAW. Thank you, Mr. McCrery.

Ms. Brotchie, you have been very active for some time in this and I know you appeared at a news conference with some of us trying to push the child support provisions in the welfare reform bill. Is there anything you can think of that we did not go after that we should go after, realizing that what we are trying to do is to assist the States in the collection of child support payments?

Ms. BROTCHIE. I think overall you have done an awesome job with the provisions, and these provisions that are included in H.R. 4 are long overdue. One of the things I would like to see done, at least in Massachusetts and, I am sure, across the country, is administrative process, giving States the ability to process a lot of these cases administratively within the child support agency so as not to clog up the courts, and so forth, with simple matters, certainly not complex matters, but uncontested matters, which I think will save time for not only the parents but also the clerks, judges, and so forth, in the court system.

Chairman SHAW. I would like for you to comment on what Dr. Horn was talking about as far as getting the father involved with the child, emotionally as well as physically.

Ms. BROTCHIE. I can tell you that, from firsthand experience, I grew up in a very stable home with a dad who would have went without anything before he saw any of his six children go without. He was there for us financially and emotionally. He did not make a whole lot of money, but we had more fun just walking down the street and doing things.

I think what Dr. Horn said was very, very—has a lot of merit, because having the type of dad I had, that is my one regret, that my daughter, who is 14 years old, was not as fortunate as I or my five brothers. However, the one thing that we have to do before this can become a reality is we have to find the majority of these fathers first. My own daughter's father lives right in Massachusetts and she has not seen him in 5 years. That is his choice, not ours, and he only lives maybe 40 miles away. He has to drive right by

our exit to get to where his boat is docked every weekend. She loves her dad. It is her father.

So I think that, yes, getting fathers involved, it is a wonderful idea. Everybody should be as fortunate as I was, to have a dad like I did. But the reality is, the majority of these cases are interstate cases where the absent parent is normally the father who flees the State. He is not fleeing because he loves his children and wants to spend Saturdays and Sundays with them. So we have to find them first. So much emphasis must be put on interstate. Perhaps once they start paying, then they will become involved in their children's lives, hopefully. That would be ideal.

Chairman SHAW. Thank you.

Ms. Smith, I was handed a graph which paints a wonderful picture of the success that you are having in Massachusetts. It certainly proves that welfare reform does work. Dr. Haskins, who is sitting behind me, the staff director, he just said, "Just think. We could make this same thing happen for the entire country." That, I think, is the promise of welfare reform.

I was just advised that the President has just given a speech in which he said that he could sign the Republican bill if there are no poison pills attached. I wait now for the followup, but I think that certainly is—I do not know if his handlers know about this, but it is certainly good news if when he wakes up tomorrow he could give the same speech. That would be very helpful.

By the way, how is your Governor?

Ms. SMITH. He has recovered fully. I think it really was——

Chairman SHAW. I was shocked to see those pictures on television. He is such a wonderful guy and he has just been so helpful.

Ms. SMITH. He is, and he recovered with his sense of humor in tact, so they think he is fine.

Chairman SHAW. He has certainly been a great help to us on welfare reform and please convey to him we wish him well.

Ms. SMITH. I will. Thank you.

Chairman SHAW. Thank you all for being with us this afternoon.

We will proceed now to the last panel. The next panel is made up of Jane Ross, who is the Director of Income Security Issues, U.S. General Accounting Office in Washington, DC; Michael Fix, the director of the Immigrant Policy Program, the Urban Institute, Washington, DC; and Angelo Doti, the director of Financial Assistance, Orange County Social Services Agency, Santa Anna, California.

I want to thank all of you for waiting so long, and particularly Angelo Doti, who I understand had to make new flight arrangements in order to get home this afternoon. We certainly appreciate all of you staying with us here this afternoon.

Ms. Ross.

STATEMENT OF JANE L. ROSS, DIRECTOR, INCOME SECURITY ISSUES, HEALTH, EDUCATION, AND HUMAN SERVICES DIVISION, U.S. GENERAL ACCOUNTING OFFICE

Ms. ROSS. Mr. Shaw and Mr. McCrery, you asked me to talk about the rapid growth in the number of noncitizens receiving Supplemental Security Income. I would like to focus on three issues in particular: The growth and the characteristics of the noncitizen SSI

caseload, something about the aged noncitizens and how financial support from their families affects SSI benefits, and disabled noncitizens and the potential for translator fraud.

In 1995, nearly 800,000 noncitizens were receiving SSI benefits. These Federal and State benefits to noncitizens totaled nearly $4 billion. The number of all SSI recipients has grown dramatically since the mideighties and some of the factors contributing to this growth would apply to both noncitizens and citizens alike. Such factors as program outreach and some expansion of the disability provisions, as well as limited efforts to conduct continuing disability reviews, affect both the citizens and noncitizens.

Still, the number of noncitizens is growing faster than that of citizens and some contributing factors apply primarily to these noncitizens, in particular, the growth in immigration, provisions relating to financial sponsorship and deeming, and the potential for fraud involving middlemen who provide translation and other services to applicants. The latter two of these, I will discuss in just 1 minute. But looking ahead to the projections that SSA has, they are projecting that by the year 2000, nearly 1 million noncitizens will receive about $5 billion in SSI benefits.

Noncitizens are only 12 percent of the SSI caseload but they are somewhat more likely to receive SSI than our citizens. Roughly 3 percent of noncitizens receive SSI, compared to about 1.8 percent of citizens. One reason that may be true is that noncitizens typically have a more limited U.S. work history than lifelong residents. Therefore, they have smaller Social Security benefits and this, in turn, allows them to qualify for and receive SSI.

But I want to move quickly from these general characteristics to discuss the recipients who are age 65 and over. In December 1995 noncitizens were nearly one-third of aged SSI cases. The reasons for noncitizens representing such a large part of the aged SSI caseload results at least in part from the way in which sponsorship and deeming rules work.

As you know, some legal immigrants are admitted to the country under the financial sponsorship of a U.S. resident. Sponsors sign an affidavit of support assuring the U.S. Government that the immigrant will not become a public charge. They further state they are willing and able to provide financial assistance for this immigrant for 3 years.

SSI's deeming provisions attempt to reinforce immigration policy. In determining financial eligibility and benefit levels, SSA deems a portion of a sponsor's income and resources to be available to the immigrant. This provision applies regardless of whether a sponsor is actually providing financial support or not.

When we look at the characteristics of aged SSI recipients, they raise questions about whether immigration policies have been effective in ensuring that immigrants will be self-sufficient. Some data suggests that many immigrants apply for SSI or other welfare benefits shortly after the deeming period is over. Specifically, about 25 percent of immigrants receiving SSI applied for benefits within 1 year after the deeming period expired. Also, some sponsors refuse to support the immigrants they sponsor, especially after the affidavits of support expire. When aged immigrants come to the United

States with few personal resources and are already too old to work, we should examine carefully how we think they will be supported.

Turning from the aged to the disabled recipients, as you know, the overall SSI disabled caseload for both citizens and noncitizens has been growing rapidly in recent years, although again, the noncitizen portion is growing more rapidly. Beyond the factors that would contribute to growth for both citizens and noncitizens, translator fraud may contribute to disabled caseload growth and this is especially true among noncitizen cases.

Some non-English-speaking applicants have obtained SSI benefits illegally with the help of translators. For example, a Washington State translator arrested for fraud had helped at least 240 immigrants obtain SSI benefits by coaching them on which medical symptoms to claim and by providing false information on their medical conditions and family histories.

The Congress, SSA, and several States have initiated efforts to prevent or detect fraudulent SSI claims involving translators, but in addition to the things that have already occurred, we have recommended SSA adopt a much more comprehensive policy which would include requiring the use of its own bilingual staff or contractors to conduct these interviews rather than allowing people to bring their own translators.

Let me summarize. Noncitizens are one of the fastest growing groups of SSI recipients. Two aspects of this growth are particularly worrisome. First, adult children of aged immigrants say they are willing to financially support their aged relatives, but sometimes they do not. Eventually, some of these aged immigrants receive SSI.

Second, there is some translator fraud which occurs among noncitizens who do not speak English. We do not know precisely how much of this occurs, but we believe it can be reduced.

Mr. Chairman, that concludes my statement. I will be happy to answer questions.

[The prepared statement follows:]

STATEMENT OF JANE L. ROSS, DIRECTOR
HEALTH, EDUCATION, AND HUMAN SERVICES DIVISION
U.S. GENERAL ACCOUNTING OFFICE

Mr. Chairman and Members of the Subcommittee:

Thank you for inviting me to speak about the rapid growth in the number of noncitizens receiving Supplemental Security Income (SSI) benefits. As you are aware, the SSI program provides means-tested income support payments to eligible aged, blind, or disabled persons. In 1995, over 6.5 million SSI recipients received nearly $25 billion in federal benefits and over $3 billion in state benefits.

Noncitizens, who include legal immigrants and refugees, accounted for nearly 25 percent of SSI's caseload growth from 1986 through 1993. In December 1995, almost 800,000 noncitizens were receiving SSI benefits, accounting for about 12 percent of all SSI recipients. In 1995, federal and state SSI benefits to noncitizens totaled nearly $4 billion.

Today, I would like to focus on three issues: the overall growth in noncitizen SSI caseloads and some of the reasons for it; aged noncitizen recipients and how financial support from their families affects their SSI benefits; and disabled noncitizens and the potential for translator fraud, and actions the Social Security Administration (SSA) can take to reduce such fraud. My remarks are based on two reports we issued last year relating to immigrants and SSI,[1] and on updated SSA data.

In summary, we found that noncitizens are one of the fastest growing groups of SSI recipients. They represent nearly 33 percent of aged SSI recipients and about 6 percent of disabled recipients. While the growth rate for noncitizen caseloads has slowed somewhat, it is still higher than that for citizens, and the proportion of noncitizens relative to other SSI recipients continues to grow. About two-thirds of noncitizen SSI recipients, roughly 520,000, live in three states--California, New York, and Florida. On the whole, noncitizens are somewhat more likely to receive SSI than are citizens, but this may be primarily true for refugees and asylees. Moreover, the 1980s saw significant growth in immigration. Adult children of aged immigrants and others who say they are willing to financially support them sometimes do not. Eventually, some of these aged immigrants receive SSI. Also, some translators have assisted noncitizens in fraudulently obtaining SSI disability benefits.

BACKGROUND

The Congress established the SSI program in 1972 to replace federal grants to similar state-administered programs, which varied substantially in benefit levels and eligibility requirements. The Congress intended SSI as a supplement to the Social Security Old Age, Survivors, and Disability Insurance programs for those who had little or no Social Security coverage.

Federal SSI benefits are funded by general revenues and based on need, unlike Social Security benefits, which are funded by payroll taxes and, in effect, are based on the contributions of individuals and their employers. SSA has overall responsibility for the SSI program.

To be eligible for SSI, individuals must be 65 years old, blind, or disabled. To be considered disabled, adults must be unable to engage in any substantial gainful activity because of a physical or mental impairment expected to result in death or last at least 12 months. Individuals cannot have income greater than the maximum benefit level, which is about $5,600 per year in 1996, or own resources worth more than $2,000, subject to certain

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[1] Supplemental Security Income: Growth and Changes in Recipient Population Call for Reexamining Program (GAO/HEHS-95-137, July 7, 1995) and Supplemental Security Income: Disability Program Vulnerable to Applicant Fraud When Middlemen Are Used (GAO/HEHS-95-116, Aug. 31, 1995).

exclusions, such as a home. Individuals must also be U.S. citizens or immigrants lawfully admitted for permanent residence or noncitizens "permanently residing under color of law" (PRUCOL).[2]

In 1996, the maximum federal SSI benefit is $470 per month for an individual and $705 for a couple with both spouses eligible; these benefit rates are adjusted annually for cost-of-living increases. This monthly benefit is reduced on the basis of various factors: recipients' incomes; living arrangements, such as living with family; and other sources of support, including Social Security benefits. As a result of these adjustments, the average monthly federal benefit in 1995 was $334.

In addition to federal SSI benefits, states may provide supplemental benefits. In December 1995, nearly 40 percent of SSI recipients received an average of about $105 per month in state supplemental benefits at a total cost to the states of about $3.2 billion a year.

Most SSI recipients are generally eligible for Medicaid and food stamps, which can cost the government more than SSI benefits themselves. For 1994, annual Medicaid benefits averaged about $2,800 for the aged SSI recipients who received them and about $5,300 for blind and disabled SSI recipients, excluding long-term care costs. Including long-term care, Medicaid benefits averaged about $8,300 for the aged and $7,700 for the disabled. In September 1994, a one-person household eligible for both food stamps and SSI, with no other income, could receive nearly $1,000 per year in food stamp benefits, depending on the state.

SSI Provisions for Noncitizens and Related Immigration Policy

Immigrants are those with "lawful permanent resident" status. They include those who came here after obtaining an immigrant visa in their country of origin. They also include noncitizens already living here who have changed to this status. Since SSA data do not usually reflect changes in immigration status, we describe the status SSI recipients had when they applied for benefits.

In addition to immigrants, noncitizens on SSI include refugees and asylees as well as undocumented aliens legalized by the Immigration Reform and Control Act of 1986 (IRCA). Refugees and asylees are noncitizens who are unable or unwilling to return to their countries of nationality because of persecution or a well-founded fear of persecution. Refugees apply for their status from outside the United States, while asylees apply from within. Both are eligible for permanent resident status after 1 year of continuous presence in the United States.

Some legal immigrants are admitted to the country under the financial sponsorship of a U.S. resident. The Immigration and Nationality Act of 1952, as amended, provides for denying permanent resident status to noncitizens who are likely to become public charges. Noncitizens can demonstrate they will be self-sufficient in several ways, including having a financial sponsor. Sponsors sign an affidavit of support assuring the U.S. government that the immigrant will not become a public charge and in which they state they are willing and able to provide financial assistance to the

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[2]PRUCOL is not an immigration status, such as immigrant or refugee. Rather, it is an eligibility status defined in the enabling legislation for major federal assistance programs, including SSI. PRUCOL is more frequently a transitional status for noncitizens who are becoming permanent residents than for those whose deportation has been delayed, though it can be either. Initially, PRUCOL was interpreted to include primarily refugees and asylees. Court decisions have broadened it to include other categories of noncitizens. Nearly 75 percent of SSI recipients in the PRUCOL category are refugees or asylees.

immigrant for 3 years. However, several courts have ruled that these affidavits of support are not legally binding. Refugees and asylees do not need to demonstrate they will be self-sufficient to reside in the United States.

SSI's "deeming" provisions, which apply only to immigrants with financial sponsors, attempt to reinforce immigration policy. In determining financial eligibility and benefit levels, SSA deems a portion of a sponsor's income and resources to be available to the immigrant. This provision applies regardless of whether a sponsor is actually providing financial support. This provision currently applies for 5 years from the immigrant's entry into the United States.[3]

On May 2, 1996, the Senate passed an amended version of the Immigration Control and Financial Responsibility Act of 1996 (H.R. 2202), which the House of Representatives passed on March 21. The bill is still pending conference committee action. Both the House and Senate versions of the bill contain provisions to make the affidavits of support legally enforceable. They also contain provisions extending the deeming period. In addition, the bill makes some changes to eligibility requirements for noncitizens. It also provides that any noncitizen who receives more than 12 months' worth of federal, state, or local needs-based benefits within 5 years of becoming a lawful permanent resident (with several exceptions) would be considered deportable as a "public charge."

OVERVIEW OF NONCITIZEN SSI RECIPIENTS

From 1986 through 1994, the number of aged or disabled noncitizen SSI recipients grew an average of 15 percent annually. In 1986, noncitizens constituted about 6 percent of all SSI recipients; by 1994, their proportion had grown to nearly 12 percent. This year, 800,000 noncitizens will receive $3.6 billion in federal SSI benefits; SSA projects that nearly 1 million noncitizens will receive almost $5 billion in the year 2000. From a peak growth rate of 19 percent in 1991, growth in noncitizen cases has slowed substantially, with a rate of just 6.4 percent last year. However, this remains higher than the growth in all SSI cases, which was 3.5 percent last year. SSA projects that growth rates will remain in this lower range at least through the year 2000. Figure 1 gives past and projected numbers of noncitizens on SSI.

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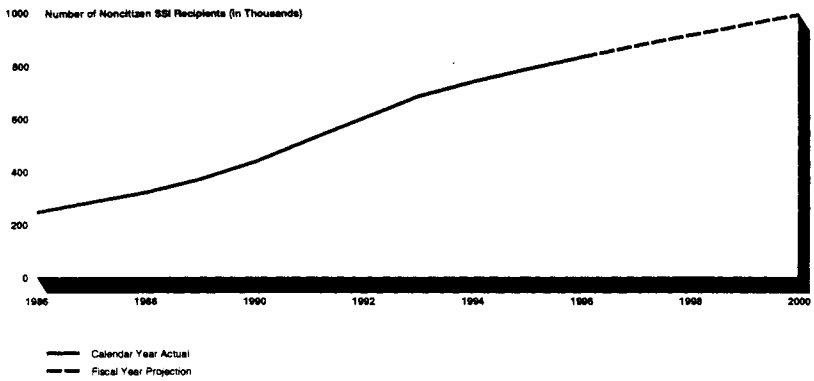
[3]The Congress temporarily extended SSI's deeming period from 3 to 5 years from January 1994 through September 1996. However, in the affidavits of support, sponsors only say they are willing to provide support for 3 years.

Figure 1: SSI Noncitizen Caseload Growth



Source: SSA.

Refugee and asylee cases are growing somewhat faster than immigrant cases, averaging 18 percent growth annually from 1986 through 1993 compared with 15 percent. Refugees and asylees constitute a larger share of SSI's disabled noncitizen population than SSI's aged population, 23 percent compared with 16 percent.

Factors Contributing to Caseload Growth

The number of all SSI recipients has grown dramatically since the mid-1980s, and some of the factors contributing to this growth apply to noncitizens and citizens alike. Such factors include program outreach, and, in the case of the disabled, eligibility expansion and limited efforts to review recipients' disability status or help them return to work. Still, the number of noncitizens is growing faster than that of citizens. From 1986 through 1993, the number of all SSI recipients grew at an average annual rate of 5 percent, compared with the 15 percent rate for noncitizens. In particular, growth among those aged 65 or over differs dramatically between citizens and noncitizens. While the number of aged noncitizens on SSI has grown dramatically, the number of aged citizens has actually declined.

Increased immigration has probably contributed to the growth in noncitizen SSI caseloads. The number of immigrants rose steadily in the 1980s, from about 500,000 per year early in the decade to 1.5 million in 1990, then fell to 900,000 in 1993. Altogether, the number of immigrants totaled more than 7.3 million in the 1980s. Roughly half of these immigrants did not need to demonstrate that they would be self-sufficient.

Noncitizens are more likely to receive SSI than citizens: roughly 3 percent of noncitizens receive SSI compared with 1.8 percent of citizens. One reason that may partially explain this is that noncitizens typically have more limited U.S. work histories than life-long residents do and therefore qualify for smaller Social Security benefits. This, in turn, may make noncitizens more likely to qualify for SSI.

Still, the likelihood of receiving SSI probably varies for different types of noncitizens. Refugees and asylees may be more

likely than citizens to receive benefits. They are not subject to sponsorship and deeming provisions and may qualify for benefits immediately after arriving here. Immigrants admitted through normal procedures may be no more likely or even less likely than citizens to be on SSI; data limitations make it difficult to say.[4]

About 46 percent of noncitizen recipients applied for SSI within 4 years of entering the United States. Roughly 5 percent of immigrants receiving SSI applied within a year of entry compared with 52 percent of the remaining noncitizens receiving SSI, such as refugees.

Noncitizen Beneficiary Profile

Fifty-one percent of noncitizens on SSI come from six countries--Mexico, the former Soviet Union, Cuba, Vietnam, the Philippines, and China. However, rates of growth vary substantially by country of origin. For example, among these six countries, annual caseload growth from 1986 through 1993 ranged from an average of 11 percent for Cuba to 33 percent for the former Soviet Union.

About 20 percent of noncitizens on SSI also qualify for Social Security benefits, compared with 40 percent of all SSI recipients. When looking at aged SSI recipients alone, the contrast is even greater. About 22 percent of aged noncitizens on SSI qualify for Social Security compared with over 60 percent of all aged recipients. Those noncitizens who do qualify for Social Security tend to get smaller Social Security benefits and larger SSI benefits compared with other SSI recipients.

About two-thirds of noncitizen SSI recipients live in three states--California, New York, and Florida. Average annual growth rates from 1986 through 1993 for the noncitizen caseload varied from 7 percent in Maine to 27 percent in New Mexico.

AGED RECIPIENTS AND AFFIDAVITS OF SUPPORT

Nearly 70 percent of noncitizens on SSI are at least 65 years old. Without the growth in noncitizen cases, SSI's aged population would have decreased 10 percent from 1986 through 1993; instead, it remained relatively level. The aged noncitizen caseload grew an average of 14 percent annually during this period, increasing from 9 percent of aged cases to 23 percent. In December 1995, noncitizens were nearly one-third of aged cases. In 1993, the average federal SSI monthly benefit was $304 for aged noncitizens compared with $188 for all aged recipients.

Nearly 60 percent of aged noncitizen SSI recipients have been in the country fewer than 5 years. This raises questions about whether immigration policies have been effective in ensuring that immigrants will be self-sufficient. SSI's deeming provisions apply only to immigrants with financial sponsors. About 25 percent of immigrants receiving SSI applied for benefits within a year after the deeming period expired. Furthermore, even some affluent sponsors refuse to support the immigrants they sponsor, especially after the affidavits of support expire, but we do not know how many.

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[4]Data limitations that prevent drawing firmer conclusions include the following: (1) the general population data we examined estimated the noncitizens' status on the basis of country of origin rather than on their actual status and (2) SSI data about noncitizens reflect their status when they applied for benefits, not when they entered the United States. See Michael Fix and Jeffrey S. Passel, Immigration and Immigrants: Setting the Record Straight (Washington, D.C.: The Urban Institute, 1994), pp. 19-22, 34, and 63-67.

In considering changes to financial sponsorship or SSI deeming policies, it is worth noting that immigrants may respond by changing their behavior. For example, restricting benefit eligibility may prompt more immigrants to become citizens to retain their eligibility. Also, immigrants who lose eligibility for federal welfare programs may turn to state-funded public assistance programs, thus shifting costs to the states. For example, the Orange County, California, Social Services Agency reported a significant cost shift to its General Relief program as a result of the extension in the SSI deeming period from 3 to 5 years.

DISABLED RECIPIENTS AND TRANSLATOR FRAUD

While disabled recipients constitute a smaller share of noncitizen cases than aged recipients, their number is growing faster, averaging 19 percent growth annually from 1986 through 1993. Noncitizens increased from 3 percent of disabled cases to 5.5 percent during this period. Perhaps the most significant factor contributing to caseload growth for disabled citizens and noncitizens alike was changes in the criteria for qualifying as disabled. New and broader standards for mental impairments were implemented in the late 1980s. Since then, disabled cases with psychiatric diagnoses have accounted for a large share of the caseload growth. These changes to the mental impairment standards may have also contributed to growth in noncitizen caseloads involving mentally disabled adults; the proportion of cases with a psychiatric diagnosis is similar for both citizens and noncitizens.

Translator Fraud May Add to Disabled Noncitizen Caseload

Translator fraud may contribute to disabled caseload growth and occurs primarily in noncitizen cases. Some ineligible non-English-speaking applicants have obtained SSI benefits illegally with the help of translators. The actual number of people who have done so is unknown. A translator, also sometimes referred to as a "middleman," is a person or organization that provides translation and/or other services for a fee to help individuals apply for SSI.

For example, a Washington State translator arrested for fraud had helped at least 240 immigrants obtain $7 million in SSI benefits by coaching them on which medical symptoms to claim and by providing false information on their medical conditions and family histories. In California, at least 6,000 potentially fraudulent applications have been identified since July 1992. Of these 6,000 applications, about 30 percent represented SSI claims that were being paid.[5] Mistakes in accurately determining disability are costly. Given that the average time on disability is 11 years before recipients reach age 65, we estimated that a single ineligible SSI recipient can receive a total of about $113,000 from SSI, Medicaid, and the Food Stamp program.[6]

A combination of factors has contributed to SSI's vulnerability to fraud involving translators. First, SSA's management practices and shortage of bilingual staff have allowed applicants to use translators that they select. For example, applicants have been able to apply for benefits at the field office of their choice--SSA has not restricted applicants to offices in which SSA has staff who speak their language. In addition,

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[5]About 1,800 of the 6,000 applications represented cases that could have been subject to periodic reviews of a recipient's disability status. SSA had completed about 400 of these reviews as of June 1995.

[6]The actual total amount of $112,805 represents $50,688 from SSI, $55,396 from Medicaid, and $6,721 from food stamps. Some applicants ineligible for SSI could still be eligible for Medicaid, food stamps, or both.

applicants' medical histories often have lacked documentation. And finally, SSA has had limited monitoring of translators, limited funds for investigations, and a lack of coordination with state Medicaid agencies.

The Congress, SSA, and several states have begun efforts to prevent or detect fraudulent SSI claims involving translators. Federal legislation has made SSI fraud a felony and has given SSA access to information from the Immigration and Naturalization Service and the Centers for Disease Control and Prevention. SSA established a task force in April 1993 on translators that has suggested initiatives such as developing and managing a translator database. Also as a result of this task force, SSA's San Francisco regional office is periodically reviewing the disability status of possibly fraudulent cases involving translators.

In addition to these efforts, we have recommended that SSA implement a more comprehensive, programwide strategy for keeping ineligible applicants from ever being accepted on the SSI rolls.[7] SSA could require that its own bilingual staff or contractors conduct interviews with non-English-speaking applicants and explore the use of videoconferencing technology to maximize the use of SSA bilingual staff. SSA should also share among its field offices information it has already gathered about translators until its planned database is established. Furthermore, SSA should institute a mechanism to obtain regular access to investigative results from states with Medicaid fraud control units to help identify fraudulent claims associated with illegal translator activity.

OBSERVATIONS

Noncitizens are one of the fastest growing groups of SSI recipients; their number grew an average of 15 percent annually from 1986 through 1993. To some extent, this parallels the rapid growth in immigration in the 1980s as well as in SSI caseloads overall. Caseload growth for noncitizens has slowed substantially to just over 6 percent last year, and SSA projects that growth rates will remain in this more moderate range. Still, according to SSA, noncitizen SSI recipients are projected to number nearly 1 million and receive nearly $5 billion in federal benefit payments in the year 2000 compared with about 800,000 and $3.6 billion this year.

As a percentage of aged SSI recipients, noncitizens increased from 9 percent to nearly 33 percent from 1986 through 1995. Adult children of some aged immigrants say they are willing to financially support their relatives but sometimes do not. Eventually, some of these aged immigrants receive SSI. About 25 percent of immigrants receiving SSI applied for benefits within a year of the deeming period's expiration.

Regarding translator fraud, our work suggests that it occurs primarily in noncitizen cases. Although we do not know how often such fraud occurs, we believe it can be reduced with a more comprehensive, programwide strategy for keeping ineligible applicants from ever receiving benefits.

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This concludes my testimony. I would be happy to answer any questions.

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[7]GAO/HEHS-95-116, Aug. 31, 1995.

Chairman SHAW. Thank you.
Mr. Fix.

STATEMENT OF MICHAEL FIX, DIRECTOR, IMMIGRANT POLICY PROGRAM, URBAN INSTITUTE

Mr. FIX. Thank you, Mr. Chairman. My name is Michael Fix and I am an attorney and principal research associate with the Urban Institute here in Washington, DC. The Urban Institute is a private nonprofit, nonpartisan research organization. You have my written statement before you, so I will simply summarize some of the main points in it.

I want to begin by saying that despite some of the trends in benefits use that I am going to be describing, it remains a fact that the great majority of immigrants in this country are self-sufficient. Indeed, about 94 percent of immigrant individuals do not receive public welfare income. Further, the Urban Institutes' analysis of SIPP, the Survey of Income and Program Participation, reveals that immigrants and natives use public benefits at roughly the same rate—with the important single programmatic exception of the SSI aged program.

But to understand immigrant use of welfare in ways that are meaningful to policy, it is important to distinguish between immigrant groups on the basis of their time of arrival and their immigration status. When we do so, we see that welfare use among immigrants is concentrated among two populations.

The first is refugees who are, in many cases, fleeing persecution, who often suffer physical and mental impairments, and who have been made eligible by the Congress for benefits upon their arrival.

The second group in which welfare use is concentrated is elderly recently arrived immigrants, who, as we have just heard, receive SSI. They have not worked enough quarters in covered employment to qualify for Social Security. For them, SSI may represent a bridge to medical insurance and in particular to Medicaid. I should note, though, that elderly immigrants who have lived in the United States for 20 years or more use SSI at roughly the same rate as do natives.

Welfare use among working-age immigrants 18 to 65 who are not refugees is roughly the same as for natives, but it appears to have risen slightly since 1990. Finally, as a contextual matter, I would say that poor immigrants remain less likely than poor natives to use welfare benefits.

Let me turn briefly now to some of the policy concerns and recommendations that I set out in my testimony. First, because immigrants' use of welfare is concentrated within specific programs and specific subpopulations, policy responses should probably focus on those programs and those populations. They need not implicate all legal immigrants or all social welfare programs.

Second, it strikes me that increased benefits use on the part of immigrants, most notably SSI use on the part of the elderly, is best addressed by expanding deeming and making the current affidavit of support enforceable; reforms that are now proceeding within the context of immigration reform. We believe that expanding deeming is a better approach than barring the use of benefits because deeming is a more flexible tool. It is one that takes account of the actual

availability of resources to the immigrant and it is one we believe strikes a fair balance between government and family in supporting immigrants.

Further, as was also suggested, SSI data make clear that deeming does deter benefits use. Immigrants have very low levels of welfare use during the first 3 to 5 years they are in the country, when deeming is in effect.

Third, while it is reasonable to expect families to provide food, shelter, and income for a period of time after arrival, barring legal immigrants from all means tested public benefit programs goes far beyond this objective. In so doing, the proposals not only bar immigrants from handout programs like SSI, they also bar them from hand-up programs which promote integration, programs like job training, student loans, Medicaid, and Head Start.

Fourth, we are also concerned that some of the proposals before the Congress now may be overbroad with regard to the populations that are reached. That is, bars to benefits such as SSI and food stamps would not only extend to beneficiaries of the SSI aged program, they would also extend to beneficiaries of the SSI disability program, including disabled foreign-born children of noncitizens, children whose presence in the United States is not voluntary and whose condition often arose after entry.

Fifth, it strikes us that applying new restrictions to benefits prospectively, as the current House immigration bill does, rather than retroactively, is more equitable when it comes to individuals who find themselves without essential safety net services despite the fact they have paid taxes and played by the rules. Applying these restrictions prospectively might also be fairer to State and local governments that are now going to have to grapple with a host of new applications for State benefits from immigrants who are excluded from Federal programs.

In conclusion, whatever one might think of current immigration policy or levels, the fact remains that we as a nation have consented to the presence of a large newcomer population. Exiling this population from our social welfare system and from the mechanisms for integration that it provides, job training and the like, may not, in the final analysis, be in their or the Nation's long-run interest.

Thank you very much. I will be happy to answer any questions.

[The prepared statement and attachments follow:]

THE USE OF SSI AND OTHER WELFARE PROGRAMS BY IMMIGRANTS

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Introduction

We would like to begin by summarizing several key points presented in this analysis:

1. Overall, immigrants use welfare at roughly the same rate as natives. However, immigrant use of welfare is concentrated among refugees and elderly immigrants.

2. High and rising immigrant use of Supplemental Security Income (SSI) benefits for the aged represent a significant public policy issue that calls for legislative attention.

3. Use of SSI among elderly immigrants is principally a substitute for receiving Social Security income and Medicare benefits.

4. Expanding deeming and making the affidavit of support enforceable represent the most flexible strategies for limiting immigrant use of public benefits, balancing the responsibility for support of needy immigrants between their families and the government.

5. Establishing the appropriate duration of deeming poses difficult policy problems:

   (A) Shorter deeming periods (e.g., five years) reflect current law, mirror the waiting period for naturalization, and do not exaggerate differences between the treatment of immigrants and natives by government.

   (B) Deeming to citizenship generates greater savings — depending on naturalization rates. But, it creates incentives to naturalize that respond to the availability of public benefits rather than allegiance to the country.

   (C) Deeming beyond citizenship (for life, or until the immigrant has worked 40 quarters in covered employment, e.g.) creates a pool of second-class citizens with full political rights, but limited economic rights.

6. Fraud in the SSI disability assistance program may be combatted by making trained, perhaps certified, interpreters available to state officials making eligibility determinations.

7. Analysis of rising immigrant receipt of SSI disability assistance indicates that the sources of increased use for immigrants are the same as those for natives. Thus, to the extent that fraud is not an issue, reform may be more effectively pursued within the area of disability policy than immigrant welfare policy.

General Patterns in Immigrant Welfare Use

The current proposals to restrict immigrant access to benefits, including SSI, are premised on the assumption that welfare use by immigrants is widespread, growing rapidly and concentrated among the undeserving. This assumption begs the question: Which immigrants use welfare and are their rates rising?[1]

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[1]We have addressed these issues elsewhere. See, especially, Michael Fix and Wendy Zimmermann, "When Should Immigrants Receive Public Benefits?" The Urban Institute, 1995; Michael Fix and Wendy Zimmermann, "Immigrant Families and Public Policy: A Deepening Divide," The Urban Institute, 1995; Michael Fix and Jeffrey S. Passel, *Immigration and Immigrants, Setting the Record Straight*, The Urban Institute, 1994.

Overall, immigrants use welfare at slightly higher rates than is the case for natives. According to the March 1994 Current Population Survey (CPS), 6.6 percent of the foreign-born use AFDC, SSI or General Assistance, compared to 4.9 percent of natives. But, to understand immigrant use of welfare, it is critical to disaggregate the immigrant population in several ways: by immigration status, by age, by time of entry to the U.S., and by income level.

In the first place, poverty and benefits use are far more heavily concentrated among immigrants who are *not* citizens than among immigrants who have naturalized. This owes in large part to the two groups' economic standing: 10 percent of naturalized citizens live in poverty versus 29 percent of non-citizen immigrants.[2]

Further, welfare use is concentrated among two groups of immigrants: elderly immigrants and refugees. Taken together, refugees and elderly immigrants make up 21 percent of immigrants, but account for 40 percent of all immigrant welfare users. *Elderly immigrants* represent 28 percent of the SSI recipients aged 65 and older but only 9 percent of the total elderly population.[3] *Refugees* are also significantly more likely to use welfare than the rest of the immigrant population (13.1 percent versus 5.8 percent). This higher rate of use owes to the fact that refugees are thought to be fleeing persecution, have fewer economic or family ties in the United States than other immigrants, and often suffer physical and mental impairments. As a consequence, the Congress has exempted refugees from the public charge provision of immigration law and made them eligible for benefits upon arrival. In fact, there is substantial overlap between elderly and refugee benefits use as refugees account for 27 percent of immigrants over 65 who receive public benefits.

Welfare use among *working-age immigrants (18–64) who did not enter as refugees* is about the same as for natives (5.1 versus 5.3 percent). However, welfare use within this population appears to have risen in recent years as four years earlier their rate fell below that of natives (2.5 versus 3.7 percent). This rise[4] may be attributable to the fact that the 2.6 million immigrants who legalized under IRCA have recently become eligible for benefits. Further, the immigrant population was especially hard-hit by the recession in the early 1990s, in part because such a large share lives in California. Another source of increased welfare use among working-age immigrants is rising immigrant receipt of SSI disability assistance (which we discuss below).

Looking beyond cash benefits, a 1995 Congressional Research Service study found that the foreign born are no more likely to use food stamps or Medicaid than the native born. In each instance, higher levels of use among non-citizens was offset by lower use by naturalized citizens.

While the current debate suggests that immigrants are inclined to welfare dependency, *immigrants who are poor* remain substantially less likely to use welfare than natives (16 percent versus 25 percent).

Growth in SSI Aged and SSI Disability Rates

The Social Security Administration recently reported that approximately 785,400 aliens received SSI benefits as of December 1995. This number was more than double the number receiving benefits six years earlier, and six times the number receiving SSI in 1982, the first year for which such records were kept. Between 1982 and 1993 the share of total SSI recipients who are immigrants rose from just over 3 percent to 11.5 percent. While this rate of growth in SSI use by immigrants is very high, one should not lose sight of the fact that SSI use overall is confined to only three percent of the foreign-born population (versus two percent of the native population). Four key indicators of SSI use by immigrants in 1993 are set out below:[5]

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[2]About 14 percent of the native-born population is in poverty (March 1994 CPS).

[3]Charles Scott and Elsa Ponce, "Aliens Who Receive SSI Payments," Office of Supplemental Security Income, 1994.

[4]Although this change in rate of welfare receipt for working-age (non-refugee) immigrants between the 1990 Census and 1994 CPS appears large, it is not statistically significant at conventional levels (95 percent confidence). Thus, the reasons described in the text must be considered speculative.

[5]From SSI 10-Percent Sample File (Scott and Ponce, supra note 2) and March 1994 Current Population Survey.

Percent of total SSI recipients who are aliens	11.5%
Percent of SSI elderly recipients who are aliens	28.2%
Percent of SSI blind and disabled recipients who are aliens	5.9%
Percent of foreign-born who receive SSI	3.3%[6]

Factors in SSI Growth. The comparatively heavy immigrant reliance on SSI owes to a number of factors. First, and perhaps most importantly, many elderly immigrants (particularly those who have arrived in the United States relatively recently) have not worked enough quarters in covered U.S. occupations to qualify for Social Security benefits. This is either because they have not been in the United States long enough or because they have worked for employers who have not paid Social Security taxes for them. Second, for many elderly immigrants SSI represents a bridge to Medicaid, and hence to affordable medical insurance, given their ineligibility for Medicare.

The substitution of SSI for Social Security among elderly immigrants manifests itself in several ways. Nearly 80 percent of alien recipients of SSI do not receive any Social Security income, compared with 57 percent of citizen SSI recipients. Length of residence in the United States is crucial because of the necessity of working long enough in covered employment to qualify for Social Security and Medicare benefits. For immigrants who have lived in the United States for at least 20 years, SSI use is only slightly higher than that of natives (8.7 percent versus 6.9 percent — see Table 1).[7] However, almost one-third of the 513,000 immigrants who arrived between 1970 and 1990, report receiving SSI income in 1990. The differential between those who have qualified for Social Security and those who have not is extraordinary — about 15 percent of post-1970 immigrants with Social Security income also report SSI income, whereas 39 percent of those with no Social Security income receive SSI.

Third, rising demand for SSI benefits among immigrants is, in part, a demographic phenomenon, reflecting the sharp growth in the immigrant population that has occurred over the past thirty years. Between 1982 and 1993 alone, legal immigration (including refugee admissions) almost doubled from 650,000 to 1.1 million per year. Accompanying this increased inflow has been dramatic growth in the number of elderly immigrants with relatively short durations of residence in the United States. Although the number of elderly immigrants has decreased slightly overall from 3.0 million in 1970 to 2.7 million in 1994, the number who have lived in the United States for less than 10 years doubled between 1970 and 1980 (from 93,000 to 175,000) and then doubled again to 350,000 in 1994. Indeed, if we focus on immigrants who have been in the U.S. 20 years or less, we see that this elderly immigrant population more than tripled between 1970 and 1994; the number actually increased by more than 30 percent between 1990 and 1994, alone.

Increased immigration over the last three decades will translate into even more elderly immigrants in the future as today's foreign-born residents age. The number of foreign-born residents aged 65 and over is projected to rise rapidly from 2.7 million in 1990 to more than 4.5 million in 2010.[8] Many of these, however, will have worked in the United States long enough to qualify for Social Security and Medicare coverage. However, the number of relatively short-duration elderly is likely to continue to increase as the large number of adult immigrants who are naturalizing today seek to reunite with their parents.

Research conducted by Frank Bean and his colleagues at the University of Texas documents that most of the rise in immigrant use of welfare between 1980 and 1990 is due to increasing numbers of immigrants, not an increasing propensity on the part of immigrants to use

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[6] Derived from Current Population Survey, March 1994. See, generally, "Native and Naturalized Citizens and Non-Citizens: An Analysis of Poverty Status, Welfare Benefits, and Other Factors," Congressional Research Service, February 1995.

[7] These figures and others following in the paragraph are derived from tabulations of the 1-percent Public Use Microdata Sample (PUMS) of the 1990 Census.

[8] John R. Pitkin and Patrick A. Simmons, "The Foreign-Born Population in 2010: A Prospective Analysis by Country of Birth, Age, and Duration in the U.S.," forthcoming *Journal of Housing Research*, volume 7, number 1, Fannie Mae, Washington, D.C.

welfare.[9] Over the decade, the rate of welfare use in households headed by Mexicans, Guatemalans, and Salvadorans actually decreased slightly, although it remained higher than that of native households. In households headed by immigrants from refugee-sending countries, the rate of welfare use rose slightly during the 1980–90 decade. It is the large expansion in the *number* of immigrants from these areas that fueled overall increases in immigrants' use of welfare. For the balance of the immigrant population (representing two-thirds of immigrants in 1990), the rate of welfare participation decreased during the decade, remaining below that of natives.

In addition to demographic factors, it stands to reason that increased use also owes to liberalized eligibility rules, as well as greater awareness of the program — achieved in part through greater outreach. But we are aware of no research that systematically documents the effects of these developments on SSI use patterns by immigrants.

While it is often assumed that Asian immigrants predominate among recipients of SSI benefits, in fact non-citizens from Mexico, the former Soviet Union, and Cuba supply the largest numbers, accounting for one-third of all immigrant SSI recipients. Chinese recipients of SSI — who have been the subject of so much controversy — represent roughly five percent of total beneficiaries nationwide,[10] a figure below their representation in the population of recent elderly immigrants.

Distinguishing SSI Aged and Disability Assistance. There are, in effect, two distinct categories of assistance under the SSI program: one that provides aid to the poor elderly; the other provides benefits to the blind and disabled who are poor.[11] Both have witnessed a steady rise in the number and share of immigrant recipients since 1982.

There are important differences in immigrant enrollment between the two programs, however. Although immigrant enrollment in the SSI disability program is currently rising at a faster rate than enrollment in the elderly program (22 percent versus 10 percent between 1993 and 1995), immigrants make up a far larger share of all recipients in the SSI elderly than in the disability program (28.2 versus 5.9 percent in 1993).

The rapid rise in disabled immigrants' use of SSI should be viewed within the context of extremely fast overall growth in the SSI disabled population. Lewin-VHI recently conducted an econometric analysis of growth in SSI disability awards. They report that SSI applications from non-citizens grew much more rapidly than those from citizens between 1988 and 1992 — at an average annual rate of 17.4 percent versus 9.8 percent for citizens.[12] However, the report's authors conclude that rapid growth in immigrant applications during this period was due to the same factors that are behind growth in applications from citizens. These include increased unemployment, more liberal eligibility rules introduced by the courts, the Congress and the Administration (particularly in the area of mental and pain-related impairments), and state efforts to shift beneficiaries from state programs such as General Assistance to federally financed programs. The authors attribute the faster growth rate among immigrants to the fact that the recession that occurred during the early 1990s had a larger impact on legal aliens than citizens.

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[9] Frank D. Bean, Jennifer V.W. Van Hook, Jennifer E. Glick, "County of Origin, Types of Public Assistance, and Patterns of Welfare Recipiency Among U.S. Immigrants and Natives," University of Texas at Austin, forthcoming in *Social Science Quarterly*.

[10] Data provided by the Social Security Administration.

[11] To qualify for SSI under the aged category, the applicant must be 65 years or older and meet income guidelines. The "blind" are "individuals with 20/200 vision or less with the use of a correcting lens in the person's better eye. . . Disabled individuals are those unable to engage in any substantial gainful activity by reason of a medically determined physical or mental impairment expected to result in death or that has lasted, or can be expected to last, for a continuous period of at least 12 months. . . Also a child under age 18 who has an impairment of comparable severity with that of an adult can be considered disabled." Comm. on Ways and Means, *Overview of Entitlement Programs, 1992 Green Book*, 102d Cong. 2d Sess. 1992 at 778.

[12] See Lewin-VHI Inc (1995). *Labor Market Conditions, Socioeconomic factors and the Growth of Applications and Awards for SSDI and SSI Disability Benefits (Final Report).* Washington, D.C.: The Office of the Assistant Secretary for Planning and Evaluation and the Social Security Administration; Lewin-VHI, Inc. (1995). *Longer Term Factors Affecting Disability Program Applications and Awards (Draft Report).* Washington, D.C.: The Office of the Assistant Secretary for Planning and Evaluation and the Social Security Administration.

The Policy Response

It strikes us that the issues raised by rising levels of SSI use on the part of immigrants are significant and suggest a number of possible legislative responses.

Guiding Principles. As we have indicated in earlier testimony before this committee, we believe that reform should be guided by five principles:

1. Promoting self sufficiency.
2. Promoting family and not government responsibility for immigrants' support.
3. Providing a safety net for immigrants and sponsors if they fall on hard times and require transitional assistance or when a disabling injury occurs or condition emerges.
4. Reducing administrative burdens and complexity.
5. Promoting immigrant integration — both by insuring that immigrants do not become welfare dependent and by ensuring that they have access to programs that promote human capital development.

Proposed legislation to curb immigrant use of public benefits has embodied a number of reforms. These include:

- a bar on immigrant benefits;
- expansion of the current deeming requirements;
- increased use of the deportation power for welfare dependent immigrants;
- mandating that immigrants obtain health and long term care insurance prior to entry.

General Concerns. While each of these strategies offers differing strengths and weaknesses, they raise a number of common concerns. Each redefines the membership of legal immigrants within the society, widening the gap between the mutual support obligations of immigrant and native families.

Further, each of these strategies needs to be viewed within a larger context of potential shifts in immigration policy that have been proposed by this Congress. In this regard, policy makers need to be attentive to the *cumulative* effects of changes in both social welfare (or immigrant) and admissions (or immigration) policy. We are concerned that immigrant families — which have been justly celebrated for their strength — will be forced to contend with the simultaneous loss of a wide range of public benefits, at the same time that the social capital (child care and the like) made available from siblings and parents will be put out of reach.

Finally, the intersection of benefits rules and immigration law has always been an extraordinarily complex area of program administration — one where complexity itself has made administration so difficult as to defeat Congressional objectives. We remain concerned that proposed changes will essentially generate three separate regimes of welfare eligibility — one for natives; one for current immigrants (those in the U.S. at the time of passage); and one for future immigrants.

Bars and Deeming

We believe that the sponsorship and deeming system has a powerful logic to it on which reform can profitably build. Under the public charge provision of the immigration laws, immigrants can be excluded from the United States if they appear likely to become welfare dependent. One way to overcome this exclusion is to have a sponsor (often a family member) with sufficient income or assets sign the affidavit of support. The sponsor's income is currently deemed to be available to the immigrant for the purpose of qualifying for three means-tested programs: AFDC, SSI and food stamps. These mechanisms allow the nation to admit immigrants who may be poor at the time of entry but have the potential to work and contribute to the economy. They also balance the responsibility for support of needy immigrants between their families and the government.

We believe that deeming is preferable to barring immigrant use of public benefits because it represents a more flexible policy instrument that can take into account the financial support that is actually available to the immigrant. This support can be suspended as a result of the sponsor's death, extended unemployment, or abandonment of the immigrant.

For deeming to work, though, the affidavit of support needs to be made enforceable between the immigrant, the sponsor, and the state. At the same time, deeming requirements should be waived when it can be demonstrated that the immigrant has been abandoned by the sponsor, which is currently not permitted by law. This strategy would provide immigrants with access to a safety net while at the same time allowing the state to recoup its costs from the sponsor. It should be borne in mind, though, that in most instances deeming will translate into effective disqualification of immigrants who apply for benefits.

The expanded application of sponsorship and deeming requirements raises a number of difficult design issues:

- How long should deeming and the affidavit of support last? Three years? Five years? To citizenship? Until the immigrant has worked 40 qualifying quarters? For life?
- Should expanded deeming requirements be applied to immigrants now in the U.S. or just to future immigrants?

Identifying the best "stopping point" for deeming and the affidavit of support is extremely difficult, as the members of this Committee know. Current legislation calls for three years of deeming for AFDC and food stamps and extends deeming for SSI to five years. The extension to five years for SSI will lapse in 1996 and will need to be reauthorized. This five-year deeming period has a number of virtues. One is transparency and consistency. Five years is the period during which an immigrant can be deported for becoming a public charge, the period that most immigrants must wait to apply for citizenship, and the length of time that legalizing immigrants under IRCA were barred from benefits use. Deeming for five years premises eligibility on sustained residence, a good indicator of integration.

Such a reform would, however, generate less savings than other strategies, and may not substantially diminish the high, sustained levels of SSI use on the part of the elderly immigrants. One response, then, could be to set citizenship as the stopping point for deeming. Deeming until citizenship within the SSI program, however, raises a number of concerns. Such a requirement would tend to penalize those immigrants who have the greatest needs --- that is, those who would find it particularly difficult to pass the requisite naturalization tests. Deeming to citizenship also begs the question whether we want to make citizenship the gateway for public benefits, rather than a statement of allegiance to the nation. At the same time, though, the relative ease with which citizenship can be attained, the limited time period until it can be achieved (five to six years), and the fact that conditioning aid on citizenship has a firm basis in law,[13] may recommend this particular stopping point.

From a savings perspective, though, the Congress might want to move deeming beyond citizenship to the life of the immigrant or to some marker of economic contribution — say to 40 quarters of qualified employment. The serious problem this proposal presents is the creation for the first time of a pool of second-class citizens who would hold full political rights, but limited economic rights.

Proposals have also been advanced to strengthen the definition of a public charge and to enforce the deportation of those immigrants found to become a public charge within their first five years in the U.S. It should be noted that few immigrants use welfare during their initial years in the U.S. because of the effect of deeming requirements.

Mandating Health and Long Term Care Insurance

In addition to providing a cash payment to beneficiaries, SSI gives the poor elderly access to health care by making them eligible for Medicaid. Anecdotes suggest this is a prime motivating factor for many elderly immigrants' enrolling in the program. Proposed reforms would require sponsors to ensure that immigrants are covered by health and long-term care coverage. In many instances, though, relying on the private market to provide health and long-term care insurance

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[13] In the landmark case *Mathews v. Diaz*, the Supreme Court held that:

> The decision to share the nation's bounty with our guests may take into account the character of the relationship between the alien and this country. . .. Congress may decide that as the alien's tie grows stronger, so does his claim to an equal share of that munificence. 426 U.S. 67 (1976)

for elderly immigrants would prove to be prohibitively expensive. and make it impossible for citizens to unite with their parents. Indeed, our own analysis indicates that the Administration's estimates are correct: the average costs of obtaining health and long-term care coverage for older immigrants would be $7000 to $13,000 annually.[14] Further, some private insurers would be unlikely to offer health insurance to elderly immigrants at any price.

One intermediate solution might be to make it easier for recently-arrived elderly immigrants to buy into Medicare Part A at the full actuarial value.[15] (Medicare Part A is essentially hospital insurance that helps pay for inpatient hospital care, skilled care in a nursing facility, home health care and hospice care.) But even this proposal would be quite expensive for the immigrant or the sponsor, costing approximately $360 per month.

Congress might also consider making Medicare Part B available to such recently-arrived immigrants — again at the full actuarial value: which is roughly four times the discounted price at which it is made available to citizens. Part B Medical Insurance helps pay for doctor care, outpatient hospital services, medical equipment and other services.

As there is no government issuer of long-term care insurance, designing a policy solution that does not leave immigrants at the mercy of the economic forces that drive costs in this area seems particularly difficult.

Eliminating (Reducing) Fraud in Claims for SSI Disability

Another policy issue raised by the Committee is the expansion of fraud in the SSI disability program — often through the use of middlemen serving as translators. One rather straightforward solution would be to ensure that state officials who screen and adjudicate such claims have access to trained and, perhaps, certified interpreter pools. These interpreters would be in a position to aid government workers in assessing the merits of immigrants' claims. If such a program were implemented in an even-handed manner, community agencies might prove to be good sources of individuals who could provide language support.

We have noted that the sources of rising use of SSI disability benefits among immigrants are the same as those within the native population. Thus, to the extent that rising disability use among immigrants is not due to fraud, it may be more comprehensively and effectively addressed within the domain of disability policy rather than immigration policy.

How Do We Make Immigrants Self Sufficient?

We should begin by noting that most immigrants *are* self-sufficient: 94 percent of immigrants in the U.S. do not receive welfare benefits. In addition, we would like to make four observations.

First, a number of proposals advanced under the rubric of "welfare reform" would bar legal immigrants from all "needs-based" or "means-tested" federal programs." These proposals are problematic for many reasons, one of which is their potential impact on immigrant self-sufficiency. In this regard, they are troublesome because they fail to draw distinctions between cash transfer programs and programs that develop human capital. Despite the fact that job training programs, adult education, child care and the like represent a classic "hand up" for immigrants and natives alike, and not a "hand out," such programs would be restricted to immigrants just like cash transfer programs.

Second, researchers have shown that one of the surest paths to economic mobility is learning English. Thus, one legislative response to aiding immigrants' transition to self-sufficiency might be to focus on the resources dedicated to English language acquisition on the part of immigrants. According to our estimates, the federal government spends only $300 million combined on the two principal programs designed to increase English language proficiency:

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[14]See, letter of Andrew Fois, Assistant Attorney General, U.S. Department of Justice, to Alan Simpson, Chairman, Subcommittee on Immigration, November 28, 1995.

[15] Legal permanent residents can only enroll in Medicare if they are 65 or older and *eligible for Social Security* or if they have resided continuously in the U.S. for five years and purchase Medicare Parts A and B or Part B only. (Part A may not be purchased by itself.) National Immigration Law Center, *Guide to Alien Eligibility for Federal Programs,* 1992.

bilingual education for elementary and secondary students (funded at $195 million in FY1995) and English as a Second Language (ESL) for adults (approximately $100 million FY1995). Economists have documented that the return on investment for increased language skills exceeds other forms of human capital expenditures.[16]

Third, we believe that it is important for policy makers to consider the *cumulative* effects of proposed changes in immigration policy as well as changes in immigrant eligibility for public benefits — especially as they are felt by the immigrant family. We need to make sure that the immigrant family is not simultaneously losing financial support provided by the public sector, losing its access to human capital development programs, and, at the same time, losing its access to the family's social capital — represented by adult siblings and parents.

Finally, we would urge the Committee to examine the lessons that have been learned from the early employment experiments that have been undertaken in refugee resettlement programs to assess their implications for legislation. Along these same lines, examining the refugee programs in California and New York — where most refugees are concentrated and where refugee welfare use rates are particularly high — may go a long way toward alleviating refugee welfare use overall.

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[16] See, generally, Barry R. Chiswick and Paul W. Miller, "Language in the Labor Market," in Barry Chiswick (ed.), *Immigration, Language and Ethnicity*, AEI Press, 1992.

APPENDIX: SUMMARY OF FACTS ABOUT IMMIGRANTS' USE OF WELFARE

Questions have arisen recently about the use of welfare and public assistance by immigrants. We lay out here some key facts about immigrants' welfare use and report the similarities and differences in recent, prominently cited research on this issue conducted by the Urban Institute and George Borjas.[1]

KEY FACTS:

- Most immigrants (94 percent in 1993 according to the Current Population Survey, CPS) do not use "welfare" as conventionally defined (to include Aid to Families with Dependent Children, AFDC, Supplemental Security Income, SSI, or General Assistance, GA).

- Overall, immigrants have slightly higher welfare use rates than natives (6.6. versus 4.9 percent). But welfare use among immigrants is concentrated among refugees and elderly immigrants who use welfare at rates disproportionate to their numbers. These two groups make up 21 percent of the immigrant population but 40 percent of welfare users. Non-refugee working-age immigrants use welfare at about the same rate as natives.

- Immigrant welfare use and costs have risen slightly relative to natives since 1990 -- but we believe the rise owes largely to the concentration of the immigrant population in California which has generous welfare programs, is home to many legalizing immigrants, and has been in recession.

- According to administrative data, immigrants are more likely to use SSI -- a cash assistance program for the elderly and disabled -- than natives. In 1993, elderly immigrants made up 28 percent of the SSI recipients aged 65 and older, but they made up only 9 percent of the total elderly population. Many of these elderly immigrants have not worked enough quarters in covered U.S. occupations to qualify for Social Security, either because they have not been in the United States long enough or because they worked for employers who have not paid Social Security taxes for them.

- The immigrant group with the fastest growth in SSI use is the disabled. Despite recent growth in use, immigrants continue to make up a smaller share of the disabled SSI population than they do of the general population.

- Poor immigrants remain less likely than poor natives to use welfare (16 versus 25 percent). These findings are confirmed by administrative data: a 1995 Food and Nutrition Service study found that eligible immigrants who legalized under the Immigration Reform and Control Act of 1986 were less likely to receive food stamps than the general population.

INTERPRETING THE URBAN INSTITUTE'S AND GEORGE BORJAS'S FINDINGS:

Similar basic findings -- In his most recent paper on the subject, Borjas states that the "immigrant-native difference in the probability of receiving cash benefits is small (10.8 vs. 7.3 percent)" -- the same basic conclusion reached by Urban Institute studies.

Different definitions of "welfare" -- Borjas finds large differences between immigrant and native "welfare" use when he uses a measure that includes cash assistance as well as Medicaid, food stamps, energy assistance, housing assistance and WIC (the supplemental food program for women, infants and children) -- programs that go beyond those typically considered "welfare." Among non-cash programs he finds small differences in use rates for each program except Medicaid and the reduced price school lunch program (which is not included in the cumulative measure), where he finds larger differences.

Different data sources -- The Urban Institute findings are based on an analysis of the 1993 Current Population Survey while Borjas combines 1990 to 1993 data from the Survey of Income and Program Participation (SIPP). Each data source has its advantages. Even after Borjas combines different years of the SIPP, the size of his sample is half that of the 1993 CPS and therefore provides less accurate results for relatively small populations, such as immigrants, and for the even smaller population of immigrants who use welfare. The SIPP, however, reinterviews the same family periodically over the course of 32 months, providing a better picture of welfare use than the one point-in-time analysis of the CPS.

Different units of analysis -- The Urban Institute CPS results are based on an analysis of individuals' use of benefits, while Borjas uses a household level analysis. The household analysis is problematic because it attributes to immigrant-headed households use of welfare by natives in their households, such as children. This is a serious concern since 67 percent of immigrant-headed households contain a native-born person and 52 percent contain a native-born child.

Different results using SIPP individual level data -- Elaine Sorensen and Nikki Blasberg of the Urban Institute recently analyzed individual use of welfare with the SIPP and found that immigrant and native use rates for those of all ages are so close that they are not statistically different for any of the cash or non-cash benefit programs except SSI.

When immigrants and their native born children are considered together, statistically significant differences emerge in the use of Medicaid and housing assistance. Statistically meaningful differences in SSI use disappear, however. This apparently anomalous result occurs because the foreign-born population is composed of a smaller share of children and a larger share of adults than the general population. For this reason, when the native-born children of immigrants are included in the analysis, use rates of child-oriented services such as Medicaid increase. Conversely, use rates of programs directed largely at adults -- like SSI -- decline.

1. See Michael Fix, Jeffrey Passel and Wendy Zimmermann, "The Use of SSI and Other Welfare Programs by Immigrants," and George Borjas, "Immigration and Welfare: Some New Evidence," testimony before the U.S. Senate Subcommittee on Immigration, February 6, 1996; George Borjas, Lynette Hilton, "Immigration and the Welfare State: Immigrant Participation in Means-Tested Entitlement Programs," forthcoming, Quarterly Journal of Economics, May 1996.

Immigrants vs. Natives Program Recipiency

	All Ages		All Ages		Children Under 15			15-64		65+	
	Natives	Immigrants	Natives	Immigrants and Their Children	Natives	Native Born of Immig. Parents	Immigrant	Natives	Immigrants	Natives	Immigrants
Cash Programs											
AFDC	3.6%	3.2%	3.6%	3.9%	9.4%	7.0%	10.8%	2.4%	2.4%	0.1%	1.0%
SSI[a]	2.3	3.7*	2.4	3.1	0.0	0.1	0.0	2.4	2.2	6.1	15.3*
General Assistance	0.4	0.6	0.4	0.6	0.7	0.9	1.3	0.4	0.5	0.1	0.0
Noncash Programs											
Medicaid	7.3%	8.6%	7.2%	9.4%*	13.4%	12.9%	17.2%	5.3%	5.7%	6.7%	17.4%*
Food Stamps	6.7	7.0	6.6	8.0	13.8	12.8	17.2	4.9	5.6	3.4	5.6
Housing	4.2	5.2	4.2	5.6*	6.5	7.2	12.4	3.2	4.2	5.2	4.5
WIC	1.0	0.7	1.0	1.2	3.4	3.6	4.0	0.4	0.3	0.0	0.0
Sample Size	44,759	4,290	43,713	5,336	10,260	1,046	559	28,163	3,165	5,290	566
Total	223,970,774	19,098,292	219,766,082	23,302,985	46,691,094	4,204,692	2,224,184	146,667,479	14,344,428	26,407,509	2,529,681

Source: Elaine Sorensen and Nikki Blasberg's analysis of the 1990 Survey of Income and Program Participation.

Note: * indicates significance at the 5% level.
a.) SSI is calculated on an annual rather than monthly basis.

Chairman SHAW. Thank you.
Mr. Doti.

STATEMENT OF ANGELO DOTI, DIRECTOR, FINANCIAL ASSISTANCE PROGRAMS, ORANGE COUNTY SOCIAL SERVICES AGENCY, SANTA ANA, CALIFORNIA

Mr. DOTI. Mr. Chairman and Subcommittee Members, thank you this afternoon. It has been a long day. I might have some disagreement with Mr. Fix, but I certainly agree with his conclusions.

I am the Director of the Financial Assistance Programs for Orange County. We are the fifth largest county in the United States in population, and I do respectfully request that our text be entered into the record.

In our view, legal and undocumented aliens do access our welfare programs. We believe this is probably true because we have had an expansion of them at the Federal and State levels and through the intervention of the court systems, and something that we have seen an increasing phenomena of is sponsored aliens, generally individuals sponsoring in aged parents and siblings. We believe these factors of policies and the issues relating to sponsored aliens has more of an impact on us than, say, the domestic economy.

I was asked specifically to comment, and I will do it very briefly, on the impact on local government from these policies. It is a fact that noncitizens do access our health and welfare programs. Forty-seven percent of all persons receiving SSI in Orange County are noncitizens. We are the second highest affected county in California, Santa Clara being the first, but I think that occurs also across the Nation. The vast majority of those receiving SSI in Orange County are aged, 65 years of age and over. In fact, 90 percent exceed age 60.

Noncitizens barred for SSI for 5 years, as they are currently because of the change that occurred in January 1994, readily access our programs. We now have 904 recipients as of April of this year who would not have been able to access our programs had Federal change not occurred.

Any alien that is barred from the SSI Program would also lose the Medicare provisions, and possibly, if the changes were to go that deep, Medicaid, as well. Our experience is that they will access local health programs at local cost.

We have in California a program of aiding indigent legal adults. Most States do in this country. Currently, 67 percent of all persons receiving local 100 percent county tax-paid programs are noncitizens. The trend continues.

In conclusion, we believe that any shift of the current welfare operations as we know them in this country to local government will, in effect, be something the counties in California and across the Nation cannot absorb.

I thank you for your time.

[The prepared statement and attachments follow:]

STATEMENT OF ANGELO DOTI
DIRECTOR, FINANCIAL ASSISTANCE PROGRAMS
ON BEHALF OF ORANGE COUNTY SOCIAL SERVICES AGENCY
SANTA ANA, CALIFORNIA

GOOD MORNING, MR. CHAIRMAN AND MEMBEPS OF THE SUBCOMMITTEE.

I AM ANGELO DOTI, THE DIRECTOR OF FINANCIAL ASSISTANCE FOR THE SOCIAL SERVICES AGENCY, COUNTY OF ORANGE, CALIFORNIA. IN CALIFORNIA, COUNTIES ARE CHARGED WITH CARRYING OUT FEDERAL AND STATE WELFARE PROGRAMS.

OVERVIEW

ORANGE COUNTY IS THE FIFTH MOST POPULOUS COUNTY IN THE NATION. INCREASINGLY, MORE OF THE 2.6 MILLION COUNTY RESIDENTS ARE BEING SERVED BY OUR SOCIAL SERVICES AGENCY. OUR COUNTY POPULATION AND WELFARE CASELOADS EXCEED THAT OF MANY STATES. APPROXIMATELY 22,000 PERSONS APPLY MONTHLY FOR VARIOUS ENTITLEMENT PROGRAMS SUCH AS AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC), REFUGEE CASH ASSISTANCE (RCA), FOOD STAMPS AND MEDICAID, AS WELL AS OUR OWN STATE-MANDATED GENERAL ASSISTANCE PROGRAM. SOME ARE CITIZENS AND LEGAL ALIENS; MANY ARE NEWLY ARRIVED FROM OTHER COUNTRIES. OVER THE YEARS, WE HAVE BECOME ONE OF THE MOST HIGHLY IMPACTED REFUGEE COUNTIES IN THE NATION WITH REFUGEES (BOTH TIME-ELIGIBLE AND TIME-EXPIRED) MAKING UP SIGNIFICANT AMOUNTS OF EACH WELFARE PROGRAM CASELOAD. CONCERNING THE IMMIGRATION AND REFORM CONTROL ACT (IRCA), OVER 230,000 AMNESTY APPLICATIONS WERE FILED IN THE INITIAL YEAR, WITH MANY FORMER IRCA APPLICANTS NOW RECEIVING PUBLIC ASSISTANCE.

ORANGE COUNTY STATISTICS

IN ORANGE COUNTY, NEWLY ARRIVED LEGAL ALIENS DO READILY ACCESS ENTITLEMENT AND LOCAL HEALTH AND CASH ASSISTANCE (GENERAL RELIEF) PROGRAMS. CIVIL RIGHTS LAWS REQUIRE US TO RECORD NUMEROUS STATISTICS ABOUT THE WELFARE POPULATIONS. THE IMPACT OF ALIENS ON THE ORANGE COUNTY CASELOADS ARE AS FOLLOWS:

AFDC/RCA

- 27% OF THE CASES ON AFDC ARE IMMIGRANTS/REFUGEES (EXCLUDES CHILDREN BORN OF UNDOCUMENTED PARENTS AND RCA CASES).
- 94% OF REFUGEES WHO APPLY FOR RCA DO SO WITHIN THE FIRST TWO MONTHS OF ENTRY INTO THE COUNTRY.
- 42% OF REFUGEES WHO RECEIVE AFDC REMAIN ON AID FIVE YEARS OR LONGER.

MEDICAID

- OBRA 1986 (UNDOCUMENTED PERSONS) DOUBLED THE ELIGIBLE POPULATION, ALLOWING ACCESS TO RESTRICTED SCOPE OF SERVICES.
- OBRA RECIPIENTS INCREASINGLY ACCESS MEDICAID. FOR MEDICAID ONLY (EXCLUDING CASH GRANT-RELATED MEDICAID), THE AVERAGE ELIGIBLES ROSE FROM 15% IN 1989 TO 26% IN 1994.
- FEDERAL REGULATIONS AND LAWSUITS HAVE PRECLUDED OUR ABILITY TO VERIFY ALIENAGE OR INCOME, THUS MAKING MEDICAID HIGHLY FRAUD PRONE AND SUBJECT TO ABUSE.

GENERAL RELIEF (COUNTY-ONLY FUNDS)

- 67% OF THE GENERAL RELIEF CASELOAD ARE NON-CITIZENS. OF THESE:

  - 35% ARE SPONSORED ALIENS IN THE COUNTRY LESS THAN FIVE YEARS.

  - 15% ARE REFUGEES TIME-EXPIRED FROM THE EIGHT-MONTH FEDERAL BENEFITS OF RCA

  - 17% ARE OTHER LEGAL ALIENS, SUCH AS FORMER IRCA AMNESTY, WHO HAVE ADJUSTED TO PERMANENT LEGAL STATUS.

  - 83% OF THE SPONSORED ALIENS ARE 65 YEARS OR OLDER AND 95% ARE OVER 60 YEARS OLD. THEY TEND TO APPLY UPON THEIR THIRD YEAR OF UNITED STATES RESIDENCE AND WILL REMAIN ON AID CONTINUOUSLY UNTIL THE FIVE-YEAR BAR TO SSI EXPIRES.

WE DO NOT ADMINISTER THE SUPPLEMENTAL SECURITY INCOME (SSI) PROGRAM, YET WE ARE IMPACTED BY ITS POLICIES. FOR EXAMPLE, SPONSORED ALIENS WERE BARRED FROM SSI FOR FIVE YEARS (FORMERLY THREE YEARS) EFFECTIVE JANUARY 1994. UNFORTUNATELY, THE FEDERAL AFFIDAVIT OF SUPPORT (AN UNENFORCEABLE MORAL AGREEMENT) WAS NOT MODIFIED TO COINCIDE WITH THIS INELIGIBILITY PERIOD EXTENSION. THE NET EFFECT WAS THAT SPONSORS PRESENTED THEIR CHARGES FOR LOCAL ASSISTANCE SHORTLY AFTER THE THREE YEARS HAD PASSED. FROM THE OUTSET OF THE CHANGE, OVER 904 SPONSORED ALIENS IN ORANGE COUNTY ALONE HAVE BEEN "TRANSFERRED" FROM POTENTIAL SSI ROLLS TO LOCAL GOVERNMENT -- IN SHORT, A COST-SHIFT -- TO FILL THE TWO-YEAR GAP UNTIL THE RECIPIENTS MEET THE FIVE-YEAR SSI ELIGIBILITY PERIOD.

CONCLUSIONS

COST-SHIFTS ARE CURRENTLY OCCURRING TO SOME LOCAL GOVERNMENTS WHEN ALIENS ARE BARRED FROM FEDERAL ENTITLEMENT PROGRAMS. IT IS REASONABLE TO ASSUME THAT FURTHER COST-SHIFTS MAY OCCUR AS LEGAL ALIENS ARE PREVENTED FROM ACCESSING EVEN MORE PROGRAMS.

THE DEBATE CONTINUES AS TO THE LEGALITY OF FEDERAL LAWS TO PROHIBIT ELIGIBILITY FOR SOME ON THE BASIS OF ALIENAGE BUT TO PERMIT DISCRETION AT STATE OR LOCAL OPTION. THIS WILL PERHAPS ONLY BE RESOLVED BY THE COURTS.

CALIFORNIA LAW MANDATES THAT COUNTIES PROVIDE ASSISTANCE TO LEGAL RESIDENT ADULT INDIGENTS. TO SOME OF THE 58 COUNTIES, THE IMPACT OF AIDING INDIGENT ALIENS WOULD BE NEGLIGIBLE WHILE FOR SOME COUNTIES, IT WOULD BE A MAJOR FISCAL HARDSHIP. AS AN EXAMPLE, THE FEDERAL POLICY IN FORCE SINCE JANUARY 1994 THROUGH THE PRESENT TO BAR SPONSORED ALIENS FROM SSI FOR FIVE YEARS HAS CREATED A COST-SHIFT TO ORANGE COUNTY APPROACHING $2 MILLION ANNUALLY. ALMOST 47% OF ALL SSI RECIPIENTS IN ORANGE COUNTY (48,872) ARE NONCITIZENS (22,815). IF ONLY 10% WERE TO APPLY FOR LOCAL BENEFITS, THE WELFARE ROLES WOULD MORE THAN DOUBLE TO OVER $15 MILLION ANNUALLY.

RECOGNIZING THE POSSIBILITY OF SUCH COST-SHIFTS, IT IS SUGGESTED THAT FEDERAL FUNDS BE MADE AVAILABLE TO MITIGATE THE NEGATIVE FISCAL IMPACT ON LOCAL GOVERNMENT.

State of California
Health and Welfare Agency

Department of Social Services
Information Services Bureau
April 17, 1998

Noncitizen SSI/SSP Recipients By County
February 1998

County	Aged	Blind	Disabled	Noncitizen Total	SSI/SSP Total	Percent of Noncitizen To SSI/SSP Total
Alameda	9,210	136	3,834	13,180	48,056	27.4
Alpine	0	0	0	0	29	0.0
Amador	14	0	1	15	469	3.2
Butte	309	22	496	827	8,321	9.9
Calaveras	13	0	1	14	855	1.6
Colusa	70	1	27	98	472	20.8
Contra Costa	3,345	51	1,402	4,798	21,112	22.7
Del Norte	21	0	42	63	1,467	4.3
El Dorado	90	1	36	127	2,426	5.2
Fresno	4,725	163	5,332	10,220	36,693	27.9
Glenn	72	4	123	199	866	23.0
Humboldt	55	4	139	198	5,520	3.6
Imperial	2,133	26	863	3,022	7,831	38.6
Inyo	15	0	5	20	534	3.7
Kern	1,996	48	1,310	3,354	24,807	13.5
Kings	377	8	206	591	3,914	15.1
Lake	51	2	31	84	2,989	2.8
Lassen	8	0	3	11	932	1.2
Los Angeles	97,617	1,692	37,692	136,991	335,969	40.8
Madera	407	5	233	645	4,194	15.4
Marin	421	8	172	601	3,563	16.9
Mariposa	4	0	0	4	288	1.4
Mendocino	90	0	73	163	3,475	4.7
Merced	1,286	50	1,230	2,566	8,358	30.7
Modoc	2	0	10	12	373	3.2
Mono	1	0	2	3	88	3.4
Monterey	1,656	35	938	2,629	8,338	31.5
Napa	184	1	87	272	2,321	11.7
Nevada	13	0	15	28	1,489	1.9
Orange	15,313	310	7,192	22,815	48,872	46.7
Placer	168	1	104	274	4,033	6.8
Plumas	7	0	5	12	652	1.8
Riverside	4,400	79	2,328	6,807	35,500	19.2
Sacramento	5,456	123	5,335	10,914	45,881	23.8
San Benito	165	1	67	233	859	27.1
San Bernardino	5,255	88	2,539	7,882	46,211	17.1
San Diego	14,807	304	7,371	22,482	72,248	31.1
San Francisco	15,015	229	4,424	19,668	47,488	41.4
San Joaquin	2,793	124	4,280	7,197	23,993	30.0
San Luis Obispo	228	3	141	372	4,922	7.6
San Mateo	4,064	46	973	5,083	13,673	37.2
Santa Barbara	1,147	20	648	1,815	8,752	20.7
Santa Clara	13,277	187	5,292	18,756	39,117	47.9
Santa Cruz	675	13	377	1,065	5,457	19.5
Shasta	125	1	339	465	7,544	6.2
Sierra	3	0	3	6	101	5.9
Siskiyou	18	3	46	67	2,143	3.1
Solano	1,478	18	420	1,914	9,547	20.0
Sonoma	559	21	474	1,054	9,707	10.9
Stanislaus	2,053	59	1,782	3,894	17,580	22.2
Sutter	350	18	212	580	2,750	21.1
Tehama	33	1	33	67	2,118	3.2
Trinity	2	0	2	4	564	0.7
Tulare	1,933	45	1,517	3,495	16,122	21.7
Tuolumne	16	1	11	28	1,358	2.1
Ventura	2,788	46	1,143	3,977	13,982	28.4
Yolo	509	12	480	1,001	4,359	23.0
Yuba	232	17	374	623	3,655	17.0
Unknown	123	3	75	201	769	26.1
Total	217,176	4,018	102,290	323,486	1,025,584	31.5%

* Disabled applies to those recipients under the age of 65 and Aged applies to recipients aged 65 and over.
When disabled residents turn 65, the SSI program data typically continues to count them among the disabled.

Source: Data derived from February 1998 State Data Exchange (SDX) file from SSA.

ORANGE COUNTY SOCIAL SERVICES AGENCY

REPORT ON THE IMPACT OF SPONSORED ALIENS ON THE LOCAL GENERAL RELIEF PROGRAM

4/96

This information illustrates the extent to which federal immigration and SSI eligibility policies affect caseloads and resulting expenditures on local programs.

General Relief expenditures for sponsored aliens, refugees, and all others.

MONTH/ YEAR	TOTAL GR CASELOAD EXPENDITURE*	90 Regular		93 Sponsored Aliens		94 Refugees	
		$$	%	$$	%	$$	%
7/95	$530,786	$304,402	57.3%	$129.746	24.5%	$96,639	18.2%
8/95	$539,976	$305,772	56.6%	$141,497	26.2%	$92,707	17.2%
9/95	$541,844	$302,588	55.9%	$148,953	27.5%	$90,103	16.6%
10/95	$746,820	$393,664	52.7%	$227,392	30.5%	$125,765	16.8%
11/95	$684,674	$370,506	54.1%	$201,898	29.5%	$112,269	16.4%
12/95	$687,188	$365,819	53.2%	$210,560	30.7%	$110,809	16.1%
1/96	$682,741	$362,159	53 %	$211,526	31 %	$109,056	16 %
2/96	$670,933	$349,642	52.1%	$215,743	32.2%	$105,548	15.7%
3/96	$681,443	$362,242	53.2%	$217,989	32 %	$101,212	14.8%

* Expenditures increased in 10/95 due to grant supplements in all cases for medical.

CALENDAR YEAR	TOTAL GR EXPENDITURE	CATEGORY BREAKDOWN			
		90 Regular	92 Irca	93 Sponsored Alien	94 Refugee
1994	$7,824,984	$5,937,584	$27,040	$ 343,020	$1,517,340
1995	$7,235,169	$4,283,156	$ 0	$1,665,839	$1,286,174

4/9/96

ORANGE COUNTY
SOCIAL SERVICES AGENCY

Prior to 1994, the number of sponsored aliens receiving General Relief (GR) benefits in Orange County was insignificant.

Since the law changed permitting the Social Security Administration to change the alien sponsorship period from 3 to 5 years, the General Relief caseload has grown dramatically and continues to grow every month. The majority of the sponsored aliens affected by this change are elderly or incapacitated. As the sponsorship period under GR regulations is still 3 years, individuals who would have been eligible for SSI/SSP prior to and subsequent to the change, have turned to the GR Program for assistance. The majority of these aliens provide statements from their sponsors indicating that the sponsor will no longer provide support to the alien. Some sponsors cite changes in their living situation as the reason that they can no longer support the alien but most point out that the written agreement that was completed for INS has expired and believe that it is no longer binding.

Chart 1 illustrates the number of sponsored aliens approved for GR benefits whose 3 year period has expired:

CHART 1

MONTH/YEAR OF GR APPLICATION	(A) # OF SPONSORED ALIENS APPROVED WITH 3 YR PERIOD EXPIRED	(B) APPLIED FOR GR LESS THAN 30 DAYS FROM DATE OF EXPIRATION	(C) APPLIED FOR GR 30 TO 60 DAYS FROM DATE OF EXPIRATION	(D) APPLIED FOR GR MORE THAN 60 DAYS FROM DATE OF EXPIRATION
1/94	4	2	1	1
2/94	6	3	0	3
3/94	20	17	1	2
4/94	16	13	2	1
5/94	26	15	4	7
6/94	36	21	4	11
7/94	41	15	12	14
8/94	50	20	2	28
9/94	55	27	4	24
10/94	42	22	10	10
11/94	59	36	14	9
12/94	60	45	2	13
1/95	57	18	12	27
2/95	78	41	16	21
3/95	77	30	16	31
4/95	54	10	14	30
5/95	37	12	1	24
6/95	69	33	2	34
7/95	55	23	4	28
8/95	81	30	9	42
9/95	51	24	7	20
10/95	51	20	5	26
11/95	36	16	8	12
12/95	38	7	11	20
1/96	38	6	1	31
2/96	23	4	0	16
3/96	30	6	0	24

* This number does not include 3/96 applications that remain pending

Columns B & C validate that many of these aliens apply for GR immediately upon the expiration of the 3 year period.

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ORANGE COUNTY
SOCIAL SERVICES AGENCY

Chart 2 indicates the number of sponsored aliens approved for GR benefits whose 3 year sponsorship period has expired. These aliens would have been eligible or potentially eligible to SSI/SSP prior to the change. It is likely that they will remain on GR until their 5 year period expires and they qualify for SSI/SSP.

CHART 2

MONTH/YEAR 3 YEAR SPONSORSHIP PERIOD EXPIRED	(A) AGE 65 YEARS OR OLDER	(B) INCAPACITATED AGE 60 - 64	(C) INCAPACITATED UNDER AGE 60
1/94 or prior*	23	34	19
2/94	11	9	2
3/94	18	4	4
4/94	24	6	5
5/94	43	4	4
6/94	36	6	0
7/94	28	9	3
8/94	63	7	8
9/94	65	14	11
10/94	53	11	6
11/94	53	13	7
12/94	75	16	11
1/95	68	18	3
2/95	65	16	4
3/95	26	6	1
4/95	11	3	0
5/95	21	7	3
6/95	48	4	1
7/95	35	4	2
8/95	36	5	2
9/95	40	7	3
10/95	41	6	2
11/95	12	0	0
12/95	10	1	0
1/96	5	0	0
2/96	5	2	0
3/96	1	1	0

* The 3 year sponsorship period expired prior to 1/1/94 for some of these aliens, however, the alien was not 65 years of age or incapacitated until after 1/1/94.

All of the individuals listed in Column A would be eligible for SSI/SSP based solely upon their age. Those in Column B would very likely be eligible for SSI/SSP based upon our experience in evaluating their medical conditions in combination with their advanced age. Some of those in Column C would also be eligible to SSI/SSP based upon their disability.

Orange County's GR expenditure for sponsored alien cases for the month of December 1993 was $2,428.00. GR expenditures for sponsored aliens for the month of March 1996 was $217,989.00. These figures illustrate the significant cost shift that is occurring because of this federal change. These costs will continue to rise as new applicants apply for aid when the 3 year sponsorship period expires. In addition, most will remain on aid continuously until eligibility to SSI/SSP exists.

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ORANGE COUNTY
SOCIAL SERVICES AGENCY

The number of sponsored alien recipients who are 65 years old or over continues to increase. Chart 3 provides a snapshot of the current sponsored alien caseload. All of the aided sponsored aliens have been in the U.S. between 3 and 5 years.

CHART 3

MONTH/ YEAR	# OF SPONSORED ALIENS AIDED	AGE					
		65 OR OLDER	%	60 - 64	%	UNDER 60	%
7/95	684	557	81.4%	80	11.7%	47	6.9%
8/95	747	608	81.4%	86	11.5%	53	7.1%
9/95	787	638	81.1%	93	11.8%	56	7.1%
10/95	825	672	81.5%	97	11.8%	56	6.7%
11/95	857	703	82 %	102	11.9%	52	6.1%
12/95	881	729	82.7%	100	11.4%	52	5.9%
1/96	894	741	82.9%	109	12.2%	44	4.9%
2/96	906	755	83.4%	109	12 %	42	4.6%
3/96	904	753	83.3%	113	12.5%	38	4.2%

Chart 4 supports the belief that once approved, very few sponsored alien cases are discontinued.

CHART 4

MONTH/YEAR	# OF CONTINUING CASES DISCONTINUED
12/94	5
1/95	4
2/95	9
3/95	6
4/95	9
5/95	13
6/95	8
7/95	13
8/95	6
9/95	5
10/95	7
11/95	4
12/95	14
1/96	9
2/96	9
3/96	11

Chairman SHAW. Mr. McCrery.

Mr. MCCRERY. Mr. Doti, when you say local governments will not be able to absorb that shift, is there any thought on the part of local governments to simply refuse services to that universe of applicants?

Mr. DOTI. Congressman, it is our interpretation and that of our State attorney general that laws such as *Graham* v. *Richardson, El Souri* v. *State of Michigan, Valora* v. *County of San Diego,* prohibit that——

Mr. MCCRERY. For health care?

Mr. DOTI. No, actually, for any form of alienage. The courts have spoken very clearly that State and local governments have no jurisdiction in any matters related to alienage and it is questionable still as to whether or not if the legislation passed, as we understand it, were to pass, it would still pass the test of the courts.

Mr. MCCRERY. Can you offer us any suggestions how to make sure that it would?

Mr. DOTI. Short of your funding us so that these benefits can continue? I think—we do not have a board position on this. This is not something that is normal board policy. Our issue is, we do not want to become a de facto program of last resort when individuals are barred from benefits because they do not "go away." We know they will access whatever program is available.

Mr. MCCRERY. What kind of programs do you have available at the local level?

Mr. DOTI. We have cash and health programs for any indigent adult legal resident who does not qualify for any other Federal or State entitlement program. So we are the safety net for those individuals 18 through 64 who do not qualify for AFDC, food stamps, or adult ABD-type programs.

Mr. MCCRERY. I would suggest maybe looking again at the need for those programs. If 67 percent of your caseload is immigrant population, perhaps you should reconsider offering those benefits. The Federal programs are quite expansive in terms of offering cash and other assistance to people in need in this country.

If you are telling us we cannot make any changes because it would cause you to spend more local money and you are not willing to look at changing your programs, you are not being very persuasive with me. I do not know about the rest of the Subcommittee. I cannot help it if your local governments have generous assistance programs that other States do not have.

Mr. DOTI. It is an unfunded State mandate in our State. It is not a county——

Mr. MCCRERY. An unfunded State mandate? You mean the State government mandates that to the local——

Mr. DOTI. Yes. It is not a county option.

Mr. MCCRERY. Then you need to talk to your Governor and your State legislature. But certainly, I do not think we can make public policy at the Federal level based upon local or State laws that would require you to spend more money because we simply do not find it necessary to give assistance to certain populations.

Mr. Fix, I do not understand how we have the obligation to provide assistance to aliens, to immigrants, who come to this country, even if they are legal immigrants. They come here voluntarily.

They know what they are getting into when they get here. Why does an American citizen paying taxes have an obligation to take care of an immigrant who comes here voluntarily? I think we can agree on most points, anyway, with respect to illegal aliens, but with legal aliens, they come here with their eyes wide open. Why do we have an obligation to take care of them?

Mr. FIX. The question is, How differently are we going to treat one class of members of our society? If the question is, Do we have a legal obligation to provide most services to noncitizens? I think the answer is the law does not require the Federal Government to extend services to noncitizens.

But if you ask a set of public policy questions: Is it in the public interest to provide medical insurance to a subset of the population for public health-related reasons? Is it in the public interest to ensure that a subset of the population develops the kind of human capital resources that we were hearing about earlier this morning? Should immigrants be foreclosed from the kind of training and education services that other Americans receive?

The answer is, that in the long run, it is counterproductive to have a segment of the society essentially receiving a lower level of services than natives. Those exclusionary policies, in turn, raise two questions: Are we drawing deeper divisions among our people? And when is it more cost effective to deliver than to withhold services from legal immigrants?

Chairman SHAW. I would say the education part of your statement does not apply because we consider that as part of the American dream, part of coming to the United States. We do not prevent the foreign students from participating in grants and student loans. We got rid of that in the bill. It is in the immigration bill now and that is under conference. That is something I hope is dropped.

We have come to the end of a very long but most informative day and I very much appreciate all of you being here.

Ms. Ross, very, very quickly, because we have a vote on the floor and I do not want to keep you all beyond this point, is this growth in the SSI Program for noncitizens growing at an increasingly accelerated rate? Does it look as though the word is getting out that the system has some problems that can be easily tapped into?

Ms. ROSS. We asked the Social Security Administration what their projections are for the next several years, and even over the last couple of years, we looked at those data, as well. The rate of growth has been declining somewhat and they project it to decline somewhat more. That is for a couple of reasons.

First of all, they find that the trends among noncitizens reflect, to some degree, the trends among citizens, and SSI growth, while still going up, has been tapering off. Also, because immigration has been down some, the number of people who can apply has been down, and deeming seems to have worked. When you precluded people from receiving benefits for 5 years, it had an effect. Very few people get much money at all under deeming. Deeming usually makes them ineligible for a benefit.

Chairman SHAW. Thank you all very much, and again, particularly this last panel for staying with us so long.

Thank you.

The hearing is adjourned.

[Whereupon, at 2:49 p.m., the Subcommittee was adjourned.]

[Submissions for the record follow:]

Testimony on Children's SSI Program
for the
Subcommittee on Human Resources
Committee on Ways & Means
U.S. House of Representatives

Presented by the
Consortium for Citizens with Disabilities
May 23, 1996

Submitted on behalf of the following CCD members:

American Academy of Child & Adolescent Psychiatry
American Association of University Affiliated Programs
American Association on Mental Retardation
American Network of Community Options and Resources
American Psychological Association
American Rehabilitation Association
Association of Maternal and Child Health Programs
Bazelon Center for Mental Health Law
Brain Injury Association
Children and Adults with Attention Deficit Disorders
Division for Early Childhood of the Council for Exceptional Children
Federation of Families for Children's Mental Health
National Association of Developmental Disabilities Councils
National Association of Protection & Advocacy Systems
National Association of School Psychologists
National Center for Learning Disabilities
National Community Mental Healthcare Council
National Easter Seal Society
National Mental Health Association
National Parent Network on Disabilities
The Arc (formerly Association for Retarded Citizens)
United Cerebral Palsy Associations

The Consortium for Citizens with Disabilities (CCD) is a coalition comprised of more than 100 national consumer, advocacy, provider and professional organizations which advocate on behalf of our nation's 49 million citizens of all ages with physical and mental disabilities and their families. Working through task forces, CCD works on federal policy issues in a number of areas including budget and appropriations, education, employment and training, health care, housing, long term services and supports, income maintenance, rights, technology and transportation. This testimony is submitted on behalf of the Task Forces on Social Security and Children and Families.

The CCD Social Security and Children and Families Task Forces unequivocally support the continuation of the Supplemental Security Income (SSI) program as a cash assistance program to provide basic income for low-income children who have severe disabilities or chronic illness or who are blind. We believe that the SSI program for children is extremely important because it encourages low-income families to stay together and reduces the need for more costly out-of-home institutionalization. The cash assistance program is founded on the principle that families should be empowered to decide how to best meet the needs of children with severe disabilities.

If eligible children lose their SSI cash benefits, many families will simply not have the resources to care for them at home. They would turn to state and local governments for more assistance. Without the federal benefits that parents now spend on behalf of their children, state costs to serve children with severe disabilities would inevitably escalate. As an especially tragic consequence, some families would be forced to surrender custody to guarantee proper care for their children, either through the foster care system or in state institutions at a higher cost to taxpayers.

The expected and predicted growth of the children's SSI program over the past five years has prompted extremely negative stories about families allegedly abusing SSI benefits. These stories focused on a minuscule number of families in only a few selected states. However, the impact of the media attention generalized isolated problems to paint a broad picture of abuse. Amidst the allegations, there has been virtually no attention to how the children's SSI program serves its intended beneficiaries. Our testimony addresses seven common questions about the program:

1. What is the purpose of the children's SSI program?
2. Who qualifies for children's SSI benefits?
3. What is the disability determination process for a child to prove eligibility?
4. Why is cash assistance critical for eligible families?
5. Why did children's SSI applications increase over the past few years?
6. Is there evidence of widespread program abuse?
7. How will pending welfare reform proposals affect families receiving SSI benefits?

1. WHAT IS THE PURPOSE OF THE CHILDREN'S SSI PROGRAM?

Congress intended SSI benefits to pay for food, clothing and shelter for qualified low-income children with severe disabilities and children who are blind. The cash payment recognizes the family's wisdom and responsibility to make decisions about how to best spend benefits on behalf of an eligible child.

Families raising children with severe physical, developmental or mental disabilities have higher expenses and often have less income. Although public or private health insurance covers some medical costs, families may face extraordinary additional out-of-pocket expenses related to the child's disability which continue throughout the lifetime of the child. The needs of a child with a severe disability frequently require a parent to remain home and forego paid employment. Some parents remain underemployed by taking a part-time job to have more time at home. Other parents must refuse better job offers to protect current health benefits or remain in a school district that has the necessary services for their child. All these factors decrease family income in both one and two-parent households.

Last year, the Congressionally authorized Commission on Childhood Disability met to study the program and possible alternatives. The Commission members

included nationally recognized experts in the fields of medicine, psychology, rehabilitation, law, education, disability program administration, social insurance, social and family policy and ethics. In its final report, issued in October 1995, the Commission made a series of recommendations to support the continuation of children's SSI as a cash benefit program. One recommendation was to amend the SSI statute to clarify that the purpose of the program is to assist low-income families caring for eligible children to provide basic necessities; cover additional costs of caring for a child with a disability; enhance the child's opportunity to develop; and offset lost family income because a parent (or parents) remains out of the labor force or underemployed to care for the child.

Similarly, the Disability Policy Project of the National Academy of Social Insurance (NASI) was asked by Congress to review the Social Security disability programs. In its report on the childhood disability program, NASI recognized that "Low-income families have even fewer resources to cope with the special needs of their children. The SSI benefit often must be used to meet basic needs such as food, clothing and shelter in order to provide a stable home environment for the child." (May 1995, p. 19) NASI found a "clear rationale and a compelling need for SSI cash support to families with a disabled child... Without these supports, disabled children would be at a much greater risk of losing both a secure home environment and the opportunity for integration into community life, including the world of work." (p. 22)

2. WHO RECEIVES CHILDREN'S SSI BENEFITS?

To be eligible for SSI, a child must meet two sets of eligibility criteria: financial and disability. Only **after** the child is found financially eligible does Social Security consider whether the child is blind or whether the child's disability or chronic illness is severe enough to qualify.

In January 1996, 68 percent of eligible children received a payment of $470 which is the maximum federal monthly benefit for this year. This means that over two-thirds of the children receiving SSI benefits were living in very low-income families because in a means-tested program, people with the lowest income receive the highest benefits. Benefits are also available to qualifying children whose families fall out of the middle-class mainstream when disability strikes. The extra expenses they incur and the income they forfeit when a parent must stay home to care for a child with severe disability make them financially eligible for SSI.

Families apply for SSI for their children not only for the cash assistance, but also because in most states, children who qualify automatically receive medical assistance through Medicaid. These families depend upon Medicaid for health coverage for their children with severe disabilities because currently, many of these children do not qualify for any private health insurance because of their pre-existing conditions or because their parents work for employers who do not provide health insurance.

In December 1995, almost 969,000 children received SSI benefits because they were blind or disabled. Children with mental retardation were the largest single group, representing about 42 percent of the enrollment, while another 33 percent have physical disabilities and 25 percent have mental disorders.

3. WHAT IS THE DISABILITY DETERMINATION PROCESS FOR A CHILD?

Medical Proof

Medical documentation must be presented about a child's **severe medical or psychological impairment** to begin Social Security's disability review process. The impairment must be identical or equivalent to one appearing on a specific list of qualifying impairments or must significantly interfere with the child's ability to develop or function in an age-appropriate manner in multiple areas of normal childhood activities. The disability examiner is required by law to evaluate each application to document whether benefits should be awarded or denied.

Functional/Developmental Documentation

The disability examiner must also consider functional information from people who observe the child over a period of time such as parents, social workers, child care providers, clergy and school personnel. By collecting evidence from many sources, the examiner can verify the extent of a child's disability or chronic illness.

Comprehensive Decisionmaking

To make a decision, the disability examiner is required to review all available information about the child's daily functioning. Any test results must be consistent with other evidence about the child's daily behavior and activities. If there are inconsistencies, the examiner must get more documentation to resolve the differences. Social Security provides on-going training and guidance to the state disability examiners to ensure that they are implementing the legal requirements of the disability procedure properly.

4. WHY IS CASH ASSISTANCE CRITICAL FOR ELIGIBLE FAMILIES?

To evaluate the value of the cash assistance, the Commission for Childhood Disability reviewed existing data and found that low-income families tend to spend most of a cash benefit on basic necessities. Spending patterns by families raising children with disabilities reveal that they typically spend the SSI benefit on expenses related to meeting basic needs for food, clothing and shelter. Many of these daily expenses are higher-than-average given the child's special needs.

Families also report using their children's benefits for special expenses related to the child's severe disability. The cash assistance helps parents meet the changing needs of a child with a severe disability, helping him or her to learn and gain the greatest possible independence as an adult without trying to deprive other family members of their respective need to grow and learn. Often the SSI benefit is the only money available to families to purchase the multiple items and services that meet the child's complex needs. Families report using their children's SSI benefits for the following types of expenses:

o utility bills (electric bills for 24 hour/day respirators, rental costs of back-up generators to prevent power lapses, battery charges for communication devices or power wheelchairs; water bills for above average bathing and laundry usage)

o telephone calls to medical providers, pharmacists, social service providers and schools

o specially trained child care providers since neighborhood babysitters are often unable or unwilling to care for children with disabilities

o respite care

o personal assistance services (including wages and taxes)

o public or private transportation costs for numerous trips (often long distances in rural areas) to obtain medical treatment and services

o adapted clothing (e.g. buttons replaced with velcro fasteners, specially fitted shoes, modified openings or specially designed clothing for persons with limited movement)

o clothing, laundry and household cleaning supplies (e.g. children who require frequent clothing changes or whose disability requires more frequent household cleaning)

o specially equipped vehicles to transport children who use wheelchairs

o home repairs (e.g. special safety equipment such as protective coverings for kitchen appliances, extraordinary wear-and-tear from wheelchairs)

o home modifications/adaptations including environmental control equipment (e.g. widen doorways, change doorknobs to levers, add ramps, modify controls & switches, install bathroom railings and special bathing and toileting equipment)

o service and repairs for assistive technology (e.g. power wheelchairs, prosthetics, hearing aids)

o adapted toys and learning materials (e.g. special tricycle for a child with a physical disability)

o assistive technology for school homework (e.g. computers with voice output, touch screen or modified keyboard)

o special telecommunication services/devices (e.g. TTY)

o co-payments and deductibles for routine medical visits, specialty consultations, medication, biological products, physical/speech/ occupational therapy, orthotic devices and wheelchairs customized for children not covered by Medicaid, private insurance or school districts

o over-the-counter items not customarily paid for by public or private insurance such as special creams for skin conditions, diapers for older children, wigs, special formulas for managed diets

o family support services

Many families use cash SSI benefits to partly offset their loss of income because a parent must remain unemployed or only work part-time to care for the child with a severe disability. Very often, families spend over $100 each week for the specialized goods and services that their children with severe disabilities require, readily absorbing the full SSI monthly payment.

5. WHY DID CHILDREN'S SSI APPLICATIONS INCREASE?

A number of events over the past seven years explain the increase in children's SSI applications. The recession of the early '90s increased the economic stress on families. More families whose children had severe disabilities lost income and their children became financially eligible for benefits. Also, the number of children living in poverty is among the highest in the last three decades.

Congress, in 1989, directed the Social Security Administration (SSA) to conduct outreach, for the first time, to potentially eligible families with children who have severe disabilities to encourage them to apply for benefits. The next year, SSA published and began to implement new rules for children with mental and emotional disabilities. The new rules were designed with help from a panel of experts convened by Social Security that included child development specialists, psychiatrists, educators, mental health advocates and agency staff. The old standards had not reflected current definitions and diagnoses of mental disorders. SSA's use of new and more realistic standards enabled more children with severe mental impairments to qualify for benefits.

The U.S. Supreme Court issued its decision in 1990 in the Zebley v. Sullivan case requiring SSA to change its childhood disability determination process to evaluate the child's level of functioning in addition to his or her medical condition. Members of the expert panel advising Social Security as the agency developed the new childhood disability process estimated that over 1 million children would meet financial and disability criteria. Part of the Zebley case required Social Security to notify 452,000 children who were illegally denied benefits between 1980 and 1990 that they had a right to have their cases reevaluated. The agency ultimately reinstated and paid back

benefits to 141,000 children who had been illegally found ineligible. SSA was instructed by court order to notify all class members and to do public service announcements and national outreach to potentially eligible children.

To augment Social Security's outreach efforts, several major foundations funded the Children's SSI Campaign coordinated by the Bazelon Center for Mental Health Law, a CCD member organization. The campaign worked with state agencies, advocates and professional groups across the country to notify potentially eligible families about changes in the SSI program and how to apply. Both Social Security and the Children's SSI Campaign publicized new financial eligibility rules, issued in November 1992, that calculate the financial eligibility of working families more equitably than before. Thousands of children whose parents are employed who were previously denied because they were over the income limits now quality for this means-tested program.

The combined effect of the public and private information and outreach efforts and new eligibility guidelines was to increase public awareness about the availability of benefits for low-income children with severe disabilities.

6. IS THERE EVIDENCE OF WIDESPREAD PROGRAM ABUSE?

There have been numerous allegations suggesting that children are qualifying who do not have severe disabilities. However, the General Accounting Office (GAO), in September 1994, reported that 70 percent of all awards went to children whose impairments were severe enough to qualify on the basis of the medical standards alone without any consideration of their functional limitations. Although the GAO later criticized the functional assessment (March 1995), the number of children qualifying through the IFA was still only one-third of the total beneficiaries. Furthermore, at the same time that GAO criticized the IFA, it reported that the childhood allowance rate had dropped "dramatically" during 1993 and 1994. In fact, the national award rate (the percentage of applications that are approved each year) in 1994 was only 32 percent -- lower than it was in the two years before the Zebley decision.

Allegations have also been made that parents coach their children to "fake" a mental disorder, do poorly on tests or misbehave in school to qualify for SSI benefits. The amount of attention, by the press and others, to this single issue has eroded public confidence in a program that is a lifeline for hundreds of thousands of families. In its report, NASI wrote that "evidence of such coaching or "gaming the system" is extraordinarily thin -- and appears to be based on anecdotes or perceptions of dubious benefit claims, which upon investigation are found to have been denied." (p. 25) NASI reported that studies by SSA, the Office of Inspector General of the Department of Health and Human Services and the General Accounting Office all found "scant evidence of coaching or malingering . . . In brief, allegations of widespread abuse or inappropriate allowances have not been substantiated."(p. 25) We believe it is time to stop the hysteria about the issue of low-income children faking disabilities to receive SSI benefits.

Social Security added safeguards to protect the program's integrity and improve public confidence in it. There is a toll-free telephone number for concerned professionals to make anonymous reports about families they suspect are coaching their children. There is also a procedure for state disability examiners to report any suspicions of coaching and staff at Social Security headquarters investigate all such allegations. The GAO recently reviewed these procedures and found "few cases of suspected coaching and very few of the children involved received SSI benefits... The DDS initiative identified 1,232 cases in which coaching was suspected or alleged. Only 77 of these cases resulted in awards." (March 1996, p. 2). Furthermore, the hotline initiative received 232 allegations about coaching, but only 119 of the accused children were even receiving benefits.

With appropriate enforcement and regular continuing disability reviews, the agency can reduce the possibility of fraudulent awards. It is irresponsible for the press

and public officials to recirculate old allegations of unsubstantiated abuse in light of multiple non-partisan studies indicating that no evidence of widespread fraud exists.

7. HOW WILL PENDING WELFARE REFORM PROPOSALS AFFECT FAMILIES RECEIVING SSI BENEFITS?

Today there are various welfare reform proposals pending that would dramatically change the children's SSI program. Essentially all of them would have a devastating effect on families because they would eliminate the individualized functional assessment (IFA). Despite evidence from various studies (GAO, HHS/IG, NAS, Commission on Childhood Disability) that allegations of widespread program abuses could not be substantiated, all the welfare reform proposals would severely tighten eligibility for the program - much more than disability and children's advocates believe is warranted. The Congressional Budget Office (CBO) estimates that benefits to 335,000 children would be dropped or denied over the next five years by eliminating the IFA. About 25 percent of children now qualify through the IFA and they would be dropped from SSI because only children whose impairments can meet restricted listings of medical conditions would qualify.

By eliminating the IFA, children who may no longer qualify will include those who had extreme difficulty qualifying before the IFA was implemented. They include children who have more than one impairment if each condition by itself is not enough to qualify through medical listings; those who have a disorder that narrowly misses the listings-level description; those who are too young to test for the listings; or those who have rare disorders that are not listed. SSA data from February 1995 shows how children with specific disabilities qualify for SSI benefits. The following percentages of children, by type of disability, will no longer receive benefits even though they have conditions that are qualifying impairments: 38.1% of children with pulmonary tuberculosis; 32.6% of children with mental retardation; 28.7% of children with developmental disabilities including autism; 28.7% of children with burns; 24.9% of children with intercranial injuries; 22.3% of children with arthritis and 18.5% of children with epilepsy.

Last year's welfare reform conference agreement, vetoed by the President, would have created a new payment scale with two levels of benefits depending on the child's disability. At this time, it is unclear whether Congress will revive this two-tiered benefit scale which would provide most children only 75 percent of the benefit they now receive based on family income. Only children who meet a new "personal care" standard would receive 100 percent of their benefit. CBO estimates that 65 percent of children would receive reduced benefits and only 35 percent would qualify for full payment. These changes would have applied, within three years, to children now eligible for benefits as well as all children who qualify in the future. The CBO estimates that 658,000 children would receive reduced payments by 2002. If Congress approves a bill that both eliminates the IFA and introduces a two-tiered benefit system , almost one million low-income children with severe disabilities would be denied access to SSI or receive greatly reduced benefits.

Within the two-tiered benefit system, only the need for "continual care to avoid harm to self or others" would apply to most children with mental illness. The "continual care" criterion sets a higher standard for one group of children compared to the regular, time-consuming but intermittent, care associated with activities of daily living. In addition, a two-tier system has an obvious disincentive because children who have struggled to achieve greater independence would be penalized by a 25 percent reduction in benefits they would have otherwise received.

The two-tiered proposal creates two categories of benefits which is both unwarranted and discriminatory by making false distinctions between children with severe disabilities based on the nature of their impairment. Since only children who meet the highly restrictive medical listings will qualify for benefits, all eligible children need the full assistance of the SSI program. The only rationale for different payment

levels for children who have proven they have severe impairments is the desire to cut program costs. There is no programmatic justification. Furthermore, the payment standard would not reflect a family's need for assistance. SSI is a means-tested program that only allows families with very limited income to qualify. But even among these families, the program adjusts benefit levels according to income. Establishing a two-tier system will harm families who depend on the assistance to offset income lost because a parent must remain unemployed or underemployed to provide care.

The two-tiered proposal would also create a more complex and costly disability determination process. Children would first have to prove that their condition meets the eligibility standard and then a second review would determine the size of their benefit. This would significantly increase Social Security's costs by adding an additional evaluation to determine the benefit level. As with other eligibility decisions, benefit levels will be appealable which also adds significant administrative costs. The Commission on Childhood Disability recognized significant problems with tiered cash benefits, including the absence of a mechanism to classify disabilities according to extra costs and the need for a more expensive eligibility process.

CONCLUSION

We recognize that every federal program rightfully needs regular monitoring and review to assess its usefulness and efficiency. We believe that with appropriate enforcement and a regular schedule of continuing disability reviews, Social Security can reduce the possibility of fraudulent awards to children who do not have qualifying severe disabilities. The agency has already taken action to do this as described earlier.

We support the existing requirement to redetermine eligibility for SSI recipients upon their 18th birthday and re-evaluate the child under the adult disability criteria. Social Security must review at least one-third of the children reaching age 18 in each of fiscal years 1996, 1997 and 1998 and then report to Congress. In addition to this requirement, there are some children under the age of 18 who do medically improve during the time of their eligibility. We believe it is appropriate to review periodically the continuing disability status of childhood recipients in cases where medical improvement is either possible or expected. We remember the human tragedy of the early 1980s when hundreds of thousands of adults with severe disabilities who were receiving SSI had their benefits illegally terminated. Consequently, we support establishing a realistic review process to avoid wholesale arbitrary reductions among childhood beneficiaries.

We believe that all of the pending welfare reform proposals, as well as the bills passed and vetoed last year, go too far in dropping over 300,000 children with severe disabilities. We oppose efforts to balance the budget at the expense of families who struggle to help their children achieve the greatest possible independence. Although it is claimed that other programs would provide assistance, families believe otherwise because they have found no alternative to SSI cash benefits. Many SSI children are not eligible for food stamps and the future of that program is unclear. Some SSI children would qualify for welfare, but assistance through that program is being drastically reduced. Congressional proposals to block grant Medicaid further threaten essential health care for children with disabilities. Special education provides certain "related" services, but excludes medical services needed by children with severe disabilities, especially pre-schoolers. Furthermore, school districts vary widely in their ability to meet current demand. If children with severe disabilities lose their SSI benefits, many families will be unable to care for them at home and states' costs to serve these youngsters will inevitably increase.

At this point, the bill passed by the Senate with bipartisan support - - prior to the addition of several problematic sections during the conference -- seemed to do the least long-term damage to children with severe disabilities. Any further changes to that Senate version are totally unacceptable to the disability community. We urge you to

remember that the children's SSI program is a lifeline for hundreds of thousands of families across the country.

For more information, contact Rhoda Schulzinger, Bazelon Center for Mental Health Law (202-467-5730) or Marty Ford, The Arc (202-785-3388), co-chairs of CCD's Social Security Task Force.

Testimony on the Child Care Provisions
of the
Personal Responsibility and Work Opportunity Act of 1996 (H.R. 3507)

Submitted to the
Committee on Ways and Means
U.S. House of Representatives

May 23, 1996

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Established in 1969, the Day Care Action Council of Illinois (DCAC) is a not-for-profit membership organization of parents, child care centers, family day care home providers, educators, and others who are dedicated to the promotion and expansion of quality child care services in Illinois. DCAC believes that child care should enhance family and community life. It is DCAC's mission to increase quality child care options and promote families' access to them and to advance standards of excellence in child care that are responsive to the needs of children, families, and community.

DCAC thanks the committee for the opportunity to submit comments on the Personal Responsibility and Work Opportunity Act of 1996 (H.R. 3507).

Welfare Reform and Federally Subsidized Child Care for the Working Poor

The purported aim of the Personal Responsibility and Work Opportunity Act of 1996 is move families from the welfare rolls to the workplace. However, by eliminating the entitlement to child care for families on welfare who are in school or working and for families just leaving welfare, successful transition from welfare to work is severely jeopardized. Moreover, H.R. 3507 does not provide sufficient child care resources to support families in making this transition permanent. **If the federal government were truly serious about welfare reform and supporting working families, subsidized child care would be an entitlement for all low-income families, regardless of their AFDC status or history.**

Within the last decade, the federal government has made laudable strides toward reaching this goal. The first substantial improvement for low-income families was included in the Family Support Act (FSA) of 1988 by way of a Child Care Guarantee for all working parents on or just off of AFDC through (Social Security Act) Title IV-A funds. These enhancements included the year-long Transitional Child Care entitlement, established specifically for those families who are leaving AFDC. In 1990, the IV-A "At-Risk" program was established for those families identified as being at risk of being on AFDC. Both programs require a minimum state match of 50 percent. Also in 1990, a non-matched discretionary child care subsidy for the working poor was established through the Child Care and Development Block Grant.

Despite these major gains, the federal child care subsidies still do not meet the current needs of working poor families. This insufficiency remains a huge barrier to welfare reform success. H.R. 3507 threatens to un-do much of the good that has been achieved through these programs and promises to exacerbate the problems of working poor families and offers no assurance that families on welfare will be better off than they are now.

Section I. Amended Child Care and Development Block Grant (CCDBG)

Since CCDBG was established in 1990, federal funds have been used to subsidize child care for working poor families and improve the quality of care for all families. While the basic goals of the CCDBG remain unchanged in H.R. 3507, several important provisions threaten the integrity of those goals and the quality of child care services for all families.

Quality Set-Aside

Through a significant quality set-aside (25%), CCDBG funds have been instrumental in the creation of state programs to improve the quality of child care, parental access to information, and provider training. Under current law, a portion of the set-aside must be used to provide before- and after- school programs and early childhood development services. These funds are distributed through grants and contracts, thus providing a stable base of resources for providers. Contracts are particularly beneficial for building capacity in otherwise underserved communities and among underserved populations (e.g., school-age and infants). Furthermore, using contracts, states can build in accountability mechanisms to ensure public funds are buying good quality care; with vouchers, this is not possible.

H.R. 3507 eliminates this 25% reserve provision, replacing it with a 3% quality set-aside for the entire block grant. The effect of this is a 50% reduction in funds specifically earmarked for quality initiatives. Stripped is the provision that a certain portion must be used for before- and after-school care and early childhood development. Coupled with the elimination of the Dependent Care Block Grant in the FY '96 budget, the incentive for a state to fund care for school-age children is severely limited. Even with these incentives, in Chicago there are 3,100 subsidized slots for 115,000 poor children between the ages of 6-14. The 3% set-aside also represents a drastically reduced commitment to provider training, consumer education, and resource and referral.

The drastic reductions in the quality set-aside sends a clear to message to states: increasing the quantity of slots is more important than efforts to improve quality.

In order to ensure the continuation of states' activities to improve the quality of child care and increase capacity for underserved groups, the current level of funding for the quality set-aside must be maintained.

Licensing/Health and Safety Requirements

Under current law, the receipt of CCDBG funds by child care providers is contingent upon meeting minimum health and safety standards. This provision applies even to those providers who are not required by their state to be licensed or registered. Requiring basic health and safety standards such as the prevention and control of infectious diseases, physical premises safety, and minimum health and safety training for providers is recognition that the protection of children is of paramount importance.

H.R. 3507 eliminates all requirements that child care providers receiving federal funds must meet minimal health and safety standards. **These basic health and safety protections for children and providers should be the floor beneath which no program should operate.** If this provision is enacted, the Federal Government will be subsidizing the harm of children. The requirements currently in the CCDBG are neither onerous nor costly; rather, they are in the best interest of the public.

Currently, a state must provide assurances that all providers receiving CCDBG funds are in compliance with state/local regulatory or licensing requirements. While providers receiving CCDBG funds must still meet local health and safety regulations (if they exist), under the new law CCDBG-assisted providers do not have to comply with local licensing requirements.

Health and safety protections should be reinstated as minimal standards for the receipt of CCDBG funds.

Payment Rates

When determining payment rates to CCDBG-assisted providers, states are required to account for the cost differential based on the type of care, age of child, and special needs. Requiring states to recognize variations in the cost of care in payment systems works to maintain the supply of care (in the case of infants and children with special needs). It also enhances parental choice. Generally, center-based care is more costly than family day care. Without a rate differential, centers would be less likely to accept subsidies, further constricting a parent's options.

Differentiated payment rates based on type of care, age of child, and presence of special needs must be maintained.

Section II: General Entitlement and Remainder Fund

Despite rhetoric that child care funding will be increased, H.R. 3507 could actually result in a net decrease in funds for some states. While a state match would be necessary to draw down a state's share of the "remainder" funds, a state would not have to put up any of its own resources to receive the General Entitlement. Basing the amount of the General Entitlement on FY 95, FY 94 or the FY 92-94 average is particularly harmful to Illinois. Due to the success of Illinois' Work Pays program, child care expenditures through Direct Pay Child Care increased by almost 300% from 1994 to 1995; in 1996, a 52% increase is projected. If the General Entitlement is based on 1995 expenditures, Illinois will lose approximately $14 million in federal funding. By not taking into account rising child care expenditures due to states' successful welfare reform efforts, the Federal Government risks un-doing the good that is being done on the state level.

The matching requirement for states in order to receive child care funds must be maintained.

Perhaps the most dangerous aspect of the Personal Responsibility and Work Opportunity Act of 1996 is the repeal of the child care entitlement for families on welfare who are working or in education/training and for those families in their first year off of cash assistance. The Family Support Act of 1988 established the entitlement in recognition that the transition from welfare to work is **nearly impossible** without a guarantee of child care assistance. Less than a decade later, the Personal Responsibility and Work Opportunity Act contradicts that rationale.

While it is probable that states will continue to offer child care assistance to families making the transition from welfare to work, the reverberations from the abolition of the entitlement will be felt through the ranks of the working poor. The stringent work requirements of the Temporary Assistance for Needy Families program will increase the number of families needing child care. Under H.R. 3507, half of a state's AFDC population must be working by 2002. For Illinois, this means a 300% increase in the earned income caseload in less than eight years. It stands to reason that the cost of continuing to provide welfare-to-work child care would more than triple. Although some of the costs would be offset by reductions in cash grants, child care assistance is generally more expensive than cash grants.

In order to meet the increased demand for child care that will accompany increased work participation, states will have to stretch scarce resources more thinly. Without the federal match, as child care expenditures increase states will bear the entire burden. Some states, like Illinois, will even lose federal child care money. It is likely that states, faced with losing more federal dollars by not meeting work requirements, will use CCDBG funds (currently used for working poor child care) to offset the costs of increased demand. Even with the additional resources states can receive from the Remainder Fund, it is likely that child care subsidies for working poor families will be substantially reduced.

It is equally as important to provide child care assistance to working poor families as a means of welfare prevention as it is to provide child care assistance to families on welfare as a means of moving them into the workplace. This fundamental premise is violated in the Personal Responsibility and Work Opportunity Act.

All very low-income families should be entitled to child care assistance.

Adding to the demand and cost of providing child care is the requirement that parents of infants and toddlers are not exempt from work requirements. Not only is it in the best interest of the child to have the benefit of a full-time parent during the most formative years, but the cost of infant/toddler care can be prohibitively expensive. While states will have the option of exempting parents with children under one year of age, the option of exempting parents with children under 3 has been eliminated. Across all income levels, the supply of infant and toddler care is extremely limited.

In order to act in the best interest of children, parents of very young children should be exempt from AFDC work requirements.

We are in agreement that changes need to be made to the welfare system. However, this cannot be done at the expense of children's health, safety, and development. Moreover, true reform cannot be achieved by drawing such harsh distinctions between the working poor and welfare recipients. In many instances, they are the same group.

We make the following recommendations:

♦ Maintain the current level of funding for the quality set-aside;

♦ Retain minimum health and safety standards;

♦ Maintain differentiated payment rates based on type of care, age of child, and presences of special needs;

♦ Increase the CCDBG by $200 million in FY '96 to absorb the loss of the Dependent Care Block Grant as well as to increase assistance to low-income working families;

♦ Give states the option to exempt parents with children under the age of three from work requirements;

♦ Maintain the state matching requirements and;

♦ Expand the child care entitlement to include all very low-income families, not just those with a history of AFDC.

KIDS FOREVER LEARNING CENTER, INC.

"Quality Child Care in Action"

Mike & Darlene Levitski • Office: (520) 325-1365
Corporate Headquarters
4814 East Pima • Tucson, AZ 85712

June 3, 1996

Phillip Moseley
Chief of Staff
Committee on Ways and Means
U.S. House of Representatives
1102 Long Worth House Office Blding.
Washington, D.C. 20515

RE: May 22-23 Hearing

Dear Mr. Moseley,

I'm writing in regards to May 22-23 hearing. I'm concerned about the cuts on the fourth meal at Child Care Centers for the CACFP.

I serve 600-700 children every day, four meals per day. For most of these children, the only meals that they receive daily are from our center due to families incomes or just neglect of dysfunctional parents. Some of these children are at my center 12 to 14 hours per day and need this fourth meal to insure their nutritional needs are met.

What better place to put government funds then into good nutrition for children.

Sincerely,

Darlene Levitski
Owner

U of A Location	Central Location	East Side	Northwest Side	East-Central	East-Central
1403 E. Broadway	4114 E. Brown Way	5235 E. Pima	216 E. Prince Road	1631 N. Columbus	4826 E. Pima
620-6250	795-4413	326-5589	888-1415	322-0607	795-8829
Mon. - Fri.	Mon. - Fri.	Mon. - Fri.	Mon. - Fri.	Mon. - Fri.	Mon. - Fri.
6am-6:00pm	5:30am-9:00pm	6am-6:00pm	5:30am-6:00pm	6am-6:00pm	6am-6:00pm

Saturday By Reservation Only

State of New Jersey
DEPARTMENT OF HUMAN SERVICES
DIVISION OF FAMILY DEVELOPMENT
CN-716
TRENTON NJ 08625-0716

CHRISTINE TODD WHITMAN
Governor

WILLIAM WALDMAN
Commissioner

KAREN HIGHSMITH
Acting Director

TEL (609) 588-2000

May 29, 1996

Philip D. Moseley
Chief of Staff
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.D. 20515

Dear Mr. Moseley:

Enclosed are six (6) copies of the State of New Jersey's Department of Human Services' testimony from the hearing held on Thursday, May 23, 1996.

Testimony was to be given by Karen D. Highsmith, Acting Director, Division of Family Development, 6 Quakerbridge Plaza, CN 716, Trenton, NJ 08625.

If you require additional information please contact my office at (609) 588-2401.

Thank you.

Sincerely,

Karen Highsmith

Karen Highsmith
Acting Director

KH:nw

Enclosures

c: Ray Castro

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DOUBLE DIPPING IN NEW JERSEY

New Jersey's Department of Human Services has addressed the problem of duplicate assistance in ways that improve verification, prevention and detection.

First, our welfare computer system automatically checks all applicants for AFDC and Food Stamps to see if the individual's Social Security number is already on our system. All new Social Security numbers are also sent to SSA for verification. Additionally, our General Assistance (100% state funded) population routinely has it clientele's Social Security numbers run against each other to detect duplication.

Second, in order to detect duplicate assistance between New Jersey and our bordering states of New York, and Pennsylvania, we routinely exchange computer tapes of clients in all three programs, General Assistance, AFDC and Food Stamps. These matches have proven to be quite effective, resulting last year in 1,442 case closings which represents less than one-half of one percent of the General Assistance and AFDC caseloads and Food Stamp caseloads.

The above efforts rely on the Social Security number as the primary matching element, and until recently were our

only method of detecting duplicate assistance on a large scale, both inter and intra-state. While New Jersey believes that tape matches using Social Security numbers are good, we feel that we must constantly explore new technologies to improve our ability to prevent and detect fraud.

Though our verification process with SSA is effective, it is lengthy, often resulting in months of collecting two checks before the perpetrator is caught.

Realizing the shortcomings of this form of identification, New Jersey investigated the possibility of using a more reliable and updated form of identification. We believe we have found it in Fingerimaging.

Since last July we have been engaged in a Fingerimaging pilot project in 103 municipal, or General Assistance, offices in the Northern part of our state. In this project, clients and applicants have their two index fingers electronically "Fingerimaged". These fingerimages, along with a color photograph and the usual demographics are transmitted electronically to the data base in Trenton, where, in a matter of seconds, they are matched against all active clients and the results returned to the General Assistance office.

Approximately 18,000 clients are currently in the project area. The vendor, National Registry Inc., or NRI, reports that caseloads have dropped roughly 10% in our four largest municipalities. The actual number of "hits" or persons who have tried to enroll twice in the pilot area is less than a dozen to date; consequently, it would be accurate to say that future savings will almost entirely be in costs avoided. or in matches with other neighboring states such as New York.

This summer we will be matching our fingerimaging data base with that of New York States'. We expect that these matches will provide information on those cases that are revealed as double dipping - which will expedite their prosecution because we will have the fingerimage, a photo, and demographics of each suspect. This technology is proving itself to be a real enhancement to Social Security numbers.

Our investigative staff is delighted with fingerimaging. Since it is general knowledge that fingerimages are unique, those who may have intentions of defrauding the system are deterred due to the ability to verify information quickly and because of the reliability of the data.

With the various experiments in welfare reform, border states will have to form agreements with us that will allow them to also prevent and detect fraud using similar technologies, while still safeguarding the clients rights to privacy and due process.

In line with our efforts to combat fraud through exploration of new technologies, we are preparing to expand our Families First Electronic Benefits Transfer (EBT) system statewide.

We have found that although EBT does not eliminate fraud, it does expose fraud and aid in its detection. For example, several stores have been removed from participation in the Food Stamp Program for trafficking, that is, selling food stamp benefits for cash, based simply on investigators' review of the stores; electronic transaction histories. However, as we plan for statewide expansion, we recognize that it is critical for EBT systems to be exempt from Regulation E of the Electronic Funds Transfer Act. Regulation E creates a potential loophole for recipient fraud by claiming lost or stolen cards and then getting multiple payments of benefits in the same month. We are eager to see our EBT system expanded, but we must be able to continue to hold recipients responsible for their benefits.

As part of New Jersey's "Work First" welfare reform proposal we plan to go statewide with fingerimaging in AFDC, Food Stamps, and General Assistance in 1998. We are also considering New Hires" legislation that would provide more timely information on wages, which would be matched with the Child Support Program in addition to the programs mentioned above and the potential to match other state systems such as the Department of Labor.

In closing, New Jersey is very proud of its efforts to improve our methods of fraud prevention, detection and client verifications systems and procedures. We will continue to further our relationships with neighboring states to exchange information where appropriate while still safeguarding the clients rights to privacy and due process.

Phillip Moseley,
Chief of staff,
Committee on Ways and Means,
U.S. House of Representatives,
1102 Longworth House Office Building,
Washington, D.C. 20515

Dear Mr. Moseley:

I am writing to you regarding the May 22-23 hearings pertaining to the CACFP.
I understand that there is a plan being considered to drop the fourth meal served to children served regardless of income guidelines.

I can certainly understand the attempt of Congress to look carefully at all options in considering budget constraints but this is the one area where, if run properly, is truly a non-profit program. I have had some of the same concerns that there have been abuse in the family day care reimbursement with little or no accountability or income requirements. However, it is very troubling to see the "baby thrown out with the bath water."

I have served children for more than 31 years and this is one of the few programs where there are measurable results with few dollars. In 1980, I worked with Senator Barry Goldwater and Dennis Diconcini to open this program to follow the child rather than the institution. As we all know, the only real difference in profit and nonprofit is the cost of drawing of legal papers to change tax status. I have participated in and observed this program at work and still stand amazed that tax dollars can work such miracles in the lives of poor and low income families. I choose to serve this clientele. I have watched with pride when students work and struggle to become independent and finally achieve success to provide for their own.

Students, especially single parents, often live on grants and loans and work after school to provide for their children. This many times means 10, 12 and even 14 hour days.

How can we consider cutting out a dinner meal when often it is the only food available for these children. When I watched in awe where the House passed the National Defense Authorization Act (H.R. 3230) and appropriated $34.4 million to build 11 child care canters, many of those not even requested by the branches of service, it boggled my mind. I have seen state of the art centers built by the private sector for $500,000., serving the same number of children. Why?
Cannot the government utilize an existing system and pay for child care as the private sector does? There is no shortage in child care as many would have you believe. The only shortage is in infant care and sick child care. Availability, quality and affordability are an issue for all parents but evidently the military stands alone in their child care needs.

Something seems seriously wrong when the government takes actual food from the mouths of poor children and funds the military with multi million dollar facilities not even requested.
I think this might be an interesting topic to open up for debate on the air....The facts are there.

Please do not consider cutting the fourth meal from the CACFP.
The CCDBG and the CACFP are not broken...Please don't break them in the attempt to fix the problem.

Thank you for considering my testimony. I wish I could be there in person to speak to the Committee.

Barbara Nelson, Owner and Director

STATEMENT FOR THE SUBCOMMITTEE ON HUMAN RESOURCES COMMITTEE OF WAYS & MEANS, U.S. HOUSE OF REPRESENTATIVES

May 23, 1996

United Cerebral Palsy Associations (UCPA), based in Washington DC, unequivocally supports the continuation of the Supplemental Security Income (SSI) program as a cash assistance program for low income families with children with severe disabilities. Congressional proposals to alter the Children's SSI program by eliminating or cutting back cash benefits to some currently eligible families is detrimental to children with severe disabilities and their families.

UCPA believes that pending welfare reform proposals, as well as the bills passed and vetoed last year, go too far in dropping over 300,000 children with severe disabilities. The bill passed by the Senate with bipartisan support -- prior to the addition of several problematic sections during the conference -- seemed to do the least long-term damage to children with severe disabilities. Any further changes to that Senate version are totally unacceptable to United Cerebral Palsy Associations and to most of the disability community.

UCPA believes that if children lose the cash benefit, many families will simply not have the resources to be empowered and to accept the responsibility to care for them at home. They would turn to state and local governments for more assistance causing escalation of state costs and the expansion of intrusive state and local bureaucracy into the lives of families. Thus some of the proposed alterations could amount to a costly shift in financing from the federal government to state and local government agencies as the needs of children with severe disabilities do not go away when a program is cut back at the federal level. As an especially tragic consequence, some families would be compelled to surrender custody of their child, either to foster care or to state institutional systems, at a far greater price both in fiscal and human cost.

This would be an incorrect public policy direction, sending a strong and wrong message to families from days of past that government intends to supplant rather than support families and does not believe they are competent to and capable of raising a child with a disability. In simple terms, such a regressive policy direction would tell low-income families with children with disabilities that "family values" do not apply to them.

UCPA stresses that a cash program for children with disabilities is an essential and successful program that supports families. The flexibility for family-decisionmaking and the savings to state and federal public outlays (as a result of foregoing the enormous cost

of institutional care -- currently averaging $82,256 per child per year) that the cash benefit provides for parents makes it a cost-effective support system that takes into account the wide variety of disability-related expenses that families incur. These cash benefits -- averaging less than $6,000 per year -- often replace lost or foregone income for parents who must make financial sacrifices as their child's care and support becomes the top priority. UCPA also notes that federal overall expenditure for the Children's SSI program (approximately $5 billion annually) is less than 1 percent of overall mandatory spending by the federal government yet benefits almost a million families that have extraordinary needs as a result of having a dependent with disability.

Additionally, SSI eligibility is a critical gateway to Medicaid enrollment providing essential health care coverage for children with disabilities who would often not be covered by any other private or public health care financing mechanisms. Furthermore, the program serves a racially diverse group of children with a wide range of disabilities, many of whom are among the nation's poorest.

UCPA refutes criticism of the rapid growth and alleged abuse of the cash benefit program, pointing to an average denial rate of 65% as evidence of the thoroughness and complexity of the disability determination and approval process. UCPA believes that the growth of the program is the result of economic shifts and the overall increase of the number of children living in poverty as well as the number of children with disabilities. In addition, several federal outreach initiatives, as predicted, caused inevitable growth in the program, which should have been expected and anticipated.

Contrary to the recent media hype about abuses in this means-tested program that directly benefits children with severe disabilities, UCPA surmises there is relatively little documented abuse and fraud in the program. It is irresponsible for the press and some public officials to recirculate old allegations of unsubstantiated abuse in light of multiple non-partisan studies, indicating that no evidence of widespread fraud exists.
UCPA recognizes that every federal program rightfully needs regular monitoring and review to assess usefulness, efficiency and outcomes. It is UCPA's view that with appropriate enforcement and a regular schedule of continuing disability reviews, the Social Security Administration can reduce the possibility of fraudulent awards to children who do not have qualifying severe disabilities.

UCPA also takes issue with assertions that high levels of applications in certain jurisdictions for Children's Supplemental Security Income are indicators of fraud and abuse. A local high application rate certainly warrants investigation: however, it may indicate locally-based shifts in the economy, or unusually high levels of disability needing environmental or medical investigation, or it could indicate irresponsible action or

attitudes on behalf of program administrators or caused by other, as yet unexplord, factors. Application for a cash benefit by a low-income parent of a child with disabilities is not a fraudulent act in and of itself.

UCPA supports the existing requirement to redetermine eligibility for SSI recipients upon their 18th birthday and re-evaluate the child under the adult disability criteria. The Social Security Administration must review at least one-third of the children reaching age 18 in each of the fiscal years 1996, 1997, and 1998 and then report to Congress. In addition to this requirement, there are some children under the age of 18 who do improve medically during the time of their eligibility. UCPA finds appropriate periodic review of the continuing disability status of childhood recipients in cases where medical improvement is either possible or expected. UCPA is, however, very mindful of the tragedy in the early 1980's when hundreds of thousands of adults with severe disabilities receiving SSI benefits were illegally dropped from the SSA's rolls. UCPA therefore supports the establishment of a realistic review process rather than arbitrary steps undertaken to make wholesale reductions among childhood beneficiaries.

United Cerebral Palsy Associations is a nonprofit organization with a network of 155 state and local affiliates committed to positively affecting the quality of life for persons with cerebral palsy and other disabilities and their families through programs and services that work to advance the independence of people with disabilities. Many families with children with cerebral palsy and similar severe disabilities benefit from the Children's SSI program which is essentially the only federated 'family support' program that is available to lower income families and it must be retained, with the least amount of compromise, in order to maintain the integrity of these families.

STATEMENT OF UNITED STATES TELEPHONE ASSOCIATION

The United States Telephone Association (USTA) is pleased to provide its views to the Committee on Ways and Means, Subcommittee on Human Resources, on the subject of Welfare Reform with specific reference to child support enforcement efforts. USTA is the primary trade association of local telephone companies serving more than 98 percent of the access lines in the United States and represents over 1200 members from the smallest independents to the large regional Bell companies.

USTA supports the goals underlying provisions in draft legislation that attempt to enhance the ability of states to identify and secure support payments from those individuals who avoid or neglect their child support obligations. Our industry is frequently asked to support such efforts today and has a sterling record with regard to cooperating with state and local authorities.

While the goals of the draft legislation are unassailable, it is, in our view, important to note that private entities required to participate in the bill's support enforcement efforts must also operate within the constraints of existing laws designed to protect privacy. Unless adequate measures are added, the Act will put private entities such as telephone companies in a needlessly difficult situation. In addition, a balance must be struck between the desirable goals of child support enforcement and the burdens and costs associated with mandated private sector participation in this effort. Just as states and localities justly oppose "unfunded mandates," private companies, including public utilities, should be reimbursed for federally mandated support enforcement activities.

We understand that the drafters of this legislation have attempted to address our concerns. For USTA's member companies, however, serious issues remain regarding the adequacy of protection from lawsuits by customers and others about whom information is released to state authorities. The legislation appears to require only that state agencies "request" information about individuals from whom support payments are sought. How is the public utility company to know who the requestor is, whether that individual is authorized to receive the information, or, indeed, whether a legal basis exists for the request itself? Our opinion is that the current draft of legislation will not be sufficient to protect telephone companies, and others, from privacy-related lawsuits. In our view, the law should provide for an administrative subpoena -- a legal document imbued with implicit court approval -- removing any possibility of exposure for private entities merely trying to comply with the bill's requirements. The bill should set minimum standards clearly establishing when a state agency may issue an administrative subpoena. It should also immunize record keepers from any liability arising from good faith compliance, whether or not it is later determined that the subpoena was valid.

An administrative subpoena is not an onerous or time-consuming requirement for state agencies. In fact, in the states where it is currently used, the device actually streamlines the process of obtaining necessary information. Under an administrative subpoena, if pre-approved conditions and standards are met an agency has authority to issue a subpoena without having to submit individual cases for a court's approval. In some states, certain individuals within agencies have authority to issue a subpoena, including in some instances, caseworkers. This procedure is recognized by courts thus enabling agencies to quickly obtain needed information while affording private entities protection from suits based on unauthorized release of private information.

Unfortunately, even if the legislation were written to provide that a state agency "make a written request", such a procedure would not carry with it the authority of a subpoena, which, while also in written form, has been subjected to a form of judicial approval. A written request, by itself, may not be in a form approved by courts and may be prepared and sent without being subjected to acceptable standards for issuance. At a minimum such a procedure would have to be tested in each jurisdiction, a time-consuming prospect at cross-purposes with the aims of the Act. Since private entities trying to comply with the bill will be vulnerable to suit, their compliance, without the protections of an administrative subpoena, will be less automatic, defeating another aim of the legislation. To assure compliance, the bill should explicitly preempt state law and state public utility commissions or other regulatory agencies which may prohibit

release of information without a judicial review of each subpoena. This is especially necessary with regard to requests sought by out-of-state jurisdictions.

Interestingly, federal law (Section 2703 of Title 18 of the United States Code) today actually **prohibits** electronic service providers, such as telephone companies, from giving certain subscriber information to a government agency without a court order, warrant or administrative subpoena.[2] This well-understood statute underscores our industry's desire in any new legislation for a substantial legal mandate to release sensitive information. As indicated earlier, any requirement to release information should provide protection for those complying in good faith. Section 2703 provides for no cause of action against a provider disclosing information as long as such disclosure occurs in accordance with the privacy safeguards provided.[3]

Finally, while the telephone industry has consistently demonstrated its desire to assist child support enforcement efforts under proper conditions, it should not be forced to shoulder the financial burden of this essentially governmental function. It is not reasonable to impose manpower, technical and organizational requirements on private entities in this context without compensation. This is particularly true in the case of public utilities that are asked to respond to agency information requests on an ever increasing basis. Failure to reimburse these costs would be tantamount to perpetrating one unfairness in an effort to redress another. In addition, by leaving such costs in the public sector, where they belong, it is our view that a certain amount of pressure will remain on enforcement authorities to act efficiently, as well as responsibly.

In conclusion, our industry remains committed to acting as cooperatively as possible in attempts to attain greater compliance with child support laws. Our only request is that in providing new initiatives, Congress should recognize the vulnerabilities of those in the private sector that will be allies in these efforts.

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[1] Statement submitted by Roy Neel, President and CEO, United States Telephone Association. For further information, please contact Hance Haney, Director of Government Relations, United States Telephone Association, 1401 H Street, N.W., Suite 600, Washington, D.C. 20005. Telephone number: 202-326-7255.

[2] 18 U.S.C. § 2703(c)(1)(C).

[3] 18 U.S.C. § 2703(e).

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