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Catholic
Charities
USA

March 8, 1993

Mrs. Kathi Way
Special Assistant to the President
Domestic Policy Council
Executive Office of the President
1600 Pennsylvania Ave., NW
Washington, DC 20500

Dear Mrs. Way:

Thank you for an excellent dialogue session on welfare reform with Catholic Charities USA this past Wednesday. Our members and participants enjoyed the opportunity to exchange ideas as we look for creative solutions to the current problems. It was also encouraging to hear the similarities in perspectives between the administration and those who are on the front lines of providing services and empowering the poor.

We look forward to working closely with you and your office as specific welfare reform proposals and policies are developed. Over the next several months, we will be forwarding specific ideas.

One pilot project Catholic Charities USA is conducting is the **Children of Children Project** designed to assist young teen families to move out of poverty, become self-sufficient, and break the cycle of pregnancy. A summary of the project is enclosed.

Again, I thank you on behalf of Catholic Charities USA and the people we serve.

Sincerely,

Fred Kammer SJ

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Children of Children Project
Fact Sheet

The **Children of Children Project** is a three-year, intergenerational project designed to assist young teen families to move out of poverty, become self-sufficient, and break the cycle of pregnancy. The project aims to reduce the negative side effects of teen pregnancy: child abuse, neglect, and welfare dependency. The project entails a comprehensive service program and a research component.

The pilot program initially will be carried out in three cities under Catholic Charities USA auspices with an eye toward replicating the positive results in the Catholic Charities USA network.

Target populations: Teenage parents (ages 12-16), their children (ages infant to three years), and their extended families (grandparents, other care givers).

Program objectives: Responsible parenthood and economic stability for the family.

Program environment: A supportive child-care facility with social services for the infants and toddlers and their families in a neighborhood setting.

Key program elements:

- Teach parenting skills to teen mothers and fathers;
- Pursue jobs and training for the young parents so they become self-supporting and able to maintain financial independence.
- Network the family with community resources and services such as health care, nutrition, transportation, and education; and
- Strengthen the whole family unit by focusing on intergenerational relationships that include the child, mother, father, grandparents, and other family care givers.

Participating agencies:
Babyland Nursery, Inc.'s Family-Child Development Program, Newark; Catholic Social Services of Albuquerque, Inc; Catholic Social Services/St. Vincent Home for Children, Lansing, MI.

Funding support:
Foundations: The W.K. Kellogg Foundation, main funder; Prudential Foundation; MCJ Foundation of behalf of The Amelior Foundation.
Community groups:
Albuquerque: Catholic Social Services of Albuquerque, Inc., Holy Family Parish, State of New Mexico;
Lansing: Catholic Social Services/St. Vincent Home for Children; Junior League of Lansing.
Newark: Babyland Nursery, Inc., New Community Corporation, Youth Development Council.

The W.K. Kellogg Foundation was established in 1930 to "help people help themselves." The private grant-making foundation provides seed money to organizations that have identified problems and designed constructive action programs aimed at solutions. The foundation's grants focus mainly on youth; leadership; philanthropy and volunteerism; community-based, problem-focused health services; higher education; food systems; and rural development.

Catholic Charities USA is the nation's largest, private, human service organization. The network of 1,200 agencies, institutions, and individuals aims to reduce poverty, support families, and strengthen communities in the United States.

Rev. Fred Kammer, SJ
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COALITION OF
CALIFORNIA
WELFARE
RIGHTS
ORGANIZATIONS, INC.

Ben Hadad - California - Mary

CCWRO

• Robert M. Teets, Jr President
• Kevin M. Aslanian Executive Director
• Grace A. Galligher General Counsel

TELECOPIER TRANSMISSION COVER MEMORANDUM

DATE: 2-23-93

TO: KATHY

Fax Number: 916-736-2645

From: CCWRO- Kevin M. Aslanian

CCWRO FAX number (916) 736-2645

This transmission includes 2 pages, including this cover.

RE: Kathi, Should we/you meet with them?

Call me - (int. 44) Cathy

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[001]

NATIONAL WELFARE RIGHTS & REFORM UNION, INC.

NWR&RU

FAX MEMO

DATE: 2/4/93

FAX Telephone number (916) 736-2645-- Number of Page ***1*** *including this page.*

TO: Bruce Reed

FROM: Kevin M. Aslanian [redacted] (b)(6)

RE: Welfare Reform

Dear Bruce:

It was nice talking to you so late Wednesday night.

As I said during the call, the National Welfare Rights & Reform Union has been involved in welfare reform battles since the Nixon days.

This time we have decided to take a more constructive position: to participate in the process, rather than being an opponent.

We are concerned that most of the federal dollars are going to bureaucrats and not to the poor. We want to insure that this time the reform will be cost effective, would help poor families and limit the number of families and children who may be adversely effected by the new reforms.

We are very concerned that these changes may harm the "family."

I also want to confirm our March 8, 1993 meeting at 1:00 PM. We would be interested in reviewing any information that you may have relative to "welfare reform". I am mailing you a "welfare simplification report that we released recently.

We are also very interested in consolidating the various welfare programs to make them more efficient and transfer the savings to low income families.

We are especially concerned that many States use the Food Stamp program, whose benefits are 100% federally funded to keep AFDC cash payments down. We believe that by establishing a minimum benefit level with automatic COLA, maintenance of efforts to prevent States from reducing benefit levels below 1991 level would save the federal government money if this is done in return for Food the Stamp program-except that for non-AFDC households can receive cash benefits in lieu of food stamps with the AFDC sharing ratios.

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PROPOSED WELFARE REFORM BILL FOR 1993

SUMMARY

1. Restore Work - Related Deductions

This bill would restore the pre-1980 work- related deductions. Prior to 1980, over 30% of the AFDC caseload had earned income. After the 1981 AFDC changes, about 5% of the AFDC caseload had earned income.

2. Change the Earned Income Tax Credit System to be Responsive to the Needs of Low Income Families

In the alternative, this bill would require IRS to accept monthly statements from employed AFDC recipients and issue their Earned Income Tax Credit checks monthly within seven (7) working days, based upon the actual earnings of the previous month. This would assure that low income families would have funds to pay for rent, utilities and other basic necessities. Poor families cannot wait until April of every year to collect their payments and employers do not want to be burdened with issuing EITC payments.

3. Repeal Current Anti-Family Laws

This bill would repeal all anti-family provisions in the current AFDC legislation which deny aid to families with two-parents or two adults in the home.

4. Simplifiy the AFDC & Food Stamp Programs

The bill would provide for specific simplification of the AFDC and Stamp Programs to make the programs more understandable to participants as well as persons administering them.

5. Fund Services to Poor Families Through AFDC Underpayments

The bill would provide that a certain portion of AFDC underpayment funds would be used to employ welfare recipients to work at "welfare service centers". Welfare recipients would assist other welfare recipients in completing various forms, advocacy, or with specific area needs.

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PREPARED
by

KEVIN M. ASLANIAN

RECIPIENT ANALYSIS OF WELFARE SIMPLIFICATION & COORDINATION

January, 1993

INTRODUCTION

This document contains the comments of welfare recipients and welfare rights organizations regarding "welfare simplification.

The group reviewed the APWA side-by-side to determine its "recipient impact." We have noted that when developing any new policy affecting AFDC and Food Stamp recipients, the views of the consumers are often, if not always, overlooked. We have not had the funds to participate in the past meetings of this Committee, but a careful review of the committee minutes were revealing.

For example the Administrator of USDA, FS stated that simplification **should be approached from the perspective of the client**. David Caprara of HUD also emphasized that coordination and simplification **should be achieved from the vantage point of the recipient**. Finally, Congressman Emerson stated that the primary purpose of federal assistance programs is to **promote economic self-sufficiency and the strength of the family**.

In reviewing the APWA recommendations, from the "vantage point of recipients" and have found that often our point of view was not reflected in their recommendations. The reason is very clear. **APWA DOES NOT REPRESENT AFDC OR FOOD STAMP RECIPIENTS.**

They represent the "welfare upper management bureaucracy." (Most welfare workers are represented by AFSME or AFL-CIO affiliated locals.)

We were pleasantly surprised with some of their positions, infuriated by others and shocked at the simplification issues that were not included in their report.

In our report, we have included some of the issues not covered in the APWA report.

In summary, welfare recipients support program simplification when it does not hurt their impoverished families.

We also discuss what types of changes are needed in the existing program to be more responsive to families in helping them toward self-sufficiency and enhancing their self-esteem.

One of the major problems the group identified was the lack of choices in welfare programs for clients.

On the next page, we briefly set forth the major problems in the AFDC program and proposed solutions to those problems.

Problems in the Current Income Assistance Programs for Poor Families

1. Families are punished for working. Their income disregards are virtually eliminated after four (4) months. There are many other laws that punish welfare recipients for working. **RESTORE THE PRE-1980 TREATMENT OF EARNED INCOME.**

2. Families are punished for getting married or for having a two-parent family unit. **REPEAL THE STEPPARENT INCOME DEEMING LIMITATION AND RESTRUCTION ON TWO PARENT FAMILES NOT APPLICABLE TO SINGLE PARENT FAMILIES.**

3. Welfare programs are very complicated. Rules for the AFDC and Food Stamp programs are so diverse, that administering them is difficult and even more difficult for the program participants to understand.

4. There is no incentive for state agencies to administer the welfare programs in such a way that is "user friendly". **PROVIDE ENHANCED OR DECREASED FFP TO STATES DEPENDING ON HOW THE POOR RATE THE TREATMENT OF THE STATE AGENCY.**

5. The JOBS and FSET programs need to be modified to enhance participant "choice" to the extent allowable under the law to make the programs more efficient and "family friendly". **PROVIDE FOR MAXIMUM CHOICE FOR CLIENTS.**

6. Families are not paid a minimum amount to provide for their children's basic survival needs. Although families who receive less cash receive more food stamps, food stamps cannot buy clothing, housing or other non-food necessities of life. **ESTABLISH A MINIMUM BENEFIT LEVEL AT 50% OF THE POVERTY LEVEL AND MANDATE STATE MAINTENANCE OF BENEFITS LEVELS AT THE 1988 LEVEL.**

7. There are too many programs that do not reach the poor in the form of direct assistance. Rather, they are programs benefiting welfare bureaucrats for most part, such as the JOBS program, social services, etc.

Although it is alleged that the government spends over $150 billion for welfare, AFDC recipients receive about $15 billion a year in the form of direct assistance. AFDC children need the remaining $135 billion to fight "child poverty" in America.

ISSUE	AFDC POLICY	FSP POLICY	APWA POSITION	RECIPIENT POSITION
1. Administration ***Waiver Authority***	Demonstration waiver authority provided in statute. There is no administrative waiver authority similar to that in the Food Stamp Program.	7 CFR 272.3(c) allows waivers of regulatory provisions for extraordinary temporary situations, more effective and efficient administration of the program, or unique geographic or climatic conditions.	AFDC version	**OPPOSE APWA. We support the FSP Version. The AFDC version is too broad. Demonstration programs should be targeted to improve the AFDC or Food Stamp program. States generally use the Demonstration authority to save money- which means taking money away from families and children- or to enhance federal financial participation.**
2. Application Process: ***Alien/ Citizenship Declaration***	Each adult must attest to his/her alien or citizenship status. One adult may sign for all children.	The application form must include a statement to be signed by one adult household member certifying that the information in the application is true, including information about the citizenship or alien status of household members.	FSP Version	**SUPPORT APWA**
3. Application Process: ***Application Form***	The agency shall require a written application, signed under penalty of perjury, on a form prescribed by the State, from the applicant or authorized representative.	Act contains specific requirements for application content, mandates use of a simplified, uniform national form or approved substitute, and requires a combined application for PA households and GA households if state has	AFDC version, but requires that USDA and HHS develop a generic rights and responsibility form.	**OPPOSE APWA. We support the FSP version, but believe that the national form should be mandatory in all States without any deviation. Under the current system, there are 50 or more application forms. The cost of main-**

ISSUE	AFDC POLICY	FSP POLICY	APWA POSITION	RECIPIENT POSITION
		statewide GA application form.		**taining all of these forms should be enough to justify our recommendation.**
4. Application Process: ***Delay Procedures***	No corresponding requirement.	Regulations provide detailed procedures agency must follow if household's eligibility is not determined within 30 days after application.	AFDC version	**OPPOSE APWA. The FSP has well thought out and "client-friendly" provisions. The AFDC program is "client-unfriendly."**
5. Application Process: ***Processing Standards***	A decision must be reached within state set standards, not to exceed 45 days. States must provide benefits from the earlier of the date of authorization or 30 days from application. They may provide prorated benefits from the date of application.	Clients must receive benefits retroactive to the date of application within 30 days of application under normal processing and within 5 days for expedited service.	"Allow states to deny application if HH does not provide requested verification within 10 days. HH application would be reinstated if verification is provided."	**OPPOSE APWA: The recommendation has nothing to do with the problem. The problem is that AFDC has a 45-day processing standard, and FSP has a 30-day processing standard. Unlike FSP, AFDC has no national expedited services process. AFDC does not have to provide aid from the date of application, whereas the FSP does. WE RECOMMEND THE FSP VERSION FOR BOTH PROGRAMS.**
6. Application Process: ***Requirements to Schedule Second Interview***	Client must be notified orally and in writing of rights and responsibilities. There is no requirement for the agency to reschedule a missed interview.	Regulations require agency to reschedule interview if client does not appear for the one originally scheduled.	AFDC version	**OPPOSE APWA: Giving a second chance is as American as apple pie. States are always looking for a second chance**

ISSUE	AFDC POLICY	FSP POLICY	APWA POSITION	RECIPIENT POSITION
				when it comes to error rate sanctions. In fact, they even sponsor legislation to get "amnesty." Impoverished families and their children deserve a second chance. WE RECOMMEND THE FSP VERSION.
7. Application Process: ***Verification***	Income must be verified through IEVS, SSN through SSA, and alien documents through SAVE. States may establish other verification requirements. Decisions re eligibility or ineligibility must be supported by facts in the case record.	In addition to required verification through IEVS and SAVE, regulations mandate verification of income, alien status, utility and medical expenses (when actual is claimed), SSN, identity, residency, disability and household composition (if questionable).	AFDC version	OPPOSE APWA: States have used verification as a way of denying children and families assistance to which they are eligible for and need. WE RECOMMEND THAT STATES BE REQUIRED TO UTILIZE IEVS, SAVE, AND THEN ADOPT THE FSP VERSION FOR BOTH PROGRAMS.
8. Budgeting Process: ***Anticipation of Income***	Uses best estimate of income and circumstances based on the agency's reasonable expectation and knowledge of current, past or future circumstances. Intermittent income may be prorated.	Income receiving during the past 30 days is used as an indication of future income, with specified exceptions. If the amount of income or date that it will be received is uncertain, it is not used. Households may elect to have income averaged.	AFDC version	OPPOSE APWA: The FSP policy is more precise and objective. It is also "client-friendly." WE RECOMMEND THE FSP VERSION FOR BOTH PROGRAMS.

ISSUE	AFDC POLICY	FSP POLICY	APWA POSITION	RECIPIENT POSITION
9. Budgeting Process (Retrospective): ***Income from a Terminated Source***	Income received in the beginning months from a noncontinous source which was counted prospectively is disregarded in the first and second months of retrospective budgeting. The disregard does not apply if income is received again from a similar source.	Income received in beginning months from a terminated source which was counted prospectively is disregarded for the first and second months of retrospective budgeting. The disregard applies unless income was received again from the same funding source.	No recommendation.	**WE RECOMMEND THE FSP VERSION.**
10. Budgeting Process (Retrospective): ***Suspensions***	If ineligibility will be for one month only, assistance may be suspended in the payment month based on income and circumstances in the budget month. Unit must generally be budgeted retrospectively the month after suspension.	Regulations give States option of suspending households prospectively if ineligibility will exist for one month only, Households must be budgeted retrospectively the month after suspension.	"In both programs suspend retrospectively if there is a one-time change in income which causes ineligibility. Continue retrospective budgeting cycle unless there is a change which by law or state option causes prospective budgeting.	**SUPPORT**
11. Budgeting Process: ***Converting Income to Monthly Amount***	No provision, but States may use conversion in calculating a best estimate for consistency with food stamps.	Income received weekly may be multiplied by 4.3 and biweekly income by 2.15 to arrive at a monthly figure, or the state's public assistance conversion factor may be used.	No recommendation.	**SUPPORT**

ISSUE	AFDC POLICY	FSP POLICY	APWA POSITION	RECIPIENT POSITION
12. Budgeting Process: ***Proration of Contract & Self-Employment Income***	Allows states to average or prorate contract income over the period of the contract and self-employment income over the period the income covers.	Requires annualizing contract and self-employment income received in a period shorter than one year if it is the household's annual income. If income is not the household's annual income, it is prorated over the period it is intended to cover.	No recommendation.	**SUPPORT APWA**
13. Changes: ***Effective Date***	Change that results in overpayment or underpayment is effective in the month of change.	Effective date depends on time frames for reporting and acting on changes.	AFDC version for effective date. Apply to prospective and retrospective budgeting. Adopt AFDC payment adjustment system, FSP overissuance establishment and AFDC collection policy.	**OPPOSE: The recommendation exceeds the issue. WE SUPPORT THE FSP VERSION.**
14. Changes: ***Monthly Reporting & Budgeting Requirements***	Monthly reporting optional. HH not required to report must be budgeted prospectively unless waiver has been granted for consistency with the FSP.	Monthly reporting is optional, but prohibited for certain categories of households that must be budgeted prospectively. Other households not required to report monthly may be budgeted prospectively or retrospectively.	Change AFDC legislation to allow nonmonthly reporting HH to be budgeted retrospectively.	**SUPPORT APWA**
15. Change: ***Notice of Adverse Action***	Advance notice not required when, among other reasons, mail is returned without a forwarding address.	Notice of adverse action required by 7 CFR 275.13 not required when, among other reasons, the house-	AFDC version for toll-free number and referral to legal aid. FSP version for mass changes and volun-	**OPPOSE: WE RECOMMEND THE FSP VERSION.**

ISSUE	AFDC POLICY	FSP POLICY	APWA POSITION	RECIPIENT POSITION
		hold voluntarily requests in the presence of a caseworker that its participation be terminated.	tary terminations. AFDC version for termination without notice when mail is returned.	
16. Changes: ***Reporting Requirements***	Recipients must report promptly all changes in income, resources and other circumstances affecting eligibility or benefits as they become aware of them and also on monthly report if monthly reporting is required.	Monthly reporting HH need not report changes outside monthly report form. Change reports must report changes in income and medical expenses of more than $25, HH composition, residence, liquid resources and vehicles within 10 days.	HH to be required to report only changes in source of income, rate of pay, employment status, changes of address and HH composition. Change AFDC regulations to require monthly reporters to report changes only on monthly reports.	**SUPPORT APWA: We do believe that there is a more efficient and "client-friendly" way to obtain information of changes from AFDC and Food Stamp recipients. See Attachment "A"**
17. Changes: ***Supplemental Benefits for New Members***	New person is treated as an applicant and added the date he/she entered the HH or date determined eligible. Supplemental benefits are issued.	Supplemental benefits may be issued for a new member in month of reported change under prospective budgeting. Supplemental benefits may not be issued under retrospective budgeting for month of change, but allotment may be increased if not already issued.	FSP version.	**SUPPORT APWA**
18. Deductions: ***Dependent Care***	For fulltime workers and JOBS participants: actual costs up to $175 per month per child 2 and over or incapacitated adult living in same home and receiving AFDC and up to $200 per	Actual not to exceed $160 per child or other dependent when care is needed to accept or continue employment, or training or education that is preparatory to employment.	"Set limits at $175 per individual ($200 for children under 2). Allow deduction for seeking employment, or attending training or school. Subtract deduction from household or unit's	**OPPOSE: WE RECOMMEND ACTUAL CHILD CARE DEDUCTIONS TO PREVENT CHILDREN BEING "HOME ALONE" AS MANY AFDC KIDS ARE.**

ISSUE	AFDC POLICY	FSP POLICY	APWA POSITION	RECIPIENT POSITION
	month per child under 2. State may set lesser amount for part-time.		income after other deductions have been made."	
19. Deductions: ***Earned Income Deductions***	Disregards $90 of individual earnings. $30 and one-third of remainder disregarded in 4 consecutive months. Then $30 disregarded in 8 consecutive monthsNot allowed again until person off AFDC for 12 consecutive months.	Deduct 20% of all earnings.	Deduct percent of gross earned income in any month the HH or assistance unit (AU) had earnings as earned income deduction in both programs. Also use percent or earnings as basis for any incentive payment.	**OPPOSE APWA: Under this recommendation and under the current AFDC rules, many families who work are not able to feed their children because they have to use their childrens' food money to meet their work- related expenses. WE RECOMMEND THAT THE EARNED INCOME DISREGARDS TO RESTORED AS THEY WERE PRIOR TO THE 1980 AFDC CHANGES FOR BOTH PRORGAMS.**
20. Deductions: ***Earned Income Deduction Penalties***	$90, $30 and one-third, dependent care disregards not allowed if individual voluntarily quit or failed to accept job, return monthly report timely, or requested case termination to avoid receiving $30 and one-third disregard for 4 consecutive months.	When calculating overissuance, earned income deduction is not allowed on portion of earned income household member willfully failed to report.	AFDC version	**OPPOSE APWA: Working people should be entitled to receive their disregards, i.e. child care disregard. This recommendation is anti-poor, anti-family, anti-child and anti-work. We would support this recommendation if APWA would include a provision stating that no welfare bureaucrat will be paid for any month that he or she di-**

ISSUE	AFDC POLICY	FSP POLICY	APWA POSITION	RECIPIENT POSITION
				rectly or indirectly caused a late submission of a required report to any state agency, the Legislature or any entity of the state or federal government. With such a rule many of the welfare bureaucrats would be homeless. WE RECOMMEND THE FSP VERSION.
21. Deductions: *Excess Medical Deductions*	No corresponding provision.	A deduction is allowed for that portion of medical expenses in excess of $35 per month incurred by any HH member who is elderly or disabled.	"Authorize a two-tiered standard for each state to be calculated by each sate and approved by FNS.	**OPPOSE APWA: This is not a problem because the AFDC program does not have a "medical deduction."**
22. Deductions: *Standard Shelter Deduction*	No corresponding provision.	A deduction is allowed for actual shelter expenses in excess of 50% of the HH's net income up to an annually updated CAP, currently set at $194. HH containing an elderly or disabled member are not subject to the CAP.	"Eliminate the requirement to report changes in shelter during the certification period. Let each state develop a standard shelter expense using FNS developed guidelines. HH would verify to get actual if higher."	**OPPOSE APWA : This is not a problem because the AFDC program does not have a "shelter deduction."**
23. Eligibility: *Alien Status*	Allows participation by aliens admitted for permanent residence or permanently residing under color of law (PRUCOL).	Food Stamp Act limits alien participation to those admitted under specified section of the INA.	AFDC version.	**SUPPORT**

ISSUE	AFDC POLICY	FSP POLICY	APWA POSITION	RECIPIENT POSITION
24. Eligibility: *Certified Unit*	Assistance unit consists of dependent children under 18 (or 18 if in school and will finish before 19) deprived of parental support and living in the home of the parent or specified relatives. The needs, income and resources of all in the unit are included.	HH usually consists of persons who purchase and prepare meals together. Parents and children and siblings may not be separate HH unless the parent or sibling is over 60 or disabled or the child or sibling has a minor child.	No recommendation.	**NO RECOMMENDATION.**
25. Eligibility: *Child Support*	Assigning to the State agency any rights to child and spousal support and cooperation with the child support collection agency in establishing paternity and obtaining support payments are conditions of eligibility.	No comparable provision.	Child support cooperation should be State option. Same good cause criteria as AFDC. Disregard first $50 of child support. Provide federal financial incentives and FFP at child support FFP level. Waive initial fee.	**OPPOSE APWA: This is not a problem because the FSP is not a "child assistance" program.**
26. Eligibility: *Potential Source of Income*	Agency must establish and carry out policies wit reference to applicants' and recipients' potential sources of income that can be developed to a state of availability.	There is no requirement that applicants or recipients apply for other assistance as a condition of eligibility.	Encourage, but require applicants to apply.	**OPPOSE APWA: WE SUPPORT THE FSP VERSION. It is "client friendly."**
27. Eligibility: *Residency Requirements*	Assistance unit must reside in the state, but there is no durational requirement.	HH must reside in the project area in which it applies, but there is no durational requirement.	FSP Version.	**SUPPORT APWA**

ISSUE	AFDC POLICY	FSP POLICY	APWA POSITION	RECIPIENT POSITION
28. Eligibility: ***SSN***	Applicant must provide SSN or apply for one.	Applicant must provide number or apply for one, but good cause allowed for failure to apply.	No recommendation.	**OPPOSE: WE SUPPORT THE FSP VERSION. It is client sensitive.**
29. Eligibility: ***Striker Definition***	Family ineligible if any caretaker relative is participating in a strike on the last day of the month. Individual's needs not included if individual is on strike last day of the month.	HH is ineligible if any member is on strike unless the HH was eligible prior to the strike or the striking member was exempt from work registration the day prior to the strike.	Eliminate striker provisions. Striker eligibility would be determined on same basis as that of other applicants and recipients.	**SUPPORT**
30. Eligibility: ***Students***	No restrictions on student eligibility in addition to those for other individuals.	Students must meet specific eligibility criteria in addition to those which apply to other individuals.	Waive student eligibility determination for recipients of a State's GA program benefits and recipients financial education assistance based on need, regardless of source.	**OPPOSE: WE SUPPORT THE AFDC VERSION. The APWA recommendation creates unnecessary complexities which are not needed. College education is the fastest way out of welfare dependency.**
31. Income: ***Complementary Income***	Permits States to disregard the value of assistance payments that are complementary and not duplicative.	With specified exceptions, generally counts state-funded assistance whether paid directly or vendored.	Amend FSP to allow a State that exempts funds from a complemtary program in AFDC to also exempt income from that program for FSP.	**OPPOSE APWA. WE RECOMMEND that all complementary income be exempt for both programs.**
32. Income: ***Earnings of 18 Year Old High School Students***	Disregards earnings of dependent child recipient who is full or part time student for needs and benefits	Counts as earned income.	Exclude income of 18 yr. old high school students until they reach 19 as long	**SUPPORT**

ISSUE	AFDC POLICY	FSP POLICY	APWA POSITION	RECIPIENT POSITION
	determination. State option to disregard earnings of full-time student applicant or recipient for needs and eligibility for up to 6 months.		as they meet the definition of child for particular State's AFDC program.	
33. Income: *Earnings of Students under 18*	Disregard earnings of dependent child recipient who is full or part time student for needs and benefits determination. State option to disregard earnings of full-time student applicant or recipient for needs and eligibility for up to 6 months.	Excludes if student is in school at least half time and is under parental control.	Exclude earnings of full or part time students under 18 for both eligibility and benefit determinations for both programs.	SUPPORT APWA
34. Income: *Energy Assistance*	Excludes assistance provided under low-income home energy assistance act. States have option to exclude assistance payments from other specified types of providers.	. Excludes cash or in-kind energy assistance under federal law and with FNS approval from some State and local programs, including assistance combined with public or general assistance programs.	Exclude energy assistance payments based on need for both programs.	SUPPORT APWA
35. Income: *HUD Utility Payments*	States have option to count or disregard rent or housing subsidies as income, but may count only the amount that exceeds the shelter amount established in the payment standard for an assistance unit of the same	Vendor payments to landlord excluded. Direct payments to HH and vendor payments to utility provider counted. Amount HH owes landlord after HUD payments is allowed as rent expense. In 3rd Cir-	Exclude from income for both programs. Treat as issue separate from energy assistance.	SUPPORT APWA

ISSUE	AFDC POLICY	FSP POLICY	APWA POSITION	RECIPIENT POSITION
	size and composition.	cuit, HUD utility payments excluded.		
36. Income: ***In-Kind Income/ Vendor Payments***	Earned in-kind income counted as income. State option to disregard support and maintenance in-kind assistance furnished by private non-profit agency or specified home energy providers. State option to count or disregard unearned in-kind income.	Excludes in-kind income. Unless specifically excluded, third-party payments are counted as income if funds are legal obligated to be paid to the household.	Exclude in-kind benefits as income for both programs. Adopt FSP vendor payment policy for AFDC.	**No recommendation.**
37. Income: ***Income Excluded by Other Laws***	Exclusions for education assistance, Indian per capita payments, JTPA, and other required by law differ from Food Stamp exclusions.	Exclusions for education assistance, Indian per capita payments, JTPA, and others required by law differs from the AFDC exclusions.	Amend Social Security Act and Food Stamp Act to make lists of excluded income identical. Amend both laws to allow the secretaries of agriculture and DHHS to issue regs at any time another law makes income from a program exempt for AFDC or FSP.	**No recommendation.**
38. Income: ***Treatment of Income of Ineligible (Disqualified) members***	Treatment of the income of an individual living with the unit but not participating depends on the reason for non participation. Except for individuals disqualified for specified reasons, States have option to allocate income of non participating members.	Treatment of income of ineligible member depends on the reason for ineligibility.	Give this difference low priority or drop until coordination is achieved in the reasons for disqualification from progam participation.	**SUPPORT APWA**

ISSUE	AFDC POLICY	FSP POLICY	APWA POSITION	RECIPIENT POSITION
39. Income: ***Irregular Income***	State option to disregard small nonrecurring gifts not to exceed $30 per individual in a quarter.	For prospective budgeting, irregular income not to exceed $30 in a quarter disregarded. Irregular income counted in retrospective budgeting.	Revise FSP to disregard up to $30 per person per quarter of gifts and inconsequential income in either prospective or retrospective budgeting.	SUPPORT APWA
40. Income: ***JTPA Earnings from State Training Programs***	At State option, may disregard unearned income indefinitely and earned income for 6 months of a dependent child participating in JTPA.	Excludes all JTPA income except that from on-the-job training programs under section 204(5) of Title 11, JTPA. All OJT income of individuals under 19 under parental control excluded.	FSP version and exclude JTPA payments for HH members under 19.	SUPPORT APWA
41. Income: ***Lump Sum Income Payments***	If unit's income after disregards exceed needs standard because of reciept of nonrecurring earned or unearned lump sum income, unit is ineligible for period determined by dividing lump sum amount plus other household income by needs standard.	Act excludes from income nonrecurring lump-sum payments including but not limited to income tax refunds, rebates or credits, retroactive lump-sum social security or railroad retirement pension payments and insurance settlements.	FSP version, but allow states to verify how the lump sum income was spend.	SUPPORT APWA, BUT REQUIRE THAT STATES USE THE FOOD STAMP RULES FOR VERIFICATION.
42. Income: ***Treatment of Boarder Income***	Allows use of a flat percentage for expenses in calculating income from boarders.	The cost of producing self-employment boarder income (other than commercial boarding houses) is the greater of the maximum allotment amount for the boarder's HH size or the	FSP Version.	SUPPORT

ISSUE	AFDC POLICY	FSP POLICY	APWA POSITION	RECIPIENT POSITION
		actual cost of providing room and board.		
43. Income: ***Self-Employment Deductions***	Expenses limited to those without which goods or services could not be produced. Depreciation, purchases of capital equipment, payments on principal of loans for capital assets or durable goods, personal business, trans., entertainment not allowed.	Expense not allowed are: net losses from prior periods, depreciation, retirement money, purchase price or payments on principal of loans for equipment, personal income taxes and other work related expenses covered by earned income deductions.	No specific recommendation except that the expenses shall be the same for both programs.	**OPPOSE APWA: We recommend that all deductions allowable as a business deduction for tax purposes also be allowed for AFDC and Food Stamp programs.**
44. Income: ***Student Assistance***	Excludes loans and grants obtained and used under conditions that preclude use for current living costs. Excludes aid to undergraduates from education dept. Excludes costs of attendance from Title IV, BIA. State option to disregard all student aid.	Excludes amounts earmarked or used for costs of attendance, but counts as income amounts made available for normal living costs.	FSP version, but allow states to obtain information from schools asking what portion of assistance is made available for room and board.	**OPPOSE APWA: WE RECOMMEND THE AFDC VERSION. This recommendation is not "recipient-friendly". It maintains the the program complexity.**
45. Income: ***Treatment of the $50 Disregard***	Disregards the $50 pass through payments.	Counts payments as income. States have option to disregard, but must pay FNS the resulting additional benefits issued.	AFDC Version.	**SUPPORT APWA**

ISSUE	AFDC POLICY	FSP POLICY	APWA POSITION	RECIPIENT POSITION
46. Recertification: ***Certification Periods***	Redetermines eligibility when necessary but at least once every 6 months unless unit reports monthly or is covered by approved error-prone profiling system. Must have a face-to-face redetermination once in 12 months.	Certification periods from 1 to 12 months are assigned to non monthly reporting HH, depending on HH characteristics. Monthly reporting HH must be certified for 6 or 12 months.	Allow open-ended authorization of benefits for all households. At a minimum, all cases must be reviewed every 24 months.	SUPPORT APWA
47. Recertification: ***Process***	States may prescribe forms and procedures.	Law and regulations contain specific procedural requirements for notice of expiration and reapplication.	Allow state agencies to set own review schedules. FSP Version.	SUPPORT APWA
48. Resources: ***Accessibility***	Resources are considered available when actually available and when the client has a legal interest in a liquidated sum and has the legal ability to make it available.	Regs exclude inaccessible resources such as those in irrevocable trusts, probate, security deposits, real property being sold, jointly held resources that cannot practically be subdivided and the other owner refuses to sell.	Exclude for both programs.	SUPPORT APWA
49. Resources: ***Burial Plans***	Excludes one bona fide funeral agreement per individual up to $1,500 in equity value or lower amount at state option and excludes one burial plot per individual.	Inaccessible funds in burial agreements and one burial plot per member are excluded. Accessible funds are counted.	FSP Version.	SUPPORT APWA

ISSUE	AFDC POLICY	FSP POLICY	APWA POSITION	RECIPIENT POSITION
50. Resources: ***Income Producing Real Property***	Counts as a resource except under provisions governing real property for sale.	Excludes as a resource if producing income consistent with its fair market value or essential to self-employment, but counts income produced.	FSP Version.	**SUPPORT APWA**
51. Resources: ***Life Insurance***	Counts as a resource.	Excludes as a resource.	FSP Version.	**SUPPORT APWA**
52. Resources: ***Real Property for Sale***	Resource after 6 months (or 9 at the state option) if not sold. Client must agree to make good faith effort to dispose of property and repay AFDC received during sale period. If not sold during period, AFDC ends. Overpayment calculated when property sold.	Excludes for unspecified time if HH making good faith effort to sell.	FSP Version.	**SUPPORT APWA**
53. Resources: ***Resource Limit***	$1,000 per assistance unit using equity value of resources.	$2,000 per HH or $3,000 if one member is 60 or over, using equity value except for vehicles. Limit does not apply to categorically eligible HH or to HH members who receive AFDC.	FSP Version.	**SUPPORT APWA**

ISSUE	AFDC POLICY	FSP POLICY	APWA POSITION	RECIPIENT POSITION
54. Resources: ***Transfer of Property***	AFDC regulations contain no provision regarding ineligibility because of transfer of resources. But regulations allow states to impose additional conditions of eligibility. 35 states prohibit transfers or other disposition of property prior to application.	Prohibits participation in the program for up to one year of resource is transferred within 3 months prior to application or during certification period in order to meet FSP resource limits.	State may conform AFDC policy to FSP policy.	**OPPOSE APWA. This rule is anti-child, anti-family and inhumane. We would RECOMMEND the abolition of this rule. To deny aid to needy children for months because their parents allegedly gave away property to qualify for AFDC is "child abuse" and has no place in a civilized society.**
55. Resources: ***Vehicles***	Excludes vehicles used as household home or needed to produce income. Excludes first $1,500 of equity value of one vehicle and counts reminder as available resource.	Excludes vehicles used as home, needed to produce income or to transport disabled member. Counts market value over $4,500 of 1 vehicle per HH and education and work related vehicles. Counts greater of fair market value over $4,500 or equity for others.	Exclude one vehicle per household regardless of value. Count for both programs the excess equity (fair market value less encumbrances) value of other licensed vehicles.	**SUPPORT APWA**
56. Underpayments: ***Policy***	Underpayments resulting from client or agency errors are corrected to current recipients as long as the reporting requirements for changes is satisfied. States may correct underpayments to all former recipients.	Lost benefits are restored only when the agency makes a mistake.	FSP Version.	**OPPOSE APWA: APWA is not using an equitable policy. For overpayments and overissuances State agencies are allowed to go back for years and years, whereas for underpayments or underissuances APWA wants to**

ISSUE	AFDC POLICY	FSP POLICY	APWA POSITION	RECIPIENT POSITION
				limitations. WE RECOMMEND THE AFDC VERSION. It is "client sensitive."
57. Underpayments: ***Time Limit***	No time limit for correction of underpayments. Benefits are restored to current recipients beginning with the month that changes must be reported to the State agency. Corrective payments to underpaid recipients are permitted but not required.	Lost benefits cannot be restored for more than 12 months unless there is a special exception.	FSP Version.	**OPPOSE APWA: Same reasons as #56. WE RECOMMEND THE AFDC VERSION.**

ISSUE	AFDC POLICY	FSP POLICY	RECIPIENT POSITION
Head of HH	Generally, the mother of the child is the head of HH. There is also the principal wage earner for the purposes of AFDC-UP.	The HH designates the head of HH.	**SUPPORT FSP VERSION FOR BOTH PROGRAMS. Poor families should be able to decide who the head of their household should be rather than allowing the welfare bureaucrats to make that decision. You can't promote self-sufficiency if welfare bureaucrats are always trying to make decisions for poor families that the families should make themselves.**
HH Right to file an application	Regs allow clients to file an application without delay. States can impose such requirements as both parents have to: 1) be present to file an application; 2) application must be complete before it would be accepted by the welfare agency; and, 3) the applicant must be in the right office, otherwise the application will not be accepted by the welfare agency. These rules vary from State to State, county to county, bureau to bureau within the county and intake unit to intake unit in the same bureau.	Requires that the Food Stamp office to encourage HH to file the application and shall be accepted as long as it contain the name and address and it is signed by a responsible person of the HH. If the applicant appears at the wrong office, the application will be accepted by that office, the application will be transferred to the appropriate office for processing.	**SUPPORT FSP VERSION FOR BOTH PROGRAMS. Filing an application is a major undertaking for a family in the U.S.A. This especially true in the AFDC program. The FSP is more "client friendly".**
Filing an application by mail.	No provision for requesting by phone that an application be mailed to HH.	Allows HH to file an application by calling the food stamp office and having an application mailed to the HH.	**SUPPORT FSP VERSION. Public assistance programs should also be "energy efficient". Often, families do not have child care or transportation funds to spend days trying to get their welfare application processed.**

ISSUE	AFDC POLICY	FSP POLICY	RECIPIENT POSITION
Poster Stating Rights of FS Applicants.	There is no poster requirements to inform AFDC applicants of their rights and benefits as applicants.	The food stamp office is required to post signs in certification offices which explain the application processing standards and the right to file an application on the day of initial contact.	**SUPPORT FSP VERSION. Poor families have a right to be informed as to what they are entitled to given the widespread blatant violations of the rights of AFDC and Food Stamp recipients by welfare bureaucrats.**
Waiver of Face-to-Face Interview	There is no provision for a waiver of a face-to-face interview.	The food stamp regulations provide for waiver of face-to-face interviews at the food stamp office in certain situations.	**SUPPORT FSP VERSION. The Food Stamp Program is more "recipient sensitive" than the AFDC program, which gives "maximum flexibility" to the welfare bureaucrats and "zero flexibility" to recipients. We believe that "maximum flexibility" should be given to recipients. State welfare bureaucrats should be given the ability to respond to the "flexibility" of recipients.**
Expedited Service	States have the option to operate an "emergency assistance" program. These programs are generally used by states to get increased federal financial participation for certain categories of families with children.	The food stamp office must determine if the applicant needs expedited service, which is the food stamp version of emergency assistance. If the HH is eligible for expedited service, food stamp benefits must be provided within 5 days.	**SUPPORT FSP VERSION. Poor children in dire need should receive relief right away. The AFDC program does not do that. The FSP does.**

ISSUE	AFDC POLICY	FSP POLICY	RECIPIENT POSITION
Nutrition Education Plan	No provision.	Requires the state agency to develop a nutrition education plan.	SUPPORT FSP VERSION
Hours of operation	No provision.	Requires that the state agency establish hours of operation to assure that working persons can apply for FS benefits.	SUPORT FSP VERSION. Many poor persons have lost their jobs because they had to spend more time at the welfare office waiting to see their worker than at the new job. If they don't cooperate with the welfare bureaucrats, they lose their benefits, if they cooperate with the welfare bureaucrats, they often lose their job.
Outreach	No provision.	The regs require that the state agency conduct a watered down outreach to inform the public of the availability of food stamp benefits.	SUPPORT FSP VERSION. The current outreach requirement should be strengthened. There should be "client service centers" funded through underpaid AFDC and Food Stamp benefits to help AFDC and Food Stamp recipients through the "welfare house of mirrors".
Home visits	No provision.	Allows for home visits if the office interview is waived, provided the date and time is scheduled with the HH in advance.	SUPPORT FSP VERSION. The AFDC program uses home visits to harass families, like making midnight visits or early morning visits, interrogating little children in front of the parent, telling parents in front of the children that they are "welfare cheats" and will go to jail unless they cooperate with the visiting welfare bureaucrat.

ISSUE	AFDC POLICY	FSP POLICY	RECIPIENT POSITION
Replacement of lost or stolen benefits	Provides for replacement of lost or stolen checks.	Provides for a specified process for replacement of lost or stolen benefits.	SUPPORT FSP VERSION. Many families end up homeless because they don't get their welfare check on time. The state takes weeks, if not months to replace the lost or stolen welfare check.
Overpayments Adjustment Rate	Up to 10% at the states option. If the HH has earned income, then the overpayments is adjusted from the disregard amount. States are required to recoup agency caused overpayments by reducing regular benefits payments	States are allowed to establish various types of claims and are allowed to reduced Food Stamp benefits by 10% to recoup client caused overissuances.	SUPPORT FSP VERSION. Often AFDC recipients with overpayments are forced to quit their job due to the excess amount collected from their monthly grant. In addition AFDC reduces benefits for overpayments caused by the incompetence of the welfare bureaucrats through grant adjustment, whereas the FSP does not.

These are the major issues we were able to identify for this report, however,there are many more issues that need to be addressed.

NATIONAL WELFARE RIGHTS & REFORM UNION

STATEMENT OF PURPOSE

On June 30, 1987, on the 21st birthday of the Welfare Rights movement, the National Welfare Rights Union (NWRU) was formed.

We came from New York to California to rededicate ourselves to the pursuit of social justice for all members of our society--particularly those who have been excluded from the benefits of this nation.

According to one of our members "the current welfare system destroys families by keeping the husband and father out of the household, penalizes the parents (who are) trying to work themselves out of welfare, and punishes people, especially the children, for being poor."

In effect current welfare policy punishes all kinds of families by denying them the monetary support they need to feed and clothe their children, particularly families headed by women.

All people should have adequate income, regardless of their work, a guaranteed annual income so that no one in this nation should live in poverty.

All people should be able to live a life of dignity with full freedom and respect for human rights.

All low income people and public assistance recipients should enjoy a fair and open system which guarantees the full protection of the United States Constitution.

All low-income people and public assistance recipients should participate **directly** in the formation of decisions affecting their lives.

(CONTINUED ON PAGE 2)

National Welfare Rights & Reform Union
Central Office:1901 Alhambra Blvd., Sacramento, CA 95816 • (916) 736-0616

APWA

AMERICAN PUBLIC WELFARE ASSOCIATION

Kevin W. Concannon, President

A. Sidney Johnson III, Executive Director

February 24, 1993

Shirley Sagawa
Special Assistant to the President
The White House
1600 Pennsylvania Avenue, N. W.
Washington, D. C. 20500

Dear Ms. Sagawa:

This will confirm Betsey Rosenbaum's telephone conversations with you. We are inviting a White House representative to speak at the next meeting of the American Public Welfare Association's National Council of State Human Service Administrators. This meeting is scheduled in Washington for Wednesday morning, March 24, at 8:00 a.m. at the L'Enfant Plaza Hotel. If that date is unsatisfactory an alternative is our session the previous day, Tuesday, March 23, also at 8:00 a.m.

We would like to hear details of President Clinton's economic plan, his agenda for welfare reform, and other issues of interest to public human service administrators. APWA is a nonprofit, bipartisan organization representing the state public human service agencies, local public welfare agencies, and individuals with an interest in public welfare policy.

We very much hope someone will be able to accept this invitation. As soon as you can confirm your plans please contact Ms. Rosenbaum at (202) 682-0100. Thank you very much for your interest and assistance.

Best regards,

Sid Johnson

A. Sidney Johnson III
Executive Director

810 First Street, N.E., Suite 500, Washington, D.C. 20002-4267 (202) 682-0100 FAX: (202) 289-6555

The Association for Children for Enforcement of Support, Inc.

February 11, 1993

Mr. Bruce Reed
THE WHITE HOUSE
1616 Pennsylvania Avenue
Washington, D.C. 20036

Dear Bruce:

The following is a list of Federal Regulations that A.C.E.S. would like to see repealed concerning child support enforcement.

Many of these regulations were put in place in the closing days of the Bush Administration. A.C.E.S. feel that they are very harmful to children and any assistance that you can provide us to get these regulations repealed would be appreciated. 45 CFR Section 303.70(e)(4)(i). This regulation charges a $1.00 fee to state government for each federal parent locator done.

45 CFR Section 302.54(b)(1), this regulation removes the requirement for states to notify non-AFDC clients of child support collected on their case and allows them to only report quarterly to AFDC families. A.C.E.S. feels very strongly that it is important that the states are held accountable to report money collected on all cases. We have had several reports of embezzlement -- $100,000.00 in Ohio in one small county and $50,000.00 in a medium size county in California. We feel that this is a very important to hold the state child support agencies accountable for all funds received and disbursed.

45 CFR Section 303.100(c) allows the state to wait for a non-custodial parent to become a month behind in payments rather than obtaining an immediate income withholding on old cases. ACES would very much like old cases to be handled in the same way new cases and upon the request of the custodial or non-custodial parent an income withholding can be obtained. This is especially helpful to families where payments are made on an irregular basis such as once every three weeks. If these payments were collected through an income withholding, the family would be able to count on

ACES NATIONAL HEADQUARTERS, 723 PHILLIPS AVE., SUITE J, TOLEDO, OH 43612
800-537-7072 419-476-2511

payments every week. Children cannot wait 2-3 weeks for groceries to be bought.

45 CFR 303.8 deals with modification of child support orders. Language needs to be added to the section: which states that the state government must obtain proof of a person's income such as the last three paycheck stubs in order to determine if the case is appropriate for modification. It also should require the state agencies to have administrative subpoena powers so that they can obtain information directly from an employer rather than relying on the payor to provide such information.

As always, your assistance with these issues is appreciated. We were especially delighted to hear President Clinton talk about the need for Americans to be more responsible for child support, the need for more IRS involvement in the child support enforcement system and the development of a national child support registry. His words were well received by ACES members throughout the United States!

Looking forward to hearing from you soon and working with you for justice for the children.

Sincerely,

Geraldine Jenson

Geraldine Jenson

GJ/jmp

The Heritage Foundation MEMO TO: President-Elect Clinton

No. 12

214 Massachusetts Avenue, N.E. Washington, D.C. 20002-4999 (202) 546-4400

January 18, 1993

A COMPREHENSIVE URBAN POLICY: HOW TO FIX WELFARE AND REVITALIZE AMERICA'S INNER CITIES

Let's make welfare a second chance, not a way of life. I want to erase the stigma of welfare for good by restoring a simple, dignified principle: no one who can work can stay on welfare forever.

It's time to honor and reward people who work hard and play by the rules....that means providing opportunity, demanding responsibility, and ending welfare as we know it.

Bill Clinton,
"On Rewarding Work" (Clinton campaign document)

EXECUTIVE SUMMARY

Your own comments during the campaign, President-elect Clinton, show that you recognize —like most Americans—that the welfare system is a failure. It has been 25 years since the urban riots of the 1960s led President Lyndon Johnson to ask Congress for a massive expansion of urban welfare programs. But the 1992 riots in Los Angeles show the problems of the inner city have not been solved. Indeed, in most respects, they have become worse.

This is not because of a lack of government spending. In 1990, federal, state, and local governments spent \$226 billion on assistance programs for low-income persons.[1] This figure includes only spending on programs for the poor and near-poor; it excludes middle-class entitlements such as Social Security and Medicare. Adjusting for inflation, total welfare spending in 1990 was five times the level of spending in the mid-1960s, when the War on Poverty began. In fact, total welfare spending on the War on Poverty since 1964 has been \$3.5 trillion (in constant 1990 dollars)—an amount, after adjusting for inflation, greater than the entire cost of World War II.

1 Robert Rector, "The Paradox of Poverty: How We Spent \$3.5 Trillion Without Changing the Poverty Rate," *Heritage Lecture* No. 410, p. 1.

The plight of America's inner cities is powerful testimony not only to government failure in welfare, but also to the deterioration of the criminal justice and education systems. The welfare problem is not merely the very high level of spending; it is that nearly all welfare expenditure is replete with perverse incentives that promote self-destructive behavior among the poor. Similarly, America's criminal justice system has failed utterly in its basic task of removing dangerous repeat felons from the inner-city communities where they victimize the law-abiding poor at a terrifying rate. And while it is bad enough that America's public school system has arrested the intellectual development of middle-class youth, as evidenced by virtually every measure of academic performance, the real catastrophe is that in many cases it has left the children of the urban poor without even basic reading and math skills.

Complicating your attempts to reform welfare and urban policy is that too many self-proclaimed minority cultural and political leaders, as well as urban power brokers, have watched the alarming decline of moral values and family structure in the inner city with apparent indifference. When the War on Poverty began in the mid-1960s, roughly one out of four black children was born out of wedlock. Today the figure is two out of three. Similar trends have occurred among low-income whites. But too many powerful political and community leaders not only remain silent about these problems, they actively criticize reformers who dare to comment on them.

As President, you must take the lead to reform the anti-poverty system, and thus give substance to your bold campaign promises. Specifically, there are five actions you must take to begin to address the disastrous condition of America's inner cities:

Action 1: Take steps that will achieve a comprehensive reform of the welfare system.

Americans increasingly recognize that the current welfare system is harming the poor rather than helping them. Welfare has undermined the family and promoted long-term dependency. Your Administration can fulfill your solemn pledge to transform welfare from a one-way handout into a system of mutual obligation. As Ben Wattenberg, your vocal supporter at the American Enterprise Institute, has observed, welfare reform is the "read my lips" pledge of the Clinton Administration. You must deliver on it. You must achieve legislation that will require responsible behavior from welfare recipients as a condition of receiving benefits. You must also win changes in the law that will convert welfare from a system which rewards non-work and single parenthood into one which rewards work and marriage. The most important factor in changing the welfare incentive system is to require most able-bodied welfare recipients to work in exchange for the benefits they receive.

Action 2: Improve inner-city education by supporting real school choice.

Your Administration must also improve the education of low-income children by promoting true competition in education. This means nothing less than empowering low-income parents, through vouchers, to choose the schools their children will attend. Choice must not be restricted to public schools only. In many inner cities, the only schools that provide an acceptable level of education are private. The rich and powerful already have school choice; the poor and powerless do not. If you and Al Gore and Jesse Jackson all can decide to send your children to private schools, a poor parent should have the same choice.

Including religious schools in any education choice plan is also crucial. The reason: The empirical evidence supports the role of religious institutions in improving the quality of life of inner-city children. The inner-city church is the primary bulwark in the fight against crime, poverty, and despair. Religious belief is the strongest single factor in determining whether or not a poor child will finish school and escape from poverty. An urban policy which ignores the role of religious institutions is doomed to failure.

Action 3: Create jobs by signing enterprise zone legislation.

By removing high taxes and excess government regulation, enterprise zones can create jobs and economic opportunity in designated urban areas. The majority of states have enacted such zones, and they have proved successful.[2] The effectiveness of urban enterprise zones can be greatly expanded if the federal government joins state and local governments in offering regulatory and tax relief within the targeted areas. Legislation was passed by both houses of Congress last year, as part of a huge tax bill, and was vetoed by George Bush. Ask for the enterprise zone provisions to be strengthened and sent to you as a separate bill, and then sign it.

Action 4: Launch a War on Crime.

America's crime rate is alarming. And the most frequent victims of crime are black and poor. High crime rates also drive business and jobs out of the inner city. But this problem can be controlled if your Administration has the will to do it.

The majority of serious crime is committed by no more than three percent of the male population. But the criminal justice system today operates like a revolving door, arresting chronic criminals repeatedly, and quickly dumping them back into urban communities where they prey on their poor victims again and again.

The key to restoring public safety in urban America is to incarcerate these persistent criminals and keep them off the streets. To do this, you should commit your Administration to encouraging a significant expansion of prison capacity at the state and local level. The reward: Repeat offenders can be locked away where they can do no further harm to the community.

Action 5: Lead a campaign to restore moral values and personal responsibility within the inner-city communities.

The plight of the inner-city poor is rooted in underclass behaviors: illegitimacy, non-work, crime, and drugs. These behaviors are in turn molded by the prevailing values and norms of low-income communities. As President, you must raise to national prominence a "new breed" of community leaders who will be heard and respected by the inner-city poor. These leaders must promote moral renewal within urban communities, restoring a sense of respect to study and learning, the dignity of all labor, and the sanctity of marriage. They must stress the broad opportunities available to Americans of all races and the enduring link between personal values and behavior and success or failure in our society.

The problems of the inner city are severe and the task before you is great. However, if you adhere to your campaign promise to break sharply with liberal policies of the past, the potential for improving the lives of disadvantaged Americans is also great.

HOW WELFARE HAS HARMED THE POOR

Welfare spending by federal, state, and local governments reached a record high of $226 billion in 1990, the latest year for which complete data are available. This amounted to 4.1 percent of America's gross national product. This is the same proportion that was spent during the Great Depression of the 1930s, when a quarter of the labor force was unemployed. Total welfare spending is now more than twice the level needed to raise the incomes of all poor Americans above the official poverty income thresholds.

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2 Carl F. Horowitz, Ph.D., "New Life for Federal Enterprise Zone Legislation," Heritage Foundation *Backgrounder* No. 833, June 4, 1991, p. 3.

The reason that Americans are so critical of the welfare system is not just its very high costs, but also the accurate perception that welfare actually has harmed the very poor people it is intended to help.

To understand why this is so, and how to reform the system, one must begin with an understanding of two separate concepts of poverty: "material poverty" and "behavioral poverty." Material poverty means, in the simplest sense, having a family income below the official poverty income threshold, which was $13,942 for a family of four in 1991. To the ordinary American, to say someone is "in poverty" implies that he is malnourished, poorly clothed, or lives in filthy, dilapidated, and overcrowded housing. In reality, there is little material poverty in the U.S., at least in the sense generally understood by the public.[3]

Many of your advisors no doubt will tell you that poverty is widespread. But as they tell you this, you must maintain a historical perspective. Remember that in 1990, after adjusting for inflation, the per capita expenditures of the one-fifth of the U.S. population with the lowest income exceeded the per capita income of the median American household in 1960.[4]

Beware also of claims of widespread hunger and malnutrition among the poor. There is little or no poverty-induced malnutrition in the U.S. Persons defined by the U.S. government as "poor" have almost the same average level of consumption of protein, vitamins, and other nutrients as persons in the upper middle class.[5] Children living in "poverty" today, far from being malnourished, actually grow up to be one inch taller and ten pounds heavier than the average child of the same age in the general population in the late 1950s.[6] The principal nutrition-related problem facing poor persons in the United States today is not "hunger"—it is obesity. Remarkably, the poor in the U.S. have a higher rate of obesity than do members of other socioeconomic groups.

Likewise, you must resist liberal propaganda that America's poor are generally ill-housed. "Poor" Americans have more housing space and are less likely to be overcrowded than the average citizen in Western Europe.[7] Nearly all of the American poor live in decent housing that is reasonably well-maintained. In fact, nearly 40 percent of the households defined as "poor" by the U.S. government actually own their own homes.[8]

While few of today's poor are malnourished or ill-clothed, many suffer from what might be called poverty of the spirit, a "behavioral poverty." Behavioral poverty refers to a breakdown in the values and conduct which lead to the formation of healthy families and communities, stable personalities, and self-sufficiency. It incorporates a cluster of social pathologies, including: eroded work ethic and dependency, a lack of educational aspiration and achievement, the inability or unwillingness to control one's children, increased single parenthood and illegitimacy, criminal activity, and drug and alcohol abuse. While material poverty may be rare in the United States, behavioral poverty is entrenched and growing.

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3 Robert Rector, "How the Poor Really Live: Lessons for Welfare Reform," Heritage Foundation *Backgrounder* No. 875, January 31, 1992.

4 Robert Rector, Kate Walsh O'Beirne, and Michael J. McLaughlin, "How Poor are America's Poor?" Heritage Foundation *Backgrounder* No. 791, September 21, 1990, p. 2.

5 Robert Rector, "Food Fight: How Hungry Are America's Children?", *Policy Review*, Fall 1991, pp. 38-43. Robert Rector, "Hunger and Malnutrition Among American Children," Heritage Foundation *Backgrounder* No. 843, August 2, 1991.

6 Bernard D. Karpinos, *Height and Weight of Military Youths* (Medical Statistics Division, Office of the Surgeon General, Department of the Army, 1960), pp. 336-351. Information on the current height and weight of youths provided by the National Center for Health Statistics of the U.S. Department of Health and Human Services based on the National Health and Nutrition Examination Survey.

7 Rector, "How the Poor Really Live," *op. cit.*, pp. 12-13.

8 *Ibid.*

The central dilemma of the welfare state is that the prolific government spending intended to alleviate material poverty has led to a staggering increase in "behavioral poverty." The War on Poverty may have raised the material standard of living of some Americans, but at the cost of creating whole communities where traditional two-parent families have vanished, work is rare or non-existent, and multiple generations have grown up dependent on government transfers.

Negative Incentives. This happens because the current welfare system is plagued with negative incentives. It is a system which offers each single mother with two children a "paycheck" of combined benefits worth an average of between $8,500 and $15,000, depending on the state.[9] The mother has a contract with the government: She will continue to receive her "paycheck" as long as she fulfills two conditions:

1) She must not work; and

2) She must not marry an employed male.[10]

Thus, the system makes marriage economically irrational for most low-income parents. It converts the low-income working husband from a necessary breadwinner into a net financial handicap. It transforms marriage from a legal institution designed to protect and nurture children into an institution which financially penalizes nearly all low-income parents who enter into it.

Across the nation, the current welfare system has all but destroyed family structure in the inner city. Welfare establishes strong financial disincentives effectively blocking the formation of intact, two-parent families. Example: Suppose a young man in the inner city has fathered a child out of wedlock with his girlfriend. If this young father abandons his responsibilities to the mother and child, government will step in and support the mother and child with welfare. If the mother has a second child out of wedlock, as is common, average combined benefits will reach around $13,000 per year.

If, on the other hand, the young man does what society believes is morally correct and behaves responsibly, that is, marries the mother and takes a job to support the family, government policy takes the opposite course. Welfare benefits would be almost completely eliminated. If the young father makes more than $4.50 per hour, the federal government actually begins taking away his income through taxes. The Family Support Act of 1988 will permit the young father to marry the mother and join the family to receive welfare, but only as long as he does not work.[11] Once he takes a full-time job to support his family, the welfare benefits are quickly eliminated and the father's earnings are subject to taxation.

Significantly, the onset of the War on Poverty coincided with the disintegration of the low-income family—the black family in particular. At the outbreak of the Second World War, the black illegitimate birth rate was slightly less than 19 percent. Between 1955 and 1965 it rose slowly, from 22 percent in 1955 to 28 percent in 1965. But beginning in the late 1960s, the relatively slow growth in black illegitimate births skyrocketed—reaching 49 percent in 1975 and 65 percent in 1989. If current trends continue, the black illegitimate birth rate will reach 75 percent within ten years. Similar trends are occurring among low-income whites.[12]

9 This sum equals the value of welfare benefits from different programs for the average mother on AFDC.

10 Technically the mother may be married to a husband who works part-time at very low wages and still be eligible for some aid under the AFDC-UP program. However, if the husband works a significant number of hours per month even at a low hourly rate, his earnings will be sufficient to eliminate the family's eligibility to AFDC and most other welfare.

11 The 1988 federal welfare law required all states to establish an AFDC-UP program by October 1, 1990. Prior to passage of the 1988 welfare law, 23 states did not have an AFDC-UP program; those states are allowed to limit AFDC-UP cash benefits to six months, but are required to continue to provide Medicaid as long as the family was otherwise eligible for AFDC.

Generous welfare benefits to single mothers have contributed directly to the rise in illegitimate births.[13] Recent research by C. R. Winegarden, of the University of Toledo, found that half of the increase in black illegitimacy in recent decades could be attributed to the effects of welfare.[14] Research by Shelley Lundberg and Robert D. Plotnick, of the University of Washington, shows that an increase of roughly $200 per month in welfare benefits per family causes the teenage illegitimate birth rate in a state to increase by 150 percent.[15] June O'Neill of Baruch College in New York City has found that a 50 percent increase in the value of monthly Aid to Families with Dependent Children (AFDC) and Food Stamp payments results in a 43 percent increase in the number of out of wedlock births in a state.[16] Similarly, high benefits discourage single mothers from remarrying. Research by Dr. Robert Hutchens of Cornell University shows that a 10 percent increase in AFDC benefits in a state will cause a decrease in the marriage rate of all single mothers in the state by 8 percent.[17]

Penalizing Work. Among the poor, another devastating legacy of the past 25 years has been the dramatic reduction in work effort. For a growing number of poor Americans, the existence of generous welfare programs makes not working a reasonable alternative to long-term employment. 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 know as the Seattle/Denver Income Maintenance Experiment, or "SIME/DIME."

Advocates of expanding welfare had hoped that SIME/DIME, and similar experiments conducted in other cities, would prove that generous welfare benefits did not adversely affect work effort. Instead, the SIME/DIME experiment found that every $1.00 of extra welfare given to low-income persons reduced labor and earnings by $0.80.[18] The results of the SIME/DIME study are directly applicable to existing welfare programs: Nearly all have strong anti-work affects such as those studied in the SIME/DIME experiment.

The effects of welfare in undermining the work ethic are quite apparent. In the mid-1950s, nearly one-third of poor households were headed by an adult who worked full time throughout the year. Today, with greater welfare benefits available, only 16.4 percent of poor families are headed by a full-time working adult.

Inter-Generational Dependence. Of the 4.4 million families currently receiving assistance through AFDC, well over half will remain dependent for over ten years, many for fifteen years or longer.[19] Welfare dependency also appears to spread from one generation to another. Children raised in families that receive welfare assistance are themselves three times more likely to

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12 U.S. Department of Health and Human Services, National Center for Health Statistics. Note: The black illegitimate birth rate is available only from 1969 on. The pre-1969 black illegitimate birth rates were calculated using the very similar "non-white" rate.

13 For a review of the relationship between welfare and family structure, see Charles Murray, "Welfare and the Family: The U.S. Experience," *Journal of Labor Economics*, forthcoming.

14 C.R. Winegarden, "AFDC and Illegitimacy Ratios: A Vector Autoregressive Model," *Applied Economics*, March 1988, pp. 1589-1601.

15 Shelley Lundberg and Robert D. Plotnick, "Adolescent Premarital Childbearing: Do Opportunity Costs Matter?" June 1990, a revised version of a paper presented at the May 1990 Population Association of America Conference in Toronto, Canada.

16 M. Anne Hill and June O'Neill, *Underclass Behaviors in the United States: Measurement and Analysis of Determinants*, forthcoming paper; research funded by Grant No. 88 ASPE201A, U.S. Department of Health and Human Sevices.

17 Robert Hutchens, "Welfare, Remarriage, and Marital Search," *American Economic Review*, June 1989, pp. 369-379.

18 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.

19 David Elwood, *Targeting "Would-be" Long-term Recipients of AFDC* (Washington, D.C.: U.S. Department of Health and Human Services, January 1986), p. 5.

be on welfare than other children when they become adults.[20] This inter-generational dependency is a clear indication that the welfare system is failing in its goal to lift the poor from poverty to self-sufficiency.

Effects of Family Disintegration. The collapse of family structure in turn has crippling effects on the health, emotional stability, educational achievements, and life prospects of low-income children. Children raised in single-parent families, when compared to those in intact families, are one-third more likely to exhibit behavioral problems such as hyperactivity, antisocial behavior, and anxiety. Children deprived of a two-parent home are between two and three times more likely to need psychiatric care than those in two-parent families.[21] And they are more likely to commit suicide as teenagers.

Absence of a father also increases the probability that a child will use drugs and engage in criminal activity.[22] Recent research by June O'Neill, for example, shows that young black men raised in single-parent families are twice as likely to engage in criminal activity when compared with young black men raised in two-parent families—even after holding constant a wide range of variables such as family income, urban residence, neighborhood environment, and parents' education.[23]

Because the father plays a key role in a child's cognitive development, children in single-parent families score lower on IQ tests and other tests of mental ability.[24] Children in single-parent families are three times more likely to fail and repeat a year in grade school than are children in two-parent families. In all respects, the differences between children raised in single-parent homes and those raised in intact homes are profound, and such differences persist even if single-parent homes are compared to two-parent homes of exactly the same income level and educational standing.[25]

But the greatest tragedy is that children from broken homes, when they have grown to adulthood, tend to pass on the same problems to their own children. Weakened in their own development, children from single-parent homes are markedly less likely to be able to establish a stable married life when they become adults. Young white women raised in single-parent families are 164 percent more likely to bear children out of wedlock themselves and 111 percent more likely to have children as teenagers. If these women do marry, their marriages are 92 percent more likely to end in divorce than are the marriages of women raised in two-parent families. Similar trends are found among black women.[26] Family instability and its attendant problems are thus passed on to future generations.

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20 M. Anne Hill and June O'Neill, *Underclass Behaviors in the United States: Measurement and Analysis of Determinants* (New York City, City University of New York, Baruch College, March 1990).

21 Dr. Deborah A. Dawson, "Family Structure and Children's Health and Well-being: Data from the 1988 National Health Interview Survey on Child Health," presented at the Annual Meeting of the Population Association of America, Toronto, May 1990, Table 5.

22 Nicholas Davidson, "The Daddy Dearth," *Policy Review*, Winter 1990, p. 43.

23 Hill and O'Neill, forthcoming, *op. cit*.

24 Marybeth Shinn, "Father Absence and Children's Cognitive Development," *Psychological Bulletin*, Vol. 85, No. 2 (1978), pp. 295-324.

25 Dawson, *op. cit.*; Davidson, *op. cit*.

26 Irwin Garfinkel and Sara S. McLanahan, *Single Mothers and Their Children: A New American Dilemma* (Washington, D.C.: The Urban Institute Press, 1986) p. 31.

HOW TO BRING HOPE TO POOR COMMUNITIES

During the campaign, Mr. Clinton, you seemed aware of the problem. Hopefully you understand its immensity. If so, you will appreciate that you must take bold action on several fronts.

Action 1: Take steps that will achieve a comprehensive reform of the welfare system.

If you are to deliver on your pledge to bring about serious and permanent change in the system, you must promote comprehensive reforms which maintain a balance between two key themes. First, you must seek to increase the rewards for work and marriage among low-income families. Second, you must reduce the rewards currently provided in the form of welfare for non-work and single parenthood. Reforms which fail to follow this balanced approach will be unsuccessful. Comprehensive reform of this kind must have seven components:

1) **Reduce, not expand, benefits.** Welfare benefits for families on AFDC should be reduced, particularly in states with high benefit levels. Most Americans do not realize that AFDC recipients are eligible for benefits from nearly one dozen major welfare programs. In all but five states, the combined value of benefits received by the average AFDC family exceeds the federal poverty income threshold. As noted, higher monthly benefit levels lead to more illegitimate births, more single parenthood, and less work. Moreover, there is considerable inequality in welfare benefit levels within each state. Because some families receive aid from many programs, they will have combined benefits much greater than other welfare families of the same size and characteristics within the state. For example, AFDC families which also receive housing aid will have overall benefits some $4,000 to $5,000 higher than other AFDC families within the state. In almost every state such families will have combined welfare benefits well above the poverty threshold. Your Administration should introduce legislation to reduce AFDC payments to families who also receive housing aid.

2) **Enact legislation that will establish and enforce serious work requirements.** The federal government should require some, though not all, welfare recipients to work in exchange for benefits received, a concept you have already endorsed in principle. Non-elderly and non-disabled recipients of Food Stamps and individuals who have received Unemployment Insurance for over six weeks should be required to perform community service for at least twenty hours per week.[27] Within the AFDC program, mothers who do not have children under age five or who have received AFDC for over five years should be required to perform community service for at least 35 hours per week in exchange for benefits. In all two-parent families receiving AFDC, one parent should be required to work. For all programs the work requirement should be permanent, lasting as long as the individual or family receives benefits.

   This policy would specifically exempt most mothers with pre-school children from the work requirement. Because of the high costs of providing daycare, work requirements for mothers with pre-school children probably would increase rather than cut total welfare costs. Moreover, you should be cautious about any policy which separates young children

27 Requiring someone to perform community service means that they would perform useful functions in government or in non-profit private sector organizations. Community service is also called "work experience." Many legislators argue that they would like to require welfare recipients to work in for-profit sector jobs, but this expectation is unrealistic because few private sector employers are willing to employ persons who literally have to be forced to work. However, requiring the recipient to perform community service with a government organization removes the recipient's option of receiving welfare income without labor. The work requirement makes welfare less attractive relative to employment and will thereby induce many recipients to take real private sector jobs.

from their mothers, as this may have a significant negative effect on the children's development. Thus a well-designed work program generally should not include mothers with young children, at least initially; however, a second rule that all mothers who have received AFDC payments for over five years, either continuously or in separate periods, is needed to discourage mothers from intentionally having additional children to avoid their work obligation.

If such a work policy were enacted and enforced, roughly 50 percent of AFDC mothers would be required to work as a condition of receiving benefits. This would be an enormous improvement over the present rate. In the average state today, only 7 percent of AFDC mothers participate in job search, work, or training programs. You can change this, if you put serious policy initiatives behind your solid rhetoric.

3) **Enact legislation requiring responsible behavior as a condition of assistance.** You should require responsible behavior as a condition of receiving welfare benefits. This would include insisting that unmarried, minor mothers reside with their parents or in some other adult-supervised setting, and reducing payments to mothers who fail to provide their children with free immunizations. Most important, mothers who bear additional children while they are already receiving welfare should not receive an increase in welfare benefits.

4) **Promote paternity establishment and enhance enforcement of child-support payments.** Single mothers should not be eligible for welfare unless they are willing to identify the father of their children. Contrary to popular perception, most unwed mothers are not promiscuous; the father of the child is well-known to them. In cases where it is unclear which male is the father, modern scientific methods permit the true biological parent to be determined with nearly absolute certainty. All single mothers prospectively enrolling in the AFDC program should be required to have paternity for their child legally established as a condition of receiving benefits. The absent fathers then should be required to pay child support to offset at least some of the costs of providing welfare to their children. If an absent father claims he cannot pay child support because he cannot find work, he should be required to perform community service to pay off his child-support obligations.

Establishing a rigorous paternity and child-support system would greatly reduce the incentives for young males to enhance their macho image by siring children out of wedlock whom they have no intention of supporting. Another benefit of the policy is that it would increase the rewards to responsible couples who marry relative to those who do not. Thus, over time, it would encourage marriage. But, a word of warning: The government should avoid aggressively pursuing child support payments among young, low-skilled males without a firm community service requirement for absent fathers who claim they are unemployed. Aggressive child-support activities toward this group, without an accompanying community service requirement for fathers who fail to pay child support, would counterproductively induce many young men to leave the labor force, or work "off the books," to evade child support obligations.

5) **Require states to enforce education requirements.** You should issue regulations requiring states to rigorously enforce the current federal law requiring all those AFDC mothers under age eighteen who have not completed high school or passed a GED, to attend school. In order to avoid the undesirable effects of separating infants from their mothers, mothers with infant children should not be required to participate more than twenty hours per week.

6) **Enact legislation to provide tax credits or vouchers for medical coverage to all working families.** The current welfare system, which provides free medical coverage to single parents and non-working two-parent families on AFDC, but does not provide medical assistance to low-income working families, discourages both work and marriage. The federal government could reduce the anti-work/anti-marriage effects of welfare by enacting the comprehensive medical reform proposed by Heritage Foundation scholars in *A National Health System for America.*[28] The Heritage Foundation's Consumer Choice Health Plan would give federal tax credits and vouchers to low-income working families not eligible for Medicaid for the purchase of medical care, including catastrophic insurance coverage.

7) **Support legislation to provide tax relief to all families with children.** The federal government heavily taxes low-income working families with children. A typical family of four making $20,000 a year currently pays $3,780 in federal taxes.[29] This heavy taxation reduces the rewards of work and marriage relative to welfare, and thus promotes dependence. A crucial step in welfare reform is broad family tax relief along the lines proposed in the Heritage Foundation's study, *A Prosperity Plan for America: How to Strengthen Family Finances, Revive the Economy and Balance the Budget.*[30] This plan would provide a $1,000 tax cut for each school-age child in a family and a $1,500 tax cut for each preschool child; such tax credits could be used to reduce the family's income tax liability and both the employee and employer share of the Social Security payroll tax. The revenue loss of these tax credits would be matched by corresponding spending cuts enforced by capping the growth of total federal domestic spending. The plan thus would not add to the federal deficit.

Action 2: Improve inner-city education by supporting real school choice.

Despite nearly a decade of "reforms" following the publication of the National Commission on Excellence in Education's *A Nation at Risk* in 1983, there is little evidence that America's system of government education has improved. For low-income students trapped in decaying inner-city government schools, student achievement has not only stagnated or declined, but the schools themselves have also become virtual war zones. Every year nearly three million criminal acts are attempted or completed inside the schools and on school property; every month nearly 300,000 high school students are physically attacked. The Detroit school district was even shut down for two days in 1987 after 102 school-age children under the age of sixteen were shot during a four-month period.[31]

In addition to rampant violence, low-income students in the inner-city must cope with schools that generally provide the lowest quality education. This discourages students who want to learn and stifles academic achievement. In the Milwaukee, Wisconsin, public schools, for example, only 2 percent of black male children have a grade point average above 3.0. In some inner-city school districts, the high school dropout rate routinely exceeds 40 percent. Even among those low-income, inner-city students who manage to survive the mayhem and stay in school long enough to receive a high school diploma, student achievement levels are

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28 Stuart M. Butler and Edmund F. Haislmaier, eds., *A National Health System for America* (Washington, D.C.: The Heritage Foundation, 1989). See also Stuart M. Butler, "A Policy Maker's Guide to the Health Care Crisis, Part II: The Heritage Consumer Choice Health Plan," Heritage Foundation *Talking Points*, March 5, 1992.

29 Figures are for 1991.

30 Scott A. Hodge, ed., *A Prosperity Plan for America: How to Strengthen Family Finances, Revive the Economy and Balance the Budget* (Washington, D.C.: The Heritage Foundation, 1992).

31 Karl Zinsmeister, "Growing Up Scared," *The Atlantic Monthly*, June 1990, p. 50.

chronically poor. For example, half of the Chicago public high schools rank in the bottom 1 percent of the nation in scholastic achievement.[32]

While the educational changes during the past decade have resulted in higher teacher salaries, higher per-pupil expenditures, and smaller class sizes, the fundamental structure and delivery of education has changed very little. In the current government school monopoly, the needs of consumers (and especially poor consumers) are subordinate to special interests. The central office of the New York City public schools, for example, employs nearly 7,000 bureaucrats for its approximately 900,000 students—a ratio of one bureaucrat for every 155 students. The New York City Catholic schools, on the other hand, have fewer than 35 employees in the central office—a ratio of one for every 4,000 students.[33] Thus it is not surprising that in 1989 in New York City's public schools only 32 percent of the $6,107 allocated per pupil actually reached the classroom; the remaining 68 percent disappeared in administrative costs and overhead.[34]

The enormous government school bureaucracies and the politicized environment in which they function leave little room for innovation necessary to create the types of schools children need and parents want. Without competition and the threat of losing students and the dollars that come with them, it is impossible for the government school monopoly to change.

The needs of poor parents are routinely ignored. The large government school monopolies which dominate education in almost every major American city lack the incentives to improve the quality of education. The reason: They know the poor have no alternatives. In urban public school districts like Chicago, where the quality of education is notoriously low, those who can afford it usually send their children to private schools. In fact, 46 percent of public school teachers in Chicago—the very people who work in the system and know how bad it really is—send their children to private schools, while only 22 percent of all people with school-age children do so.[35]

Because the inner-city poor cannot escape into private schooling, they bear the heaviest burden of the failure of the government-run schools. Unlike nearly half of all Chicago public school teachers, the poor do not have the choice to "opt out" of dismal government schools. And unlike middle- and upper-class Americans, who can afford to either purchase homes in the suburbs or—as you have done—choose private schools, poor children are "left behind" with an increasingly sub-standard education. The poor's inability to choose alternative educational opportunities leaves them little or no leverage in dealing with the government school bureaucracy. Poor children and their parents will gain leverage only when their status with the government school monopoly changes from "guaranteed clients" to "education consumers."

The poor must be given the opportunity to take their business elsewhere. Your Administration can help them do precisely that. There are two steps you can take:

Step #1: Champion legislation in Congress and the states to establish education voucher programs.

32 Bonita Brodt, "Inside Chicago's Schools," in David Boaz, ed. *Liberating Schools*, (Washington, D.C.: The Cato Institute, 1991), p. 67.

33 Peter M. Flanigan, "A School System That Works," *The Wall Street Journal*, February 12, 1991.

34 Bruce S. Cooper and Robert Sarrel, *Managing for School Efficiency and Effectiveness: It Can Even Be Done in New York City*, pp. 4-7. Paper prepared for the University of Chicago Department of Education, August 1990.

35 Herbert J. Walberg, Michael J. Bakalis, Joseph L. Bast, Steven Baer, *We Can Rescue Our Children* (Chicago: Heartland Institute, 1989), p. 11.

Educational vouchers, which allow parents to use their share of a state's per-pupil expenditure in any public or private school of their choice, would create a consumer-driven education system. The principle: Let the funding "follow" the child.

Recognize that choice should not be restricted to public schools alone. The education establishment's rhetorical support for "public school choice," and their opposition to allowing parents to choose private schools, is an attempt to insulate the current bureaucratic monoploy from competition. Such "choice" plans are still an artificial restraint on consumer demand and a restriction on educational supply, so they will do little to improve the quality of American education. According to Brookings Institution Senior Fellow John E. Chubb and Stanford University Professor of Political Science Terry M. Moe, reforms like "public school choice" and school-based management, which gained popularity in the mid- to late 1980s failed because they relied on *status quo* institutions to implement reform when *status quo* institutions are themselves the problem. Critiquing "public school choice," Chubb and Moe point out:

> [C]hoice is usually restricted to a fixed set of existing schools, which reformers hope to improve through "competition" that choice will presumably stimulate. All these schools, however, have their existence and financial support guaranteed; actions are inevitably taken to ensure that no schools are "underenrolled" (a bureaucratic euphemism for what happens when schools are so bad no one wants to attend them); schools that do the worst are implicitly rewarded, because they tend to be the first in line for bigger budgets and more staff.... Under these conditions, giving parents and students choice among schools cannot in itself be expected to produce vigorous, healthy competition among schools.[36]

Chubb's and Moe's exhaustive ten-year study of 500 schools and 20,000 principals, teachers and students concludes that the only way to improve the quality of American education is to dismantle the current bureaucratic organization of schools and replace it with one that is generally responsive to consumer demands and competition. They show that competition will improve the quality of schools only when parents are given the freedom to choose from a wide supply of school options including private schools.

True voucher systems allow the urban poor to opt out of failing public schools and force the government school monopoly to compete for students by improving the quality of education they provide. You have already praised such a voucher program in Milwaukee, Wisconsin, championed by black Democratic legislator Polly Williams, which gave parents the right to use vouchers to send their children to public or private schools. Your Administration should promote the right of parents to choose which schools their children will attend by using the presidential "bully pulpit" to publicize the merits of parental choice in education. You should give strong support to states considering education choice statutes. You should also urge Congress to establish a federal program to provide funds for serious and widespread pilot choice programs in inner-city neighborhoods. Working with a Democratic Congress, you could be more successful in doing this than your predecessor.

If you embark on such a bold path on behalf of inner-city children, both your political courage and your tenacity will be sorely tested. The education establishment vehemently opposes giving parents the right to choose non-government schools. This opposition usually is shrouded in pious rhetoric about the "right of all Americans to a quality education," and the fear that

36 John E. Chubb and Terry M. Moe, *Politics, Markets and America's Schools* (Washington, D.C.: The Brookings Institution, 1990), p. 207-208.

school choice would "leave the poor behind in the worst schools." You should realize that these are thin arguments in defense of self-interest. Such arguments ignore the clear evidence showing that a quality education is virtually non-existent in most inner-city public schools, because the existing public school monopoly has trapped the poor in sub-standard education. The upper and middle classes already enjoy choice in education. It is time for you to give choice to the poor.

Step #2: Empower parents to use vouchers to help poor students attend religious schools.

While government can change incentives, there are limits to the power of government to change behavior. Realize that religion is still the strongest weapon in the war against family disintegration, crime, drugs, and despair in the inner city. Research by Dr. Roger Freeman of Harvard University shows that black inner-city youth who have religious values are 47 percent less likely to drop out of school, 54 percent less likely to use drugs, and 50 percent less likely to engage in criminal activities than those without religious values.[37] Religious institutions, including churches, can succeed in improving urban life where government has failed.

Reading and math skills are important in helping young persons in the inner city escape from poverty, crime, and social pathology. But equally important is the development of character, moral values, and self-discipline. While inner-city public schools do a bad job of teaching math and reading skills, they do almost nothing to impart moral values and character. By contrast, religious schools can do an excellent job in fostering the strong character and personal discipline necessary to help inner-city young people in their difficult struggle to transcend poverty and despair.

Moral renewal is the key to grappling with the present social pathologies of the inner city. Your Administration should harness the moral authority of the churches in the inner city, rather than relegating them to the sidelines. Parents who want to send their children to church schools must be empowered to do so, allowing inner-city religious authorities to play a much greater role in educating and molding the character of their children. Your Administration should take a bold step by promoting voucher systems which will empower poor parents with firm religious beliefs, enabling them to send their children to religious schools which reinforce, not undermine, their moral beliefs and values.

Liberals and their allies in the government school bureaucracies will claim that it is unconstitutional to allow parents to use vouchers for religious education. But the Supreme Court has clearly ruled in *Mueller v. Allen* and *Witters v. Washington State Department of Services for the Blind*, that vouchers or tax credits can be spent for religious education without creating constitutional problems. Just as a widow can place her Social Security check in the collection plate of a church or synagogue, or a veteran can use funds from the GI bill even to go to seminary without violating the constitutional provision against state-established religion, a poor parent may use education vouchers to place a child in a religious school. As long as the parent, not the government, decides where the voucher funds will be spent, the government has neither advanced nor hindered a particular religion, and there is no violation of the religious establishment clause of the First Amendment.[38]

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37 Michael Novak, *The New Consensus on Family and Welfare* (Washington, D.C.: American Enterprise Institute, 1987), p. 34.

38 See Clint Bolick, "Choice in Education: Part II - Legal Perils and Legal Opportunities," Heritage Foundation *Backgrounder* No. 809, February 18, 1991, p. 8.

Action 3: Create jobs by signing enterprise zone legislation.

You have said repeatedly that you favor enterprise zones. Working with a Democratic Congress here, you can be more successful than your predecessor in achieving federal legislation to complement similar legislation in the majority of states. Enterprise zones have been a centerpiece of a bipartisan urban economic development and anti-poverty strategy for over a decade.[39] Enterprise zone legislation enables a government body to designate certain economically depressed geographic areas as eligible for favored tax and regulatory treatment. Over three dozen states, plus Washington, D.C., since 1982 have enacted enterprise zone legislation. According to HUD estimates, this has meant a combined $28 billion in new business investment, and almost 260,000 new jobs.[40] State programs differ, but the more successful ones offer substantial tax and regulatory incentives to business.

New Jersey, for example, provides sales tax exemptions for equipment and materials, exemptions on state corporate income taxes, and an unemployment insurance tax rebate for each new employee making a gross salary of less than $18,000. As a result of these incentives (especially lower sales taxes), firms that received benefits for at least one year invested $800 million in the state's ten zones, creating over 9,000 jobs, in the program's first four years.[41]

A study of job growth in 357 enterprise zones in seventeen states by researchers at Pennsylvania State University shows that one-third of the zones have growth rates higher than the national rate. The average zone created or saved over 450 jobs.[42]

But federal enterprise zone legislation has been stalled. In 1980, then-Representative Jack Kemp, the New York Republican, along with then-Representative Robert Garcia, the New York Democrat, co-sponsored an enterprise zone bill, the Urban Jobs and Enterprise Zone Act. But Congress would not pass this legislation. Over the next decade, Congress considered numerous enterprise zone proposals, but passed no effective legislation.[43]

Finally, in 1992, Congress passed a watered-down version of enterprise zone legislation as part of Title I of a much larger tax and urban aid bill, the Revenue Act of 1992 (H.R. 11). But Congress deliberately coupled enterprise zone tax relief with large general tax increases, forcing President Bush to veto the bill.

Your Administration should give enterprise zone legislation a prominent place in your urban agenda. Your appointees should fight for a program that resembles the original enterprise zone idea in which business can invest in "free-trade" zones with a minimum of bureaucratic interference, not some watered down imitation.[44]

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39 Stuart M. Butler, "Enterprise Zones: A Solution to the Urban Crisis," Heritage Foundation *International Briefing* No. 3, February 20, 1979.

40 See Dan Cordtz, "Mainstreaming the Ghetto," *Financial World*, September 1, 1992, p. 23; Senators Bob Kasten and Joseph I. Lieberman, "Enterprise Zones: 'Greenlining' for Growth," *The Christian Science Monitor*, May 19, 1992.

41 Marilyn M. Rubin and Regina B. Armstrong, *The New Jersey Urban Enterprise Zone Program: An Evaluation*, report prepared for New Jersey Department of Commerce, Energy and Economic Development, Wayne, NJ: Urbanomics, July 1989.

42 See Rodney A. Erickson, Susan W. Friedman, and Richard E. McCluskey, *Enterprise Zones: An Evaluation of State Government Policies*, Washington, D.C.: U.S. Department of Commerce, Economic Development Administration, January 1989.

43 One provision in Title VII of the 1987 Housing and Community Development Act of 1987 allowed the Secretary of the Department of Housing and Urban Development (HUD) to designate certain areas as zones, and waive certain federal regulations for businesses located in them. But the legislation contained none of the tax incentives essential to creating an effective enterprise zone.

44 See Stuart M. Butler, *Enterprise Zones: Greenlining the Inner Cities* New York: Universe Books, 1981), pp. 75-163. See also, Stuart M. Butler, "The Urban Policy America Needs," Heritage Foundation *Executive Memorandum* No. 330, May 5, 1992, and Stuart M. Butler and Carl F. Horowitz, "How to Create a Successful Enterprise Zone Program," Heritage Foundation *Executive Memorandum* No. 334, June 9, 1992,

Working with Congress, you should follow three basic principles in shaping enterprise zone legislation:

Principle #1: Enterprise zone designation must be for at least a decade. As you know, one of the surest ways to undermine political support for an economic development plan is to exaggerate its potential for achieving goals. For zone designation to work in the most depressed areas, it will require several years at minimum to bear fruit. Supporters of a federal zone program should not be pressured to deliver immediately on promises. They can't. By setting up a program in this fashion, you will only give aid and comfort to the liberals who want to replace it with a grandiose urban "Marshall Plan." The idea of zones begins with the assumption that economic incentives rather than political favoritism is what attracts venture capital to risky areas that banks and other institutional lenders tend to avoid.

Principle #2: Federal zone designation should be supported by crime control. Many urban neighborhoods can be properly called "war zones," rather than enterprise zones. Unless gang members and other criminals are brought under control, tax breaks and other incentives will have only limited effectiveness in enticing businesses to enter an urban area. There were, after all, thousands of thriving businesses in South-Central Los Angeles until the 1992 riot. Luring businesses back will be difficult. A key goal of urban policy must be to convert urban war zones into urban enterprise zones, but to do this, tax breaks and other enterprise zone policies must be coupled with a dramatic increase in the effectiveness of the criminal justice system in crime-ridden urban areas.

Principle #3. Do not let congressional liberals, who have always opposed enterprise zones, play a "bait and switch" game. Congressional liberals will certainly try to turn your enterprise zone legislation into a standard Great Society-style anti-poverty program, in all but name. Liberal versions of enterprise zone legislation replace the original enterprise zone concept with federal micromanagement and spending. Localities applying for zone status must jump through all kinds of bureaucratic hoops, and demonstrate commitments to boost infrastructure, job training, housing, and education spending. Liberals also want to impose unworkable requirements upon jurisdictions with zone status to aid selected zone residents. But layers of red tape quickly erode the effectiveness of enterprise zones, and thereby in the long term only harm the poor.

Remember that the primary purpose of enterprise zones is to reward entrepreneurial risk-taking and create real jobs. It is not to shackle small businesses or taxpayers with the latest liberal interpretation of fairness or scheme for "social investment." The most successful state zone programs, such as those in New Jersey, Connecticut, Indiana, and Kentucky, give generous incentives to businesses, while avoiding massive regulation. You must convince liberals on Capitol Hill to allow enterprise zone programs to stimulate investment, not become platforms for new and costly federal micromanagement. If you don't, the effectiveness of any federal zone program will be seriously compromised.

An ideal enterprise zone bill would:

✓ Authorize some $5 billion over five years in tax reductions for participating zone businesses in 100 urban and rural zones, with at least two-thirds of the zones in urban areas;

✓ Fully exempt zone businesses from capital gains taxes, with a minimum holding period of no more than two years, and with no requirement to reinvest proceeds of a sale in a zone;

- ✓ Give individual investors a 50 percent income tax deduction, up to $50,000 annually and $250,000 lifetime, for the purchase of qualified enterprise zone stock; and
- ✓ Provide "fast-track" approval for waivers from certain federal regulations, including requirements for compliance with Davis-Bacon prevailing wages, as well as rules that unnecessarily inhibit job creation.

Action 4: Launch a war on crime.

America is in the grip of a violent criminal tidal wave. The number of major felonies per capita today is roughly three times the normal historic rates from before 1960.[45] Americans suffer one murder every 21 minutes, one rape every 5 minutes, one robbery every 46 seconds, and one motor vehicle theft every 19 seconds.

Although this crime wave threatens all Americans, its most frequent victims are the urban poor and black Americans. That is why you should pay particular attention to steps that would tackle inner-city crime. According to the 1990 National Crime Victims Survey conducted by the U.S. Department of Justice, families with annual incomes below $7,500 were almost twice as likely to suffer from rape, robbery, and severe assault as were families with incomes above $50,000. Black families were almost twice as likely to be victims of burglary and motor vehicle theft as were whites. Compared to whites, blacks nearly twice as often suffered rape robbery and severe assault.[46] When black Americans are asked to identify problems in their neighborhoods, crime is by far the most common problem cited. Not surprisingly, 79 percent of blacks think the courts are too lenient towards criminals, with only 6 percent who think courts are too harsh.[47]

Crime also has a devastating effect on economic opportunities in inner-city areas. Crime is the ultimate tax. It kills jobs and economic opportunity. While inner-city areas offer attractive features for many economic activities, it is unlikely that economic activity will flourish in these areas without a major reduction in crime.

Liberal Analysis of Crime is Wrong. In dealing with crime, you should not be misled by liberal advice, which claims that crime is not a law and order problem, but rather a broad social problem that can only be solved by tackling its alleged root economic causes and by increasing social services. Economic factors have only a small effect on crime rates. For example, cutting the unemployment rate in half would reduce the national crime rate by only an estimated 5 percent.[48] Significantly, the U.S. crime rate rose most rapidly during the economic boom of the 1960s and early 1970s when unemployment was low and wages were increasing rapidly. By contast, during the 1980s, when unemployment was higher and wage growth was slow, the crime rate levelled off and by some measures actually declined.[49]

Others claim that increasing welfare spending will reduce crime by tackling its alleged root causes. But as the following chart shows, crime rates grew most rapidly in the 1960s and 1970s while means-tested welfare spending was soaring.[50] During the 1980s, when the growth of wel-

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45 Timothy J. Flanagan and Kathleen Maguire, eds., *Sourcebook of Criminal Justice Statistics, 1991*, U.S. Department of Justice, Bureau of Justice Statistics (Washington, D.C.: U.S. Government Printing Office, 1992), p. 372.

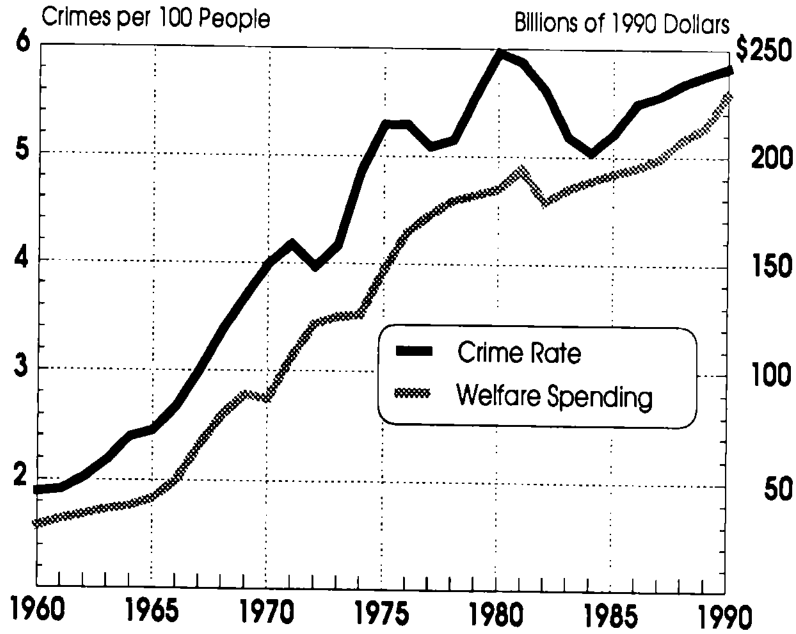
46 *Sourcebook of Criminal Justice Statistics, 1991*, p. 296.

47 *Sourcebook of Criminal Justice Statistics, 1991*, pp. 197, 203, 211.

48 James Q. Wilson and Richard J. Herrnstein, *Crime and Human Nature* (New York: Simon and Schuster, 1985), p. 319.

49 The *Uniform Crime Reports* of offenses reported to police show that serious crimes per capita declined by two percent between 1980 and 1990. The more accurate *National Crime Victimization Survey* which counts both reported and non-reported crimes found that the number of persons victimized by violent and property crime fell by 19.7 percent between 1980 and 1990. *Sourcebook 1991, op.cit.*, pp. 372 and 258.

Does Welfare Reduce Crime? 800% Increase in Spending Accompanied by a Tripling of Crime



Note: Figures include Federal, State and Local means-tested welfare spending.
Source: U.S. Department of Justice, *Sourcebook for Criminal Justice Statistics*, 1991; Robert Rector, *The Paradox of Poverty*, 1992.

Heritage DataChart

fare spending slowed, the crime rate levelled off. In fact the evidence strongly indicates that welfare spending, by promoting family breakup, has played a large role in increasing, rather than decreasing, crime.

In any case, the liberal social service model of crime prevention was thoroughly tested in the late 1970s as part of the "National Supported Work Demonstration" program, in which low-income men with prior criminal records were guaranteed a job and offered a wide array of counseling and other social services, costing $20,500 per recipient per year in 1992 dollars. It offered benefits and services which are almost certainly too expensive to duplicate on a national scale. According to conventional liberal wisdom, it should have been an enormous success. Despite the program's generous aid, however, controlled experimental evaluation showed that the program failed to decrease criminal activity, failed to decrease drug use, and failed to increase long-term employment. The same benefits provided to young high school dropouts produced no impacts on drug use, returning to school, and long-term earnings, and little to no impact on criminal behavior.[51]

While crime is rampant in our society, only a small fraction of young men commit the vast majority of serious crimes. The crime rate among these individuals is very high. One survey of prison inmates found that when free on the streets, the inmates committed an average of over

50 Crime data on the chart are from the Uniform Crime Reports. See previous note.

51 The Board of Directors of Manpower Demonstration Research Corporation, *Summary and Findings of the National Supported Work Demonstration (Cambridge, Mass.: Ballinger Publishing Company, 1980).*

180 crimes per year.[52] The key to public safety thus is to place these habitual criminals behind bars for long periods, where they cannot harm law-abiding members of society.

Your proposal to create a national police corps shows a commitment to fight crime. But the critical problem is not an inability to arrest and convict offenders, but a shortage of prison and jail space to house those awaiting trial and those convicted. The shortage of prison space is an obstacle which prevents removing felons from the community and stopping them from committing more crime. Thus, America suffers from a revolving door system in which violent and repeat felons are quickly returned to the community.

As President you should dedicate your Administration to a new "War on Crime," setting an explicit national goal of reducing the crime rate by 40 percent during your Presidency. You will have three tools to lead a war on crime. First, you can use the vast powers of the presidential bully pulpit to mobilize the public and to urge state governments to adopt the tough policies needed to reduce crime. Second, you can provide badly needed resources to help state and local governments in the war against crime. And third, you can adopt a tough law-and-order policy toward judicial appointments, avoiding nominating individuals to the bench whose personal judicial philosophy would lead to the erection of added legal impediments to the arrest, conviction and incarceration of dangerous felons.

Specific Actions. As President, you should take the following seven specific actions in launching a new "War on Crime." For actions which require new spending, revenues should be obtained by cutting wasteful expenditures in other programs, not through a general increase in federal spending. (The general issue of crime control and each of the specific recommendations are discussed in more detail in a forthcoming Heritage Foundation study: "Launching a New War on Crime.")

1) Urge states to eliminate pre-trial release for persons accused of major felonies.
2) Urge states to enact truth-in-sentencing laws requiring persons convicted of major felonies to serve at least 85 percent of their full sentence in prison.
3) Set a goal to expand federal, state, and local prison capacity by 50 percent; to accomplish this goal establish a federal matching grant program with minimum funding of $4 billion per year to help finance new prison construction at the state and local level.
4) Establish a new federal matching grant program to expand electronic monitoring of probationers and parolees by state and local governments.
5) Urge tough but fair "shock" treatment for first time non-violent juvenile offenders.
6) Urge states to facilitate the trial of serious juvenile offenders as adults.
7) Avoid appointing judges whose legal doctrines would undermine the effectiveness of law enforcement; ensure balance in your judicial appointments by asking the Fraternal Order of Police to review your judicial nominees and by giving their recommendations equal weight to those of the American Bar Association.

Action 5: Lead a campaign to reaffirm community moral values and personal responsibility.

Correcting the failures of government's welfare, criminal justice, and educational systems is necessary to the rebuilding of America's inner-city communities. But the recovery of urban

52 Richard B. Abell, "Beyond Willie Horton: The Battle of the Prison Bulge," *Policy Review*, Winter 1989, p. 34.

America ultimately will depend on what can be called moral renewal: the re-establishment of basic ethical standards.

The plight of the inner city is rooted in underclass behaviors. These behaviors in turn are molded by the cultural values and norms of the community. To be sure, many residents of the inner city fight hard to preserve such virtues as hard work and family responsibility, but these virtues have been badly eroded in many inner-city commmunities. For the problems of the inner city to be solved, there must be a fundamental change in general behavior which, in turn, will require an enormous shift in underlying norms and values.

As part of your overall urban strategy, your Administration must seek to help those within inner-city communities who subscribe to the ethical principles which are basic to a successful society to make these the values of the entire community. You must give national prominence to cultural and political leaders who proclaim the vital importance of moral renewal, and who will be heard and respected within low-income and minority communities. The younger generation must once again be taught a love of learning, the dignity of all labor, and the sanctity of marriage. The young must learn that out-of-wedlock childbearing is not an acceptable "alternative life style." Young men must learn that indiscriminately fathering children whom they have no intention of supporting is morally wrong. Young men and women must both recognize that having children when one is too young to have any real prospects of supporting a family harms the parent, the child, and the community. You must give prominence to community leaders who will continually teach the young that there are three simple rules for escaping from poverty in America: 1) finish high school; 2) get a job—any job—and stick with it; and 3) do not have children outside of marriage.[53] Those who abide by these rules of middle-class existence rarely will be chronically poor. Those who violate these rules are very likely to be trapped at the margins of our society.

Young people growing up in urban areas also need to be told the truth about opportunity in America. Severe as the problems of inner-city schools are, equally destructive is the indifference and even hostility which too many young people exhibit toward learning. This indifference should not be bolstered by a prevailing political culture that daily teaches them that society will always treat them unfairly or that "racism" will block their success, no matter how hard they try. This would be a dispiriting and harmful message to drone into young people even if partially true. But the message is false. Once differences in years of school completed, academic skills attained, and years in the labor force are weighed, there is virtually no difference in the wage levels of black and white men under the age of thirty. To the contrary, there is some evidence suggesting that blacks with a college education may be paid more than comparable whites.[54]

Thus it is not racism, but differences in educational achievement and labor force attachment which account for the modest differences in black and white wages.

Your Administration should stress the importance of young people seizing the opportunities available to them. For example, inner-city youths themselves state that jobs are available. The

53 Novak, *op. cit.*, p. 5.

54 The hourly earnings of black men aged 22 to 29 equals 83 percent of the young white men's earnings in the same age group. However, this wage difference is not caused by discrimination against black men in the labor market. Differences in years of school completed and actual math and verbal skills explained three quarters of the wage gap between blacks and whites. Differences in years of work experience accounted for virtually all of the remaining gap. Thus black men did not earn less than whites with comparable education, math and language skills and years of work experience. See June O'Neill, "The Role of Human Capital in Earnings Differences Between Black and White Men," *Journal of Economic Perspectives*, Fall 1990. This study also found that normal indicators of public school spending such as pupil/teacher ratios or percentage of teachers with advanced degrees did not have a positive effect in raising the earnings of blacks or whites.

best information on this topic was gathered by a National Bureau of Economic Research (NBER) survey of disadvantaged young black men in ghetto communities in the late 1970s. Ninety-three percent of those surveyed said that they could obtain jobs if they wanted them. Seventy percent said getting a job would be easy; another 23 percent said finding a job was difficult but that work was obtainable if they wanted it. Only seven percent said it was impossible for them to obtain work. There is no evidence that the situation has changed since the NBER survey.[55] The problem is not that inner-city youth cannot find employment, but that they refuse the jobs available.[56]

As President, the message you must communicate to youth is that their fate is very much in their own hands. Thousands of hours spent mastering the monotonous, but essential skills of math, spelling, and grammar will pay off for blacks as much as for whites. And those who master real educational skills, and take a "dead end" entry job, and continue striving, will over time move on to better opportunities.

Although some will denounce these themes as "blaming the victim," children raised in poverty need truthful, practical lessons, not fashionable "political correctness." Community leaders who ignore personal responsibility and moral principles, and who falsely belittle the opportunities available, do great harm to low-income Americans. By falsely narrowing hopes, they create a climate of indifference or even hostility to learning, work, and marriage among the young. In so doing, they turn youth away from opportunity and into the arms of anger and despair. You, as President, and the members of your Administration, must provide better leadership.

Finally, as President, you must appreciate and explain that much of the work of saving the inner city lies beyond the scope of government. The Great Society has failed. During the last half century, government has effectively preempted non-government institutions, particularly churches, pushing them out of a wide range of social functions, such as charity, education, and child-rearing. But efforts to fight urban poverty in the 20th century have failed in part because they relied on "value-free" government programs. By contrast, 19th century efforts to tackle urban problems succeeded, in part, because they were "value-laden," spearheaded by Protestant, Catholic, and Jewish religious institutions.[57]

Your Administration must give top priority to elevating the role of "non-governmental mediating institutions," such as neighborhood groups, charities, and churches within the inner city. This does not mean adopting the current liberal practice of using religious institutions as platforms for running secular government programs, such as running Head Start in church basements. Instead you should draw upon the unique and inexhaustible strength of inner-city churches, *operating as religious institutions*, to shape the values and norms of the communities around them. By doing such things as permitting parochial and other schools formed by inner-city churches to receive education vouchers, you can help them accomplish this task.[58]

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55 Lawrence M. Mead, *The Politics of Poverty: The Non-Working Poor in America* (New York: Basic Books, 1992), p. 107.

56 Inner-city youth apparently feel that many of the jobs available to them lack dignity. But the answer is clearly for the young people to qualify themselves for better jobs by improving their academic skills or by building up work experience in low skill jobs which will pave the way for better employment in the future.

57 Marvin Olasky, *The Tragedy of American Compassion* (Washington, D.C.: Regnery Gateway, 1992).

58 Allowing non-governmental mediating institutions to reclaim social functions lost to government institutions is vital to a free and pluralistic society. Expanding government tax funded monopoly at the expense of non-governmental institutions is a threat to the basic health of our society.