Youth Policy

The status of proposed policy solutions relating to youth

Volume 14 December 1992 Numbers 7 & 8

The Future of Welfare

A discussion of plans that would:

Reform Welfare

- Reward Responsible Behavior
- Require Responsible Behavior
- Combine Rewards & Requirements

Replace Welfare

- Mandate Public Service Jobs
- Provide Child Support Supplements
- Eliminate Welfare Entirely

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WELFARE

For the purposes of this issue, "the welfare system" will be defined as AFDC, the primary government cash assistance program for families with children, and those programs directly linked to it.

Replace the System

Strong dissatisfaction with the welfare system has brought forth proposals recommending that the current system needs to be replaced. Proponents of these view the system as inherently undermining the principles of work, family and independence.

Reform the System

Proponents of welfare reform view the current system as flawed but necessary to help society's weakest members become productive. Welfare reform proposals fall into three basic categories: *Combine Rewards and Requirements for Responsible Behavior; Require Responsible Behavior; Reward Responsible Behavior.*

COMBINE REWARDS AND REQUIREMENTS FOR RESPONSIBLE BEHAVIOR

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The Gift of Life

The children at St. Jude Children's Research Hospital take life one day at a time. At St. Jude, every second counts. The children here are fighting for their lives.

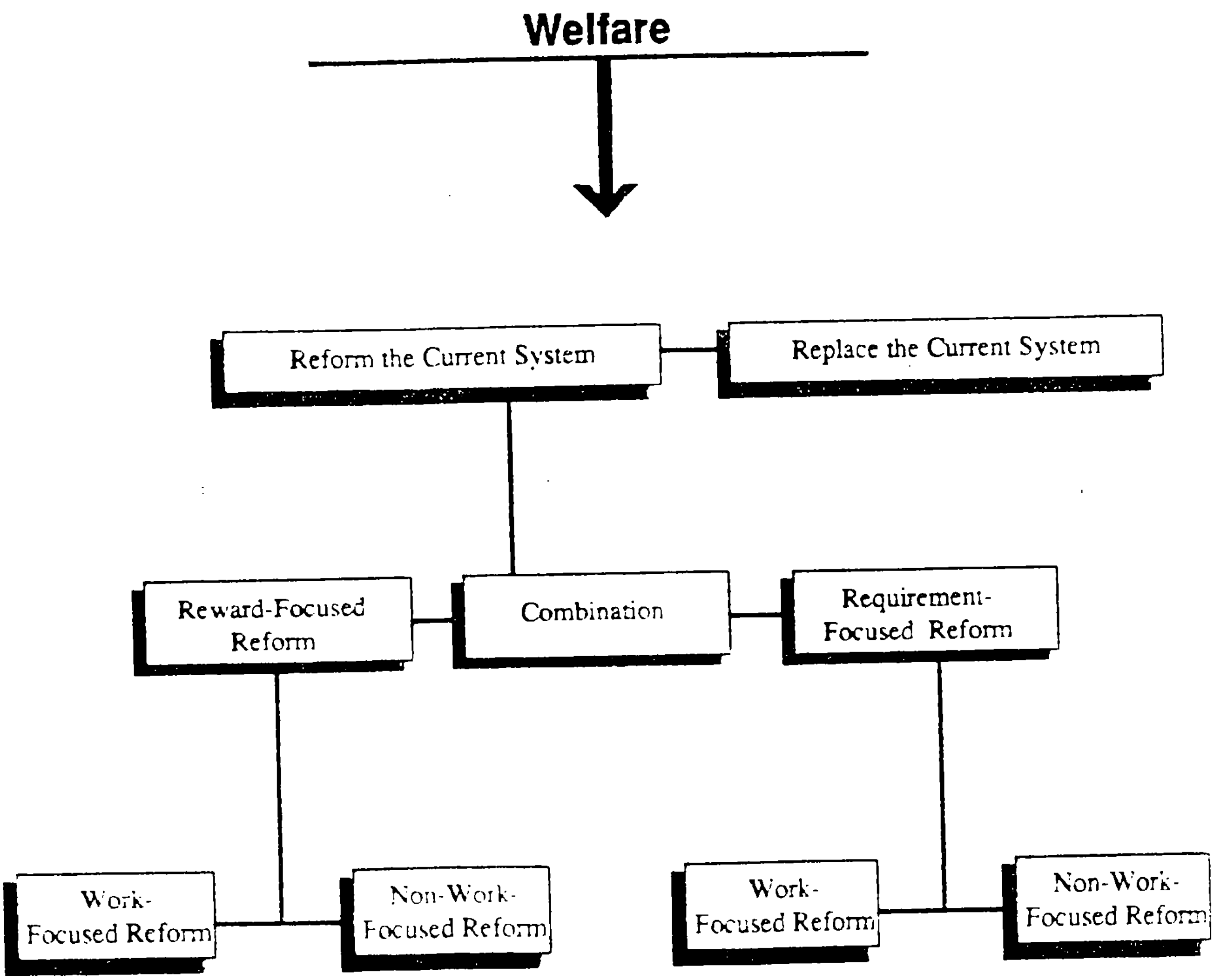
The doctors and researchers at St. Jude are working to defeat the deadly enemy: childhood cancer. Since St. Jude Hospital opened in 1962, it has forged new treatments for childhood cancer and has helped save the lives of thousands of children around the world. But the battle has just begun.

You can join the fight. To find out how you can help, write to St. Jude, P.O. Box 3704, Memphis, Tennessee 38103, or call 1-800-877-5833.

ST. JUDE CHILDREN'S RESEARCH HOSPITAL

Decision-Making Path

The set of four one-page overviews on Welfare forms a decision-making path, outlined below, which allows the user to move through the range of proposed solutions.



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About The Youth Policy Institute

The Youth Policy Institute believes that sound decisions can only emerge from knowledgeable debate. In order to participate fully in this arena, individuals must be well informed of the wide range of options and solutions for dealing with specific policy issues.

In order to further this vision, YPI has initiated the campaign for *America At Its Best*. The challenge of this campaign is to bring together thirty years of experience in a process which meets the needs of citizens, organizations and communities nationwide. The force behind this effort is the Policy Action CORPS (Comprehensive Objective Research on Proposed Solutions), university students and recent graduates who are dedicated to researching policy issues. The final product of their work is a memory of our successes and failures and an unbiased collection of policy solutions and their status. The process that is fueled by the CORPS can empower all citizens to shape the policy that affects their neighborhoods and their lives. If you wish to learn more about the campaign, please contact us: *America At Its Best, Youth Policy Institute, 1221 Massachusetts Avenue, NW, Suite B, Washington, DC 20005* or call (202) 638-2144.

The History of the Welfare System

Passage of the Social Security Act in 1935 began a continuing federal role in promoting the economic security of the nation's population. The act established the first joint federal-state welfare programs of Aid to Dependent Children (Now AFDC, which is the major cash welfare program for families with children). These welfare programs were designed to provide financial and health care services to those considered unemployable—dependent children. The decision to create joint programs was an attempt to preserve state and local discretion over welfare.

The Great Society

During the 1960's the system expanded significantly with the creation of many new in-kind benefit programs as part of the Great Society initiatives, among them Food Stamp and Medicaid, along with others to provide assistance for education, vocational training, and housing. Also, eligibility for older programs was expanded. In 1961, for example, AFDC eligibility was broadened to allow states the option of providing benefits to unemployed fathers and to foster homes.

In the 1960's the approach began to stress services in addition to support, rehabilitation instead of relief, and training for useful work instead of prolonged dependency. The intent was to help recipients become self-sufficient and move off the welfare rolls.

Dissatisfaction with the System

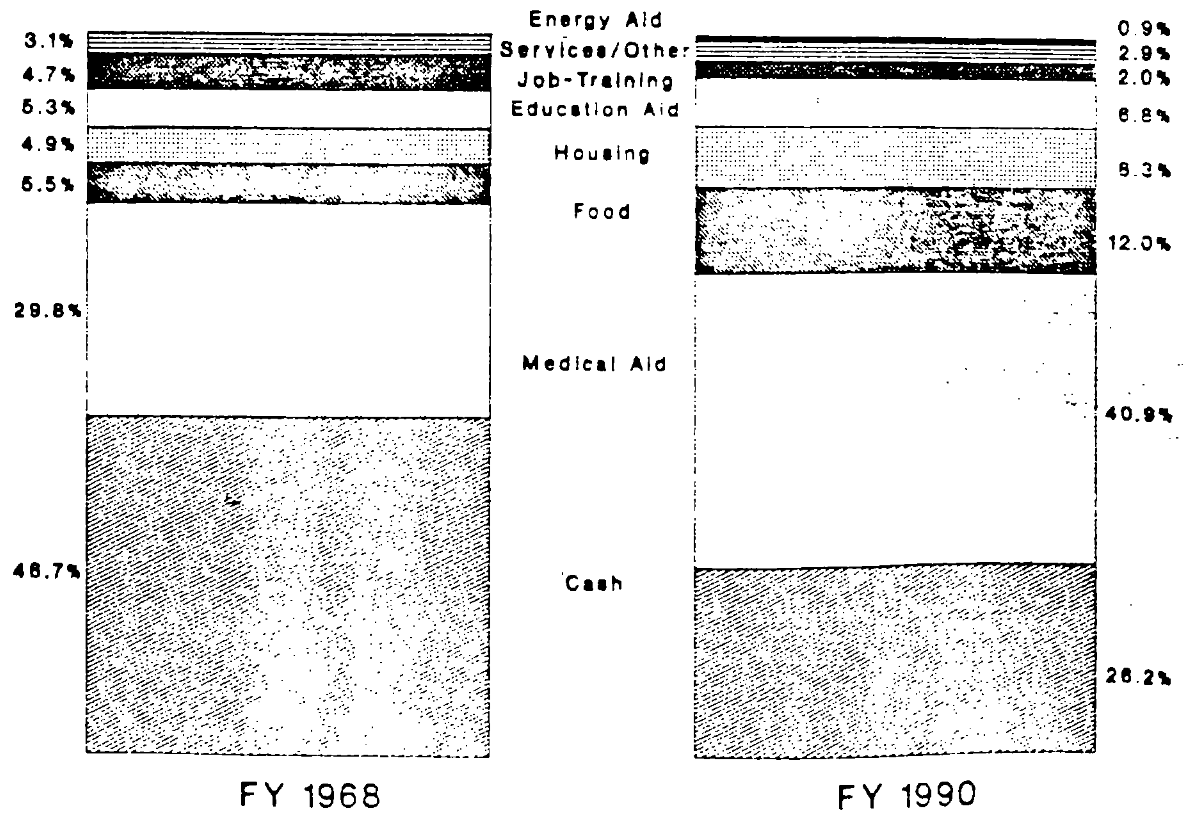
In the late 1960's widespread dissatisfaction with the design of welfare increased national interest in finding solutions to many of welfare's persistent problems. Policy analysts believed the programs were fragmented, fostered wide variations in benefit levels, limited access to the system by the working poor in two-parent families, and because of the high benefit reduction rates, discouraged work and perpetuated welfare dependency.

In 1967, the Congress passed Social Security amendments that tried to eliminate the work disincentives by allowing AFDC recipients to keep the first $30 earned each month as well as a third of all additional earnings without losing benefits.

Nixon's Reforms

In 1969, President Nixon's Family Assistance Program (FAP) represented the first major effort to reform the welfare system. It envisioned a single negative income tax payout to replace the numerous cash and in-kind benefits. The plan offered a guaranteed minimum income to a family. Because the proposed payment level was below AFDC payments in about 60 percent of the states, it was expected that these states would supplement the FAP payment so that no recipient would lose benefits. The FAP had a benefit reduction rate of 50 percent, a work test for determining who was

Composition of a Needs-Based Benefit Dollar



Source: *Cash and Noncash Benefits for Persons With Limited Income: Eligibility Rules, Recipient and Expenditure Data, FY 1988–1990, Congressional Research Service, Sept. 30, 1991, Page 14*

Aid to Families with Dependent Children

employable, and provisions for providing some public service jobs. It sought to cure some welfare problems by raising benefit levels in the poorest states and extending benefits to two-parent families. In addition, it proposed that the federal government assume greater administrative and financial responsibility.

FAP was not adopted because some politicians felt the guaranteed minimum income it offered was inadequate and others disliked its expanded federal role and eligibility. Debate over FAP, however, led to legislation for a major welfare program—the Earned Income Tax Credit (EITC).

Carter's Efforts

President Carter's Program for Better Jobs and Income (PBJI) was another attempt at comprehensive reform based on a negative income tax. It offered a larger and more pervasive and intensive job component. The cash component sought to consolidate the AFDC and Food Stamp programs into a single cash system. The work component sought public service jobs for the primary earner in families with children and increased EITC payments as an incentive for private sector employment. Thus, the program would guarantee income, cash in lieu of food stamps, and federalize much of the welfare system.

PBJI was not adopted. Welfare recipients opposed PBJI because the public jobs component proposed to pay minimum wages rather than higher rates. Labor was against the same provision because it would undercut the wages of regular workers. Business feared too many subsidized jobs. The Congress did not like many of its components or its increased cost.

Reagan's Initiatives

In 1982, the Reagan administration proposed a major welfare reform initiative. The proposal's centerpiece was a plan whereby the states would assume financial and administrative responsibility for the Food Stamp and AFDC programs and, in return, the federal government would assume all costs of the Medicaid program. This goal was not achieved. Conservatives feared it would lead to nationalized health care. Liberals felt it would increase the already wide variations between state AFDC and Food Stamp benefits levels.

In other proposals, the Reagan administration sought to tighten eligibility standards on a program-by-program basis in order to target benefits to only the "truly needy," strengthen work requirements, and improve program administration. Eligibility was tightened and in several programs, strengthened work requirements were authorized and adopted by many states, and a requirement was enacted that all states establish income and eligibility verification systems for the major programs.

The Family Support Act

In 1988 after substantial debate, Congress passed a major piece of legislation, the Family Support Act. Congress had reached the consensus that dependent poor people were to be given the services they needed to become self-sufficient: education, job training, day care, transportation. In return, they would be required to work or obtain the necessary training so that they could move into a job. Due to the onset of a recession, states were limited in their ability to finance the new services required under the act, while at the same time, faced with an exploding number of caseloads. Between 1990 and 1992, the number of AFDC cases grew by 20 percent.

Into the Future

Steadily rising welfare rolls and record high rates of child poverty have aroused legislative proposals and drawn new attention to aid for needy children: especially cash assistance in AFDC and EITC. Proposals to reform the current system vary widely with bills introduced in Congress and state demonstration projects approved by President Bush which both expand and restrict the welfare system. Proposals to replace the system entirely are even gaining support.

As President-Elect Bill Clinton, who supported welfare reform initiatives while Governor of Arkansas and during his campaign, takes office, welfare will remain a focus of national attention and most likely will continue to evolve.

Source: United States General Accounting Office, "Welfare: Issues to Consider in Assessing Proposals for Reform," February 1988, Appendix-28.

Selected Organizations Concerned with Welfare Issues

Bush Administration
Department of Health and Human Services
Administration for Children and Families
370 L'Enfant Promenade, SW
Wash., DC 20447; (202) 401-9215

Congress
Sen. Daniel P. Moynihan (D-N.Y.)
SR-464 Russell Senate Office Building
Wash., DC 20510-3201

Sen. Bob Dole (R-Kan.)
SH-141 Hart Senate Office Building
Wash., DC 20510-1601; (202) 224-6521

Rep. E. Clay Shaw (R-Fla.)
2238 Rayburn House Office Building
Washington, DC 20515; (202) 225-3026

Think Tanks
American Enterprise Institute
1150 Seventeenth Street, NW
Wash., DC 20036; (202) 862-5800

Center on Budget and Policy Priorities
777 North Capitol Street, NE, Suite 705
Wash., DC 20002; (202) 408-1080

Heritage Foundation
214 Massachusetts Avenue, NE
Wash., DC 20002-4999; (202) 546-4400

Urban Institute
2100 M Street, NW
Wash., DC 20037; (202) 833-7200

Advocacy Organizations
Center for Law and Social Policy
1616 P Street, NW, Suite 350
Wash., DC 20036 (202) 328-5140

Center on Social Welfare Policy and Law
1029 Vermont Avenue, NW, Suite 850
Wash., DC 20005; (202) 347-5615

Children's Defense Fund
25 E Street, NW
Wash., DC 20001 (202) 628-8787

State/Local Organizations
American Public Welfare Association
810 First Street, NE, Suite 500
Wash., DC 20002-4267; (202) 682-0100

National Governor's Association
Hall of the States
444 North Capitol Street
Wash., DC 20001-1572; (202) 624-5300

National League of Cities
1301 Pennsylvania Avenue, NW
Wash., DC 20004; (202) 626-3000

Aid to Families with Dependent Children

Scope of the Problem

Past: •Children displaced the elderly as the poorest age group in 1974, and by 1983 22.2 percent of children were living below the poverty level.[1] ***Current:*** •"An estimated 11.5 million children under age twelve are hungry or at risk of hunger."[2] •"In 40 states, the purchasing power of Aid to Families with Dependent Children (AFDC) benefits declined in fiscal 1991. Basic AFDC benefit levels have kept pace with inflation in only 11 states this year."[3] •Three-fourths of families began receiving AFDC due to a relationship change that created a female-headed family. Never-married single women are at greatest risk of long-term welfare receipt, averaging over 9 years on AFDC.[4] •The average size of a family on AFDC is 2.9 persons. •60% of all poor families contain someone who works part- or full-time.[5] ***Indicators:*** Poor children are at greatest risk of school failure and are more likely to attend a failing school; their family life is the most stressed, and they are unlikely to get adequate social support.[6]

Current Policy

Goal: To promote self-support, decrease dependency on welfare, and reduce poverty. ***Cost:*** In fiscal 1991 (estimated funding levels), federal funding for Aid to Families with Dependent Children (AFDC) was $12.4 billion; for Earned Income Tax Credits (EITC), federal funding was $7 billion. State funding for AFDC was $10.8 billion, and there was no state funding for EITC.[7] The average state expenditure on AFDC amounts to less than 2.2% of the state's budget.[8] ***Means:*** AFDC and EITC are the major components of the federal government's income-tested cash assistance to families with children. ***Implementation:*** Federal, state, and local agencies. Federal matching funds pay at least 50% of each State's benefits and administrative costs.

Proposed Solutions

Reform the Current System

Improve the Federal System of Cash Assistance

Goal: To promote self-support, decrease dependency on welfare, and reduce poverty.

Means: To improve the federal system of cash assistance to families with children. Reforms include proposals to both restrict and expand cash benefits and programs.

Examples include: •Reducing AFDC for any week in which recipients did not work or attend courses at an educational institution for 30 hours; •Limiting the number of years welfare benefits can be recieved; •Allowing welfare recipients to accumulate assets for selected purposes such as small business endeavors and college. •Increasing efforts to identify non-custodial parents and requiring them to contribute to their children's support. •Creating a $1,000 refundable tax credit for all children through age 18.

Cost: Program costs vary, from $500,000 for small business demonstration projects to $40 billion for a $1,000 refundable child tax credit.

Replace the Current System

Eliminate the Federal System of Cash Assistance

Goal: To promote self-support, decrease dependency on welfare, and reduce poverty.

Means: To eliminate the current welfare system by replacing cash benefits with mandatory public service jobs, child support payments, or nothing at all.

Examples include: •David Ellwood advocates replacing AFDC benefits with a system of enforcing the collection of child-support payments from an absent parent or by providing a government payment when such collection is impossible. •Mickey Kaus proposes the federal government offer all citizens over 18 a useful public service job at slightly below minimum wage. All low-wage jobs would be subsidized to raise employees and their families above the poverty level.[9] •Charles Murray supports leaving "the working-age person with no recourse whatsoever except the job market, family members, friends, and public or private locally funded services."[10]

Cost: Ranges from no cost to the federal government to $79 billion, $59 billion more than the government spends now.

Status of Proposed Solutions

Reform the Current System

•67% of voters are more likely to vote for a candidate supporting children's issues even if it means increased taxes, according to the National Association of Children's Hospitals and Related Institutions. •Pres. Bush and Gov. Clinton support linking welfare benefits to work, training, and educational programs. •They also favor increasing child support enforcement and AFDC asset limits. •A Senate hearing was held on the Work for Welfare Act.

Replace the Current System

•A House hearing was held on the Downey/Hyde Child Support Enforcement and Assurance Proposal which incorporates many of Ellwood's ideas. •Mickey Kaus' recent book, *The End of Equality*, and Charles Murray's ideas have raised scholarly debate, but little political support. •A proposal to eliminate the welfare system is part of the Libertarian's official party platform.

Sources

[1]"Children in Poverty," a report by the Congressional Budget Office and the Congressional Research Service, 1985. [2]*Community Childhood Hunger Identification Project: A Survey of Childhood Hunger in the United States*, Executive Summary, Food Research and Action Center, 1991. [3]*The States and the Poor: How Budget Decisions in 1991 Affected Low Income People*, Center on Budget and Policy Priorities, 1991. [4]*1992 Green Book*, Overview of Entitlement Programs, Committee on Ways and Means. [5]Center for Community Change, *Community Change Magazine*, Fall/Winter 1992. [6]*1992 Final Report of the National Commission on Children*, p. 79. [7]*Welfare*, Congressional Research Service, September, 1992. [8]National Association of State Budget Officers, 1992. [9]*The End of Equality*, Basic Books, 1992. [10]*Losing Ground*, Basic Books, 1984.

Replace the Current System: Child Support

Goal: To establish an income support system which promotes work, family, and independence.

David T. Ellwood

Means:
Allocation:
1) Improved child support enforcement system, including:
- A single federal or state agency would be given the mission of establishing paternities in all cases.
- A central registry for child support collections.
- An improved system of employer withholding.
- Collection as part of the tax system, with failure to pay child support subject to the same penalties and remedies as failure to pay taxes.
- Simplified and improved systems for updating child support awards and tracking interstate collections.
- Expanded use of quasi-judicial procedures such as administrative law judges to replace the current use of overburdened courts.

2) Establishment of a child support insurance program which ensures that every child gets some child support in cases where the father has low earnings and little child support can be collected.
Implementation: State and federal agencies.

Cost: Unspecified.

Outlook: A house hearing was held on 6/30/92 on the Downey/Hyde Child Support and Assurance proposal which incorporates many of Ellwood's initiatives. Numerous child advocate organizations, such as the Children's Defense Fund, have voiced strong support for the proposal.

Point of View: "Welfare needs to be replaced—not reformed with a few new programs and requirements, not eliminated leaving poor people with little or no support or protection —but replaced. It needs to be replaced with policies which treat the causes of poverty. It needs to be replaced with a system of income support that reinforces principles of work and family and independence."

Contact: David Ellwood, Malcolm Wiener Center for Social Policy, John F. Kennedy School of Government, Harvard University, Cambridge, MA; (617) 495-1100.

Source: *Child Support Enforcement and Insurance: A Real Welfare Alternative (March 1992 Revision). David Ellwood, John F. Kennedy School of Government, Harvard University.*

Replace the Current System: Child Support

Child Support Enforcement and Insurance Proposal

By David T. Ellwood, Malcolm Wiener Center for Social Policy, John F. Kennedy School of Government, Harvard University

For at least 20 years, the rhetoric of poverty policy has focused on work and family and independence. Yet the reality of poverty policy has been welfare. And welfare does almost nothing to promote work or family or independence. Liberals decry the very low benefits. Conservatives argue that it breeds dependency and illegitimacy. The recipients often hate it worst of all, claiming it leaves them isolated, frustrated, and humiliated. No one believes that welfare solves many problems. At best it tides people over until they can get back on their feet. At worst it creates a dead end, a world offering few routes to independence, and little dignity or self respect.

Welfare needs to be replaced—not reformed with a few new programs and requirements, not eliminated leaving poor people with little or no support or protection—but replaced. It needs to be replaced with policies which treat the causes of poverty. It needs to be replaced with a system of income support that reinforces principles of work and family and independence.

In my view, three principles must be adopted if we are truly to replace the welfare system.

1. People who work shouldn't be poor. Those who are playing by the rules should not lose the game.

2. One parent should not be expected to do the job of two. In a single parent family, children need support from both parents.

3. Income-tested support for those who can work ought to be transitional, designed to encourage and support those who want to work to achieve economic independence. We ought to do more to help people help themselves and expect more in return.

Adoption of these principles would do far more to help our poor children than 50 years of welfare policy. Ignoring them dooms almost any poverty policy to failure. This paper focuses on the second element of this strategy, namely ensuring that one parent is not left to do the entire job of two.

Poverty and Welfare

Americans misunderstand the nature of poverty. Less than 10 percent of poor children live in big city ghetto neighborhoods. At least twice that number live in two parent families with a full-time worker. The feminization of poverty is real. But single parent poverty is not confined to people of color. We have reached the point where the typical child born in America today will spend time in a single parent home. And the poverty rate in single parent

Earnings, Taxes, Benefits and Total Income For a Single Parent and Two Children After 4 Months On the Job in Pennsylvania--January 1991

Work Level and Wage	No Work	Half Time Minimum Wage	Full Time Minimum Wage*	Full Time $5.00/hour	Full Time $6.00/hour	Full Time $7.00/hour
Earnings	$0	$4,500	$9,000	$10,000	$12,000	$14,000
Day Care	$0	-$1,500	-$3,000	-$3,000	-$3,000	-$3,000
Net Taxes**	$0	$434	$547	$680	$257	-$414
EITC	$0	$779	$1,235	$1,235	$1,143	$895
Welfare and Food Stamps	$7,278	$5,003	$1,899	$1,719	$1,376	$1,060
Disposable Income	$7,278	$9,215	$9,681	$10,635	$11,775	$12,542
Medicaid?***	Yes	Yes	Yes	No	No	No

All figures are approximate. Modeled after a table in Committee on Ways and Means (1990)

Notes.
- * Minimum wage is $4.50 per hour
- ** Taxes include Social Security, Federal and State taxes. Taxes are sometimes positive due to the earned income tax credit.
- *** Medicaid is the government health insurance program for people on welfare.

families with children is nearly 50 percent.

With the media filled with stereotypical and racially charged images of the ghetto poor and with welfare debates a staple of angry talk shows, it is no wonder that the public is skeptical, even cynical, about the nation's capacity to help the poor.

As recently as two years ago, there was talk of a new consensus on welfare, of government doing more to help people help themselves and asking more of recipients in exchange. Today, the talk is mostly about cutting back on welfare, expecting more of the poor while offering even less money for programs designed to move toward independence. This new strategy will fail for the same reasons that all welfare-based strategies founder. They don't really deal with the underlying causes of poverty.

Work: The Obvious Starting Point

Virtually everyone agrees that a basic goal for social policy is to encourage independence and work. But the sad reality is that work often does not pay. It is possible, indeed common, for an adult family head to work and still be poor. If we are ever going to reduce poverty, if we are ever going to encourage people to leave welfare for work, then work must pay. In particular,

> We must use a combination of wage and tax policies to ensure that a full-time worker earns enough to keep his or her family out of poverty (including the cost of day care).
>
> We must ensure that medical protection is available to all working families, not just those on welfare.

These kinds of policies reinforce work and family and independence. The focus of this paper is child support enforcement and insurance, so I will not discuss them further here. But these are critical starting points for fighting poverty and welfare dependence.

The Child Support Enforcement and Assurance Proposai

By Rep. Thomas J. Downey (D-N.Y.) and Rep. Henry J. Hyde (R-Ill.)

The Child Support Enforcement and Assurance Proposal would:

1. Provide every state with federal support to implement a set of laws and practices designed to ensure that as many paternities as possible are established, regardless of the income or welfare status of the parents.
2. Require states to use federal guidelines to establish child support awards, ensuring that fair and adequate child support orders are established for all children who do not reside with both natural parents, and provide for regular, federal review and modification of award amounts in order to ensure their continuing adequacy.
3. Federalize the collection and enforcement of child support awards, with a new mechanism for the routine withholding of child support obligations from wages, and the implementation of stiffer penalties for nonpayment, including requirement for work. The changes would increase the number, size and timeliness of payments, and educate the public that child support obligations are a national priority. In addition, all child support orders must ensure that the health insurance needs of the child are covered. There would be increased enforcement of medical support and expanded Medicaid coverage.
4. Create a minimum "assured child support benefit," available to any child whose noncustodial parent fails to pay a legal child support obligation. The assured benefit would place greatly increased emphasis on the enforcement of child support obligations and the responsibility of noncustodial parents to support their children, in line with the other child support reforms. At the same time, it would help low- and middle-income families with children avoid sudden declines in income, or even poverty, and the stigma and severe work disincentives associated with the welfare program.
5. Provide many noncustodial parents who take seriously their child support obligations, but fail to pay because they have little or no income, an opportunity to increase their income potential and fulfill their child support obligations through substantial participation in employment-related activities. Under the proposal, states would be entitled to receive a total of $4 billion per year to administer the JOBS program for noncustodial parents and to provide 300,000 public service employment jobs.

Source: Press Packet for The Downey-Hyde Child Support Enforcement and Assurance Proposal. May 12, 1992.

Contact: Rep. Henry J. Hyde (R-Ill.), 2262 Rayburn House Office Building, Washington, DC 20515-1306; (202) 225-4561.

IMPACT OF THE PROPOSAL

Henry Hyde

Based upon an analysis of the proposal by the Ways and Means Committee staff, in 48 States and the District of Columbia, the impact of the proposal on custodial-parent income and welfare receipt for a mother with two children would be as follows:

- For a mother earning $5,000 of wages annually who has a child support order in place but is not receiving any child support, AFDC receipt would be eliminated in 35 States relative to current law. However, the income of the family would increase on average by over $1,100.
- If a mother with no earnings takes a job earning $10,000, her income would increase from around $5,000 under current law to approximately $7,000. If she then takes a job earning $15,000, her disposable income would increase by over $2,500.
- Welfare benefits would end in six States for a mother with no earnings but with a child support order.
- A custodial parent with a job earning $10,000 annually, who has a child support order but is not receiving any child support, would have increased income of $2,000 relative to current law.
- The same custodial parent with a job earning $15,000 annually would be $3,000 better off than today.

One Parent Shouldn't Be Expected to Do the Job of Two

While higher pay and better medical coverage would help many families, they will not solve all of the problems of single parents. For single parents are in an extremely difficult position. They must fulfill a dual role as both nurturer and provider and they face a hostile welfare system.

All parents, married or single, face a difficult task of nurturing and providing for their children. Two parent families try to balance those duties in a variety of ways. The most common arrangement today is for both parents to work. But usually only the father works full-time all year. The mother usually works part-time or part-year. Only about a third of married mothers work full-year full-time. But single parents don't have that kind of flexibility. They really only have two choices: they can either work all the time or they can go on welfare.

If single parents choose full-time work, they must simultaneously meet the demands of work and the need for child care, the many daily crises involving doctor visits, school holidays, and sick children, to say nothing of maintaining a safe and happy household. Women from highly advantaged backgrounds find these demands very heavy. For mothers with a limited education, little or no work experience, and young children, it can be an almost impossible task. Is it fair or realistic to expect all single mothers to work more than two-thirds of married mothers do?

The only alternative, at present, is welfare. And it is not a very attractive option. No state pays enough in welfare and food stamps to keep a family out of poverty. Adjusting for inflation, benefits are vastly lower than 15 years ago. The welfare system frustrates and isolates and humiliates and stigmatizes. Welfare offices are designed in large part to prevent fraud and abuse, to deliver aid in the right amount at the right time. Applying for welfare is a major undertaking. Inevitably, welfare clients must return repeatedly to the welfare office. Welfare and food stamps and housing and social services are separate programs, each with its own rules, its own demands, and sometimes its own office.

Worse still is the way welfare treats people who try to play by the rules, people who attempt to work their way off of welfare. Welfare benefits are reduced dollar for dollar with earnings. The first table shows that a woman working full-time at the minimum wage would have only $2,400 more than if she did not work and collected welfare. That is like working for $1.20 per hour. And half of that $2,400 comes from the Earned Income Tax Credit (EITC)—money she collects only at the end of the year if she bothers to submit a tax return. On a day to day basis, she seems to be working for 60 cents per hour. Even if she can work full-time at $5.00 per hour, her income is only $3,400 higher and she loses her Medicaid—something worth several thousand dollars. No wonder administrators in states like California and Massachusetts find that unless a woman is placed in a full-time job which pays $6 per hour or more, with full-medical benefits, and low day care costs, she is likely to come right back onto welfare.

It should come as no surprise that only a small fraction (20-25 percent) of women leaving welfare actually "earn" their way off. And most of them are the better educated and more experienced women who can command a relatively high wage. Other women try to leave, but there is almost always some setback, often something relatively small, such as a sick child, which causes them to lose their job and return to welfare. No wonder the most common way to leave welfare permanently is via marriage, not work.

Turnover Within the AFDC Caseload

Beginnings of AFDC spells.—As the accompanying table illustrates, three-fourths of all AFDC spells began with a relationship change that created a female-headed family with children. Almost half the AFDC spells started after a wife became a female family head (by loss of the male head and his earnings due to absence, divorce, separation, death). Another 30 percent began when a never-married, divorced, or separated woman acquired a child.

In contrast to changes in family composition, changes in earnings were a relatively minor cause of resorting to welfare. Only 15 percent of AFDC spells could be traced to a drop in family earnings.

Endings of AFDC spells.—The most common route out of AFDC was by way of a change in family structure. Some 46 percent of endings occurred this way—35 percent when a female head became a wife and 11 percent when the household no longer contained a child under 18.

Increased earnings were much more significant in ending AFDC than decreased earnings were in starting it. Some 26 percent of endings occurred this way—21 percent when the female head herself earned more money and 5 percent when another member of the family increased earnings.

Poverty status.—About 40 percent of those who ended AFDC spells were poor after their exit. About 52 percent of those whose AFDC eligibility ended because they no longer had an eligible child were poor in the following year. For those who earned their way off AFDC, about 32 percent were poor in the year after their welfare spell; their poverty reflected the sub-poverty gross income eligibility limits of AFDC in many states.

Source: 1991 Green Book: Overview of Entitlement Programs, Committee on Ways and Means, U.S. House of Representatives, p. 691.

Events Associated With the Beginnings and Endings of AFDC Spells

Beginnings	Percent	Endings	Percent
Divorce/separation	45	Marriage	35
Childless unmarried woman becomes a female head with children	30	Children leave parental home	11
Earnings of female head fell	12	Earnings of female head increased	21
Earnings of others in family fell	3	Earnings of others in family increased	5
Other income fell	1	Transfer income increased	14
Other (including unidentified)	9	Other (including unidentified)	14
All	100	All	100

We would like single parents to support themselves and become self-sufficient, but we have made the task almost impossible. The Family Support Act began the process of moving the government toward a system which encourages and facilitates self-support rather than seeming to defeat it. But it didn't alter the basic dilemmas inherent in a welfare system. It doesn't make work pay. It doesn't make it possible to support a family on anything less than a full-time job which pays at least 50 percent above the minimum wage along with medical benefits. It doesn't ensure that a woman is better off working than on welfare.

The reason single parents have such a difficult time is that we are expecting one parent to do the job of two. Without some additional support, all single parents face a difficult struggle. Single mothers with weak educations and limited work experiences are virtually assured of being stuck in the welfare system.

Child Support Enforcement—An Obvious Place to Start

Absent parents are a natural place to look for additional income. The goal of a Child Support Enforcement and Insurance plan would be to dramatically improve the child support enforcement system, and to add an insured minimum child support payment, so that single parents could count on some child support money even when the father was unable to pay. Let's focus first on enforcement.

The current system of child support is a disgrace. In 1989, only 44 percent of single mothers had a child support award in place, and one-quarter of those reported receiving no money. Thus just one single parent in three gets any court-ordered child support from the absent parent, and the average amount is under $3,000 for those who do receive it. Often the problem is not that the father cannot pay. By most estimates a truly uniform and universal child support system could theoretically collect up to an additional $25-30 billion from fathers. Remember, this is not just a problem of children in ghetto communities. The typical child born in America today will spend time in a single parent home. The current system essentially lets fathers off the hook. We are sending the signal to parents and children that absent fathers have no responsibilities.

The current system of child support enforcement fails for many reasons. As currently constructed, it requires actions by all levels of government (federal, state, and local) and it involves deep and frequent intervention by all three branches of government (administrative, legislative, and judicial). It is a system of extraordinary complexity and confusion. Each case is decided individually with heavy involvement by an already overtaxed judiciary. It may be the only thing single mothers hate worse than the welfare system.

Until very recently, if a man fathered a child out of wedlock, there was almost no chance he would be forced to pay child support. Only one-quarter of unmarried mothers report having a child support award. And if a formerly married man wanted to avoid paying support, there were dozens of ways to avoid it. In many cases, it is still much worse to miss a car payment than to miss a child support payment.

The Family Support Act of 1988 included several significant improvements in child support enforcement. Among these were a requirement that both parents be identified at birth, that awards typically be set by a formula, and that new awards be collected with automatic wage withholding. These were helpful beginnings, but they still have not dealt with some of the largest problems with child support enforcement.

A reformed enforcement system must have several elements in it:

Changes in the procedures, responsibility, and incentives for paternity establishment.

A single federal or state agency should be given the mission of establishing paternities in all cases. It should be done as close to birth as possible. Incentives for both the agency and the mother for getting paternities in place should be strong. The procedures for establishing paternity should be changed to provide for speedy and fair resolution of cases, voluntary acknowledgement of paternity, and early use of blood tests in contested cases.

An end to the dual system of child support enforcement.

In most states, cases on AFDC and some others are served by a special agency, while other women are left to fight for themselves. The burden for child support enforcement should be removed from the custodial parent.

A central registry for collections.

All collections should come through a central system so they can be tracked and enforced efficiently. Otherwise enforcement will often be left by necessity in the hands of the mother and the courts.

An improved system of employer withholding.

The only really effective way to collect child support is through automatic wage withholding. An improved system of withholding, including reporting of child support obligations on the W-4 form and reporting of all new hires would significantly increase collections.

Collection as part of the tax system with failure to pay child support subject to the same penalties and remedies as failure to pay taxes.

Payment of child support ought to be as certain as death and taxes. Only if the failure to pay is treated as seriously as failure to pay taxes will we really insure that money gets paid.

Simplified and improved systems for updating awards.

The current system hurts everyone. A vastly simpler system would collect more money and be quicker to recognize changed circumstances (such as unemployment of the father). Ideally this would be primarily an administrative procedure where updates are done automatically based on the previous year's tax returns of the father and mother or upon petition of either the mother or father.

A vastly improved system of interstate collections.

Roughly 30 percent of child support cases are interstate, which are almost impossible to collect. Ideally the system would federalize the entire collection process. Awards might still be set by the state, but collections are best done at the federal level.

Expanded use of administrative law judges and other administrative procedures.

The courts are too overburdened to have so much responsibility for child support enforcement. Properly designed administrative or quasi-judicial procedures can expedite the process considerably while still ensuring due process. Such a system would also be able to move quickly to get an award in cases where a mother and father are separated but uncertain as to whether they will ultimately divorce.

Better Information Collection.

Much more information should be routinely collected, including information on the number of children, by age, for whom paternity has and has not been established, the level of awards and payments for all cases, and the amount owed and unpaid.

In my view, the ideal system would involve a federal agency charged with many of the duties now scattered among the states. States would still be responsible for setting divorce settlements, but paternity, child support collection, and award modification could all be done by administrative procedures, including administrative law judges under the jurisdiction of a federal agency. Nonetheless, most of these things could be done at the state level, although the problem of interstate cases would remain a very serious one.

Child Support Enforcement and Insurance—A Real Alternative to Welfare

Improved enforcement and collection procedures could dramatically improve child support collections and benefit both single mothers and their children. Unfortunately there would still be cases where the father has low earnings and little child support could be collected. Just as we have a system of unemployment insurance for workers who lose their jobs, we could adopt a kind of child support insurance which ensures that every child gets some child support.

Suppose a woman with two children could count on just $4,000 in child support annually. Then a combination of work and child support could easily support a family at the poverty line. Indeed, half-time work at a $5 per hour job would be enough to keep a family of three out of poverty in 1992. Full-time work would provide some real security.

A child support enforcement and insurance plan would be designed to place more responsibility for supporting children on absent parents. And when collections from the absent parent fell below some minimum level (because of low earnings of the father, for example), the government would insure that single mothers still got some child support income. It would change the incentives for the mother to get an award in place, it would change the incentives for work, and it would focus attention on the absent father as a source of support.

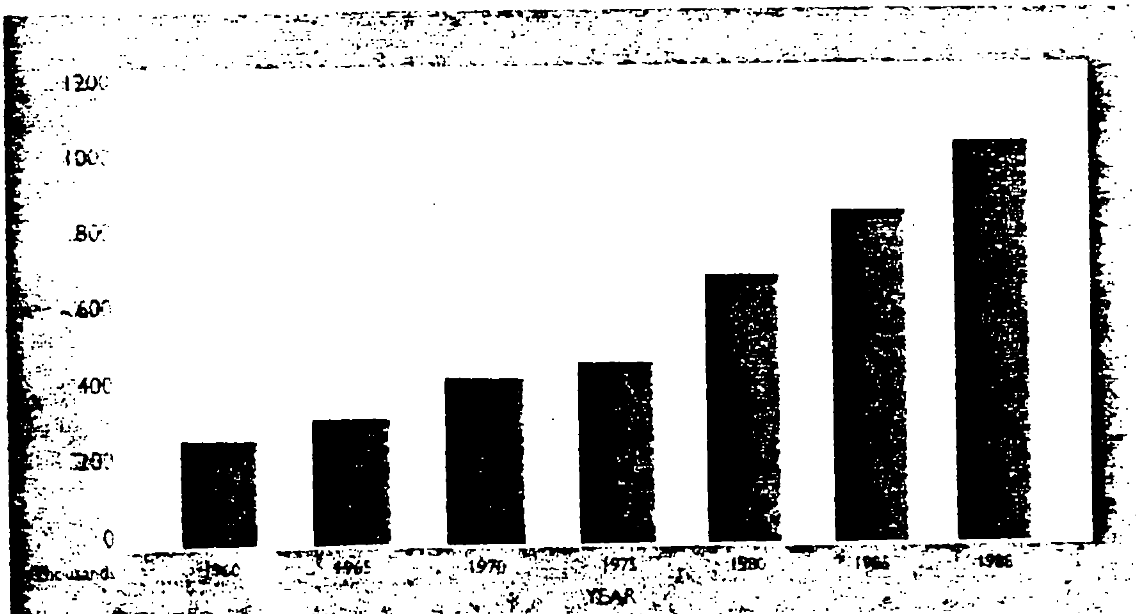
The insured benefit is crucial. Without it, child support reform will mainly benefit upper and middle class single mothers. Child support would then be yet another device that will separate the poor and the non-poor. Middle class women will support themselves with a combination of work and child support. Working class women will be left with only welfare. With a minimum benefit, middle class and lower class mothers have a common stake in preserving and expanding the system.

Some argue that a minimum child support benefit is simply welfare by another name. But when a woman earns an extra dollar while on welfare, benefits are reduced by a dollar. When she earns an extra dollar while collecting child support, she keeps the whole dollar. Child support will not require trips to the welfare office. There will be no stigma, no reporting, no verification, and no cheating.

Moreover, if the public starts complaining about the money being spent on insured child support benefits, they will say, "Those fathers are not pulling their weight, we are paying their child support for them!" And there will be debates about workfare for fathers versus training and education. The struggles and responsibilities of fathers will be examined as part of our concern for children in single parent families, just as they should be. And perhaps most importantly, the same uniform system will protect working class, middle class, and upper class families.

Another source of concern is that an

Births Outside of Marriage, 1960-1988



SOURCE: U.S. Department of Health and Human Services, National Center for Health Statistics, Vital Statistics of the United States 1986, vol. 1: Natality (Washington DC: Government Printing Office, 1990), p. 7, table 1-6.

insured benefit will encourage people to have children out of wedlock. But if child support benefits were deducted dollar for dollar against welfare, single mothers would get no more money, they would have more child support and less welfare. The difference would come if the mother went to work, sought to achieve independence—then she could keep her child support. Thus the people who benefit from CSEI are mothers seeking to achieve independence. Since $4,000 is well below the cost of supporting two children, and since each additional child would bring in no more than an additional $500 to $1,000 (depending on how the benefits were structured; most plans call for even less after 3 children) and it would make work even more difficult.

Economic Incentive to Marry for a Single Parent with Two Children (1991 Dollars)

SOURCE OF INCOME	Marrying a Spouse with a Minimum Wage Job ($)	Marrying a Spouse with a $15,000 per Year Job ($)
UNMARRIED		
Welfare (AFDC and food stamps)	7,170	7,170
Potential spouse's earnings	8,500	15,000
Work expenses	- 1,000	- 1,000
Taxes on potential spouse's income	- 1,090	- 2,570
Total income when unmarried(a)	13,580	18,600
MARRIED		
Welfare benefits lost	- 4,220	- 5,780
Loss of child support benefit	0	0
Change in taxes	1,680	2,090
Total income when married	11,040	14,910
Marriage penalty as a percentage of initial combined income	19%	20%

NOTE: Figures are rounded from data presented in Appendix A, Table A-2

(a) Reflects combined incomes of welfare recipient and employed potential spouse.

SOURCE: U.S. Congress, House of Representatives, Committee on Ways and Means, Overview of Entitlement Programs (Washington, DC: Government Printing Office, 1991)

Moreover, the really important change of a true CSEI system would be a real incentive and expectation that all paternity would be established and child support collected from all absent fathers, including the never married. Some suggest mandatory training or work programs for fathers who do not pay. Thus the incentives facing fathers would be very different from those of today. And since mothers have a better reason to participate, there will be far more incentive for mothers to help in the paternity establishment and award process.

Given that the changed incentives for women operate only if they want to work, which makes more children especially burdensome, and given that many fathers will be held accountable for the first time, it would seem such a plan might reduce the number of children born out-of-wedlock.

The greatest source of insecurity in America used to be growing old. We dramatically reduced that problem with Social Security which covers all American families, where contributions and benefits are related to earnings, but where people at the bottom had extra protection. A uniform child support enforcement and insurance plan would do the same. Contributions would be collected from all absent parents, and that money would go directly to the children. And there would be extra protection for those at the bottom.

The most remarkable feature of the system is that it will not cost very much. Most of the payments come from the absent fathers. For women on welfare, the minimum benefits will simply offset welfare payments and thus it costs nothing extra. The only real cost is for people who are off of welfare, achieving independence by combining work and child support. Most estimates suggest that cost will be a few billion dollars. And the improved collection system may save more than the insured benefit costs in the long run. And if any additional money is spent, it will all be going to women who are working—families who are playing by the rules and trying to provide for themselves. Thus the system will reinforce work and family and parental responsibility.

With such a system, single mothers would for the first time have some money they could count on: money to supplement their own earnings. Money to help them meet the "minor" crises that often force people back on welfare. Money to make it possible to achieve real independence from welfare. Without such a system, poverty rates for single parents will always be astronomical.

If we adopted child support enforcement and insurance, we could then begin talking about ways to make welfare truly transitional, perhaps even time-limited. But without it we can do very little to seriously reform welfare.

People Who Play By the Rules Shouldn't Lose the Game

My message here is a simple one. If we want to reinforce our values of family and work and independence and responsibility, we cannot allow working families to be the poorest of the poor. We cannot abide by a system that traps women who want to work on welfare. We cannot let absent parents shirk their responsibilities.

We must insure that if people work, they really can achieve a real measure of financial security. That means making work pay. And it means insuring that single parents get some child support. For too long, the American dream has been an empty one for many of our children. We find generations of people mired in welfare with little hope and little sense that the future could be better. We see the costs of the despair in our schools and in our factories. To turn things around, we will have to ensure that people who play by the rules do not lose the game.

Replace the Current System: Public Service Jobs

Goal:
- "To prevent money inequality from translating into social inequality."


Mickey Kaus

Means: *Allocation:*
- Replacing all cash-like welfare programs that assist the able-bodied poor with a useful government jobs program paying slightly below the minimum wage.
- Supplementing the wages of all low-wage jobs, both public and private, to raise a normal-sized family out of poverty.
- Create public institutions which mix social classes: the draft, national service as an alternative, day care, a national health system for all Americans, class-integrated neighborhoods, schools, and parks.

Implementation: Federal, state and local government.

Cost:
- $150 billion approximately.

($43 to $59 billion more than all current welfare and social services expenditures.)

Outlook: Since Kaus published his book, *The End of Equality*, in the spring of 1992, his proposal has raised a good deal of debate but little political support.

Point of View: "If you could work and need money, the government would not give you a check. It wouldn't give you a check and then try to cajole, instruct, and threaten you into working or training it off. It would give you the location of several government job sites. If you showed up and worked, you would be paid for your work. If you don't show up, you don't get paid. Simple."

Contact: Mickey Kaus, *The New Republic*, 1220 19th Street, NW, Washington, DC 20036. (202) 331-7494.

Source: Mickey Kaus, The End of Equality, Basic Books, New York, 1992

Replace the Current System: Public Service Jobs

The End of Equality

By Mickey Kaus, The New Republic

Changing welfare offers a chance to transform the economic role of the ghetto poor without tying them to their dying neighborhoods. Instead of attempting to somehow teach mainstream culture to people who spend most of their day immersed in ghetto culture, we could make ghetto culture economically unsustainable.

In this respect, the implications of the "enabling" theory of welfare are far more radical, and perhaps nastier, than those of the "bribe" version. For decades, Money Liberal reformers have assumed that if you extended welfare to two-parent families, then AFDC "bribes" (or "incentives") would no longer pull families apart. The poor would never willingly have illegitimate babies and go on welfare if they could get married and go on welfare.

But if the "enabling" theory is correct, the culture of poverty is now so entrenched that young girls will keep on having illegitimate babies and going on welfare even if they could form two-parent families and still get their checks. If that's true, it isn't enough to extend benefits to intact families ... You have to somehow *deny* benefits to one-parent families, unplug the underclass culture's life support system. In short, you have to re-make FDR's 1935 choice—this time applying it to able-bodied single parents along with everyone else.

That means: replacing AFDC and all other cash-like welfare programs that assist the able-bodied poor with ... an offer of employment for every American citizen over eighteen who wants it, in a useful public job at a wage slightly below the minimum wage. The government would supplement the wages of all low-wage jobs, both public and private, to ensure that every American who works full-time has enough money to raise a normal-sized family with dignity, out of poverty.

In this system, if you could work and needed money, the government ... wouldn't give you a (welfare) check and then try to cajole you into working or "training it off." It would give you the location of several government job sites. If you showed up and worked, you would be paid for your work. If you don't show up, you don't get paid.

This is not a new idea. Similar proposals have been advanced in recent decades ... It's an obvious idea, even combining as it does the ancient Democratic dream of a guaranteed job with traditional antipathy to the dole. Somehow, our politics has conspired to preclude this conspicuous synthesis. Today, liberals who righteously invoke FDR's "compassionate" legacy tend to forget his anti-dole decision of 1935 ... Meanwhile, Presidents Reagan and Bush both gleefully repeated Roosevelt's description of the dole as "a narcotic," somehow failing to mention that Roosevelt said this in a speech where he proposed the largest government jobs program in the nation's history. In fact, FDR's anti-dole and pro-WPA opinions were of a piece, a Civic Liberal decision in favor of work-welfare and against cash-welfare.

But Roosevelt's WPA was designed to combat general unemployment at a time when most of those needing "relief" were veteran workers. Our goal, in contrast, is to break the culture of poverty by providing jobs for ghetto men and women who may have little work history and few work habits—at the same time as we end the option of a life of welfare for single mothers. The idea is the transformation of the welfare state into the Work Ethic State, in which status, dignity, and government benefits flow only to those who work, but in which the government steps in to make sure work is available to all.

Replace The Current System: Eliminate Welfare


Charles Murray

Goal: To promote competent parenting by restoring a situation in which almost all women either get pregnant after they get married or get married after they get pregnant.

Cost: No cost to the federal government.

Allocation: "Leaving the working-age person with no recourse whatsoever except the job market, family members, friends, and public or private locally funded services."

Point of View: "The evil of the modern welfare system is...that it enables women to bear children without the natural social restraints and without bringing pressure on the fathers to behave responsibly.

The welfare system bypasses the process that limits the babies born to single women. No incremental reform...will change this fundamental defect. The only long-term solution is to get rid of the welfare system."

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***Source:** Charles Murray, Losing Ground, Basic Books, New York, 1984. New York Times 1/16/92, op ed*

Replace the Current System: Eliminate Welfare

Restore Personal Responsibility

By Charles Murray, The American Enterprise Institute

The New Jersey Legislature took the plunge this week and passed a welfare package that if signed by Gov. Jim Florio, would limit the benefits for women on welfare if they have additional children. Opponents and advocates alike have called the plan revolutionary. It is not.

The seemingly small exceptions to the stern new requirements would turn out to be gaping loopholes. Giving a single mother incentive to marry by permitting her to keep her welfare benefits would have unintended consequences. Reducing benefits for additional children sounds like a major step, but few welfare mothers have more than two children. The New Jersey plan would neither help nor hurt. It just won't make much difference.

The New Jersey plan, like similar carrot-and-stick packages proposed in... other states that offer incentives for job training and education, does not go far enough or address the right problems. Our social tragedy has nothing to do with the money we spend on welfare and little to do with "welfare dependency." The problem is not that single mothers are on welfare, but that there are so many single mothers concentrated in poor communities.

The single-parent family does not work very well, even under the best of circumstances: when the mother is divorced and the father remains involved with the children. When the woman is unmarried and immature and the father of her children is as poorly equipped to be a parent as she is, the single-parent family tends to be a disaster.

Even the earliest childhood and prenatal programs barely improve the situation and then only under conditions that cannot work nationwide. We do not know how—no matter how much money we spend—to substitute social programs for competent parents.

Children learn to be responsible adults by watching what responsible adults do. The absence of such examples for young men is especially dangerous. The violence and social chaos in the inner cities show us what happens when about half a generation of males is born to single women. In most of these areas today, the figure is about 80 percent...

The solution lies neither in social programs nor in making women on welfare go to work. It lies in restoring a situation in which almost all women either get pregnant after they get married or get married after they get pregnant, or failing that, in which a single mother who cannot support a child—and has no other adults who will take responsibility—is motivated to give her child up for adoption.

Communities did not need lessons in how to bring these things about until welfare took over. But to revitalize the natural mechanisms that used to work so effectively we have to come to terms with a fact that is unfashionable to acknowledge and palpably inequitable. For whatever complicated reasons—not least, because women bear children—communities have much more leverage over the woman's behavior than the man's.

The evil of the modern welfare system is not that it bribes women to have babies—wanting to have babies is natural—but that it enables women to bear children without the natural social restraints and without bringing pressure on the fathers to behave responsibly.

The welfare system bypasses the process that limits the babies born to single women. No incremental reform-including—the New Jersey plan—will change this fundamental defect. The only long-term solution is to get rid of the welfare system.

Instead, government policy must be founded on the premise that to bring a baby into the world when one is not emotionally or economically equipped to be a parent is not just ill-advised. It is...wrong, and government will no longer be a party to it.

Government cannot interfere with individual decisions to bear children without destroying the most basic restraints on state power. But it can properly refuse to be a party to incorrect behavior. It will keep the Faustian bargain it has made with women already on the rolls. But, starting now, it should make single mothers eligible for the same unemployment benefits and social programs as everyone else. Let government try, with the mother's cooperation, to make the father bear financial responsibility.

Reform the System

Scope of the Problem

Past: •"The child poverty rates rose in 33 states during the 1980s, at the same time many states were experiencing a period of economic growth."[1] ***Current:*** •Census Bureau surveys show that between 1989 and 1990, 841,000 children fell into poverty, nearly as many as were added in the previous decade. •The percentage of children in poverty who were served by Aid to Families with Dependent Children (AFDC) fell from a high of 80.5% in 1973 to a low of 49.6% in 1982 and has risen to 59.9% in 1990. •92% of families receiving AFDC have no father in the household.[2] •Of all women entering the AFDC program, three in ten stay for less than a year, half leave the program within two years, and one in five remain on the program for more than six consecutive years.[3] •AFDC benefit levels did not keep pace with inflation in 39 states in 1991.[4] ***Indicators:*** •30.4 percent of children born between 1979 and 1980 will be dependent on welfare at some point before reaching age 18.[5]

Current Policy

Goal: To promote self-support, decrease dependency on welfare, and reduce poverty. ***Cost:*** In fiscal 1991 (estimated funding levels), federal funding for Aid to Families with Dependent Children (AFDC) was $12.4 billion; for Earned Income Tax Credits (EITC), federal funding was $7 billion. State funding for AFDC was $10.8 billion, and there was no state funding for EITC.[6] The average state expenditure on AFDC amounts to less than 2.2% of the state's budget.[7] ***Means:*** AFDC and EITC are the major components of the federal government's income-tested cash assistance to families with children. ***Implementation:*** Federal, state, and local agencies. Federal matching funds pay at least 50% of each State's benefits and administrative costs.

Proposed Solutions

Reward-Focused

Reward Responsible Behavior

Goal: Promote self-support, decrease dependency on welfare, and reduce poverty. ***Means:*** Reward positive behavior of welfare recipients with financial benefits. ***Examples include:*** •Reduce income tax liability for low income families; •Increase the amount welfare recipients are allowed to save for small business endeavors and college; •End the reduction in benefits for a family with a step parent; •Offer welfare mothers a special work reward; •Provide financial rewards to students with good school attendance; •Provide a bonus of $4,000 to any woman who marries, leaves the welfare rolls, and stays off for atleast 2 years.

Requirement-Focused

Require Responsible Behavior

Goal: Promote self-support, decrease dependency on welfare, and reduce poverty. ***Means:*** Require recipients to engage in positive behavior in order to receive benefits. ***Examples include:*** •Require attendance at job training, job search, or education programs in return for welfare benefits; •Limit the amount of time families can receive AFDC; •Limit payments to mothers who have more children while receiving AFDC; •Condition AFDC payments to the attendance of children in school and preventive health care activities; •Establish a manadatory public service requirement for welfare recipients.

Combination

Combine Rewards and Requirements

Goal: Promote self-support, decrease dependency on welfare, and reduce poverty. ***Means:*** Apply rewards to desired and penalties to non-desired behavior. ***Examples include:*** Provide financial rewards to teenage parents with good school attendance but reduce benefits for poor attendance; • Provide welfare benefits for two years, after which time, a recipient must do public service work; •Require recipients to engage in job search and training but decrease the benefits reduction when returning to work; •Expand the benefits available to two parent families but limit benefits for additional children.

Status of Proposed Solutions

Reward-Focused

•Relaxing restrictions on marriedcouples and decreasing the benefits reduction on earned income have support from the Children's DefenseFund and other child advocate organizations. •Washington is pursing a reform to reduce benefit reductions on earned income. •Twelve bills were introduced last Congress, eight of which increased the AFDC savings limit.

Requirement-Focused

•Oregon is pursuing reforms to expand work requirements for welfare recipients. •A Senate hearing was held for the Work for Welfare Act. •RepresentativesVin Weber (R-MN) and Newt Gingrich (R-GA) are strong supporters of links to work and education.

Combination

•Clinton supports establishing a public service requirement for recipients on AFDC for more than two years, and expanding the earnedincome tax credit. •Bush supports work and education requirements, and increasing the amount recipients can earn without losing benefits. •Both Bush and Clinton support increasing the AFDC savings limit. Ten states are pursuing combined reform programs.

Sources

[1]Children's Defense Fund Report, August 1992 [2]*1992 Green Book*, Overview of Entitlement Programs, Committee on Ways and Means, U.S. House of Representatives [3]*The Dynamics of Dependence*, Bane, Mary Jo, and Ellwood, David T., U.S. Dept. of Health and Human Services June 1983 [4]*The States and the Poor: How Budget Decisions in 1991 Affected Low Income People*, Center on Budget and Policy Priorities [5]*Introduction to S.757*, the Mickey Leland Childhood Hunger Relief Act, March 21, 1992, Sen. Patrick Leahy [6]*Welfare*, Congressional Research Service, September 1992 [7]National Association of State Budget Officers 1992

Combine Requirement- and Reward-Focused Reforms

Goal: To increase the rewards for work and marriage among low-income families while reducing the incentives currently provided by welfare for non-work and single parenthood.

Robert Rector

Means:
Allocation:
- Require work in return for benefits.
- Reduce benefits.
- Require responsible behavior.
- Enforce education requirements.
- Increase paternity establishment and enforcement of child-support payments.
- Provide tax credits or vouchers for medical coverage to all working families.
- Provide tax relief to all families with children.

Implementation: Federal government.

Cost: Unspecified.

Outlook: California, New Jersey, Maryland, and Ohio, along with several other states, have proposed or enacted laws which provide financial incentives and disincentives targeting work, marriage, school attendance, child bearing , and medical care.

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Source: "Requiem for the War on Poverty: Rethinking Welfare After the L.A. Riots." in Policy Review Magazine, Summer 1992.

Combine Requirement- and Reward-Focus Reforms

Rethinking Welfare After the L.A. Riots

By Robert Rector, The Heritage Foundation

Many current liberal proposals fall short because they add small new rewards for constructive behavior while ignoring the huge rewards for idleness and single parenthood already embedded in the present welfare system. Serious welfare reform must not only provide new incentives for positive behavior, it must also reduce the huge rewards for destructive behavior that exist in the current system.

What is needed is a comprehensive welfare reform strategy that would balance these two key elements. Not only must it increase the rewards for work and marriage among low-income families, it must reduce the incentives currently provided by welfare for non-work and single parenthood.

Although many elements of comprehensive reform can be implemented at the state level, state actions should be complemented by tax relief and an overhaul of the U.S. medical system at the federal level. While tax policy and medical reform are formally outside the welfare system, reforms in these areas would have a significant impact on the opportunities and behavior of low-income families, and therefore are an important part of any welfare reform strategy.

A comprehensive welfare reform package would include seven important policy innovations:

1) Require work in return for benefits. States should require some but not all welfare recipients to work in exchange for benefits received. Recipients of food stamps and general assistance who are not elderly and not disabled and who are not directly caring for small children should be required to obtain a job, or if a job is not available, to perform community service for at least 20 hours per week. 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 find private sector employment. If such employment is not available, they should be required to perform community service for at least 3 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 specifically exempts most mothers with pre-school children from the work requirement. Because of the high costs of providing day care, work requirements for mothers with pre-school children would almost certainly increase rather than cut welfare costs. Moreover, great caution should be exercised toward any policy that separates young children from their mothers, as this will often have a significant negative effect on the child's development. Thus a well-designed work program generally would not include mothers with young children. However, a second rule requiring work from 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 a work requirement of the sort outlined here were established, roughly 50 percent of AFDC mothers would be required to work as a condition of receiving benefits. This would be an enormous improvement from the present situation; in the average state only 6 percent of AFDC mothers currently participate in job search, work, or training programs.

Of the seven reforms of the welfare incentive system presented here, the work requirement is the most important. Under the current welfare system a non-working single mother receives an income from the government for free; if she becomes employed she must give up all or part of this free income. However, if the welfare recipient is required to work in exchange for benefits, a new cost is attached to welfare dependence and the attractiveness of welfare relative to employment is greatly reduced. Indeed, if the work requirement can be coupled with other government policies that ensure the family will be somewhat better off financially when the mother is employed than when the family is on welfare, then the anti-work incentives of welfare would be utterly eliminated. However, as long as the welfare recipient has the option of receiving a sizeable income from the government without work, then it will be impossible through other means to reduce significantly welfare's anti-work incentives.

Surprisingly, a work requirement also eliminates the anti-marriage incentives of the current welfare system. Under the current welfare system, when a single mother marries a fully employed male she loses most of her welfare benefits. Under a welfare system with a work requirement, a single mother still would lose her benefits upon marrying, but she would now be losing benefits that she had to earn rather than a free income, so the loss would be far less significant. As long as the mother could obtain a private-sector job that paid roughly as much as welfare, then marriage would no longer impose a significant financial or personal cost on the mother or her prospective spouse. Indeed, if required to word for welfare benefits some welfare mothers would prefer to marry and be supported by a husband's income rather than enter the labor force. Converting welfare from free income to income that must be earned would make marriage economically rational once again for millions of low income parents.

While few states have attempted to establish serious work requirements for AFDC parents, those experimental programs that do exist indicate that work requirements can have a significant impact in reducing welfare dependency. As part of a workfare program operated on an experimental basis in six Ohio counties, AFDC mothers were required to perform community service for 20 hours per week. While only 25 percent of all AFDC mothers were required to participate, the work program reduced the overall number of families on AFDC by some 12 percent. In other words, for every 100 mothers who were required to work in exchange for benefits over 40 mothers left welfare entirely.

Characteristics of AFDC recipients

The most powerful predictor of long-term welfare receipt is marital status. Single women average 9 years of AFDC receipt, and 39 percent are predicted to receive AFDC for 10 or more years. Race and work experience also seem to distinguish themselves among different subgroups of AFDC recipients. Blacks and those who did not work in the 2 years prior to their first receiving welfare are estimated to average over 8 years of AFDC receipt, and nearly one-third of each group are expected to receive AFDC for 10 or more years. Education may well be another important grouping: high school graduates seem to fare better than dropouts. However, these education-related estimates are less reliable because the sample size with less than 9 years of education is very small.

Percentage of AFDC Recipients with Various Characteristics and Average Total Durations of AFDC Receipt

Recipient characteristics at time of first spell beginning	Percent of all first-time recipients (new beginnings)[1]	Percent of recipients at any point in time[1]	Average number of years of AFDC receipt	Percent who will have AFDC spells of 10 or more years
Age:				
Under 22	30.0	35.9	8.23	32.8
22 to 30	40.7	41.9	7.08	25.8
31 to 40	11.8	8.8	5.15	15.0
Over 40	17.6	13.4	5.23	15.8
Race/ethnicity				
White	55.2	47.7	5.95	19.6
Black	40.1	47.4	8.14	32.0
Other	4.8	4.8	6.94	25.5
Years of education				
Under 9	9.7	9.6	6.81	24.5
9 to 11	37.6	41.9	7.65	29.2
Over 11	52.7	48.5	6.33	21.8
Marital status				
Single	29.5	40.0	9.33	39.3
Divorced	28.1	20.2	4.94	13.7
Separated	37.3	31.9	6.80	24.4
Widowed	8.4	5.3	4.37	10.2
Number of children				
0 to 1	43.4	48.7	7.71	29.7
2 to 3	42.8	37.3	6.04	20.1
Over 3	13.8	13.7	6.83	24.5
Age of youngest child				
Under 3	51.3	60.4	8.09	31.9
3 to 5	22.5	22.3	6.79	24.2
6 to 10	19.7	12.9	4.51	11.3
Over 10	6.5	4.4	4.71	12.4
Work experience				
Worked in the last 2 years	65.8	59.6	6.53	23.0
Did not work in the last 2 years	34.2	39.8	8.00	31.2
Disability status:				
No disability	81.6	81.4	6.85	24.8
Disability limits work	18.4	18.6	6.97	25.0

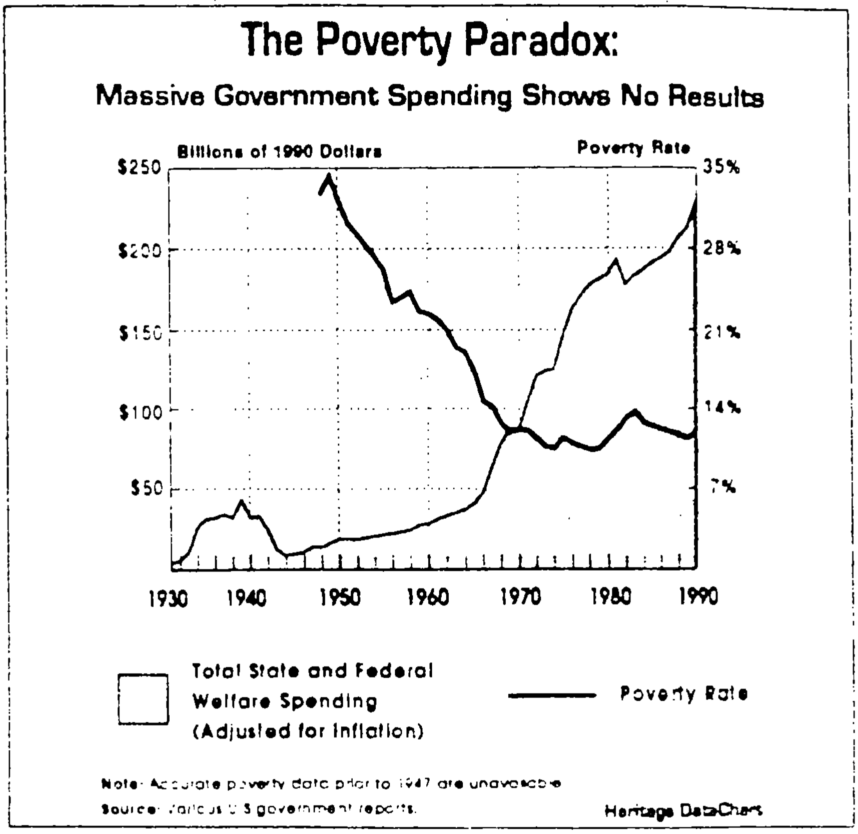
[1] These figures assume that the AFDC caseload is a "steady state."

Source: 1991 Green Book, Overview of Entitlement Programs, Committee on Ways and Means, U.S. House of Representatives, p. 685.

2) Reduce benefits. Welfare benefits for families on AFDC should be reduced. This is particularly true in states with high benefits levels. 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. Moreover, there is considerable inequality in welfare benefit levels within each state. Because some families receive aid from many programs, they will have overall benefits much greater than other welfare families of the same size and characteristics within the state. AFDC families who 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 threshhold. States should reduce AFDC payments to families who also receive housing aid.

3) Require responsible behavior. States should require responsible behavior as a condition of receiving welfare benefits. This would include policies such as 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) Establish paternity and enforce 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 more than one male may be the father, modern scientific methods permit the determination of the true biological parent with nearly absolute certainty.



All single mothers prospectively enrolling in the AFDC program should be required to have the paternity of their child legally established as a condition of receiving benefits. The absent fathers should then 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 will 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 proposed system is that it increases the rewards to responsible couples who marry relative to those who do not and thus, over time, will encourage marriage. However, a warning is needed: the government should avoid aggressively pursuing child support payments among young, low-skilled males without the firm backup of required community service for absent fathers who report they are unemployed. Aggressive child-support activities among this group without an accompanying community service requirement will counterproductively induce many young men to leave the labor force or work "off the books" to evade their child-support obligations.

5) Enforce education requirements. States presently fail to enforce the current federal law requiring all AFDC mothers under age 18 who have not completed high school or passed a GED to attend school. This provision should be enforced. To avoid the negative affects of separating infants from their mothers, however, mothers with infant children should not be required to participate for more than 20 hours per week.

6) Provide tax credits or vouchers for medical coverage to all working families. The current welfare system 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. This discourages work because a welfare mother considering a low-income job in a small firm—which typically will not include a health benefits plan—faces the loss of thousands of dollars worth of medical benefits

Reform the Current System Continued...

if she accepts employment. It also discourages marriage because a welfare mother marrying a man in a low wage job in a firm without family medical benefits will again lose medical coverage.

The federal government could reduce the anti-work/anti-marriage effects of welfare by enacting the comprehensive medical reform proposed by The Heritage Foundation in *A National Health System for America*. The plan would, among other reforms, provide federal tax credits and voucers for the purchase of medical insurance to low-income working families not eligible for Medicaid. A proposal similar to the Heritage plan recently was introduced by President Bush.

7) Provide tax relief to all families with children. The federal government currently imposes heavy taxes on low-income working families with children. A family of four making $20,000 a year currently pays $3,780 in federal taxes. This heavy taxation promotes welfare dependence by reducing the rewards of work and marriage relative to welfare. A crucial step in welfare reform is broad family tax relief along the lines proposed in The Heritage Foundation's *A Prosperity Plan for America: How To Strengthen Family Finances, Revive the Economy, and Balance the Budget.* This plan would provide a $1,000 tax credit for each school-age child and a $1,500 tax credit for each pre-school child; the 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 plan would eliminate all federal taxes on working families with children with incomes below 120 percent of the poverty threshold. The revenue loss of these tax credits would be offset by corresponding spending constraints through capping the growth of total federal domestic spending at 5 percent per annum. Thus the plan would not add to the federal deficit.

Comprehensive welfare reform must combine toughness and refusal to reward negative behavior with positive rewards for constructive behavior. Reforms that fail to include both sides of the equation will not succeed.

Intergenerational Welfare Receipt

Researchers have held great interest in identifying possible intergenerational effects of welfare receipt, particularly the extent that children growing up in welfare-recipient households are more likely to receive welfare when they become adults.[1]

A study by Martha S. Hill and Michael Ponza (1984), using data from the Panel Study of Income Dynamics, found that most daughters in families that received welfare did not receive welfare as young adults. As the accompanying table illustrates, only 19 percent of black daughters and 26 of white daughters in "highly dependent" welfare families became "highly dependent" themselves. It is also interesting to note that fully 42 percent of the black daughters and 27 percent of the white daughters who grew up in families with high welfare receipt received no welfare as young adults.

At the same time, the data also show a higher incidence of welfare receipt among women with some welfare backgrounds (defined as both high and low welfare dependence). From this perspective, young women who grew up in welfare families were more than twice as likely to receive welfare themselves as young adults whose parents received no welfare assistance—58 percent versus 27 percent, respectively. The numbers also remain high when subdivided by race.[2]

Sources:

[1] *Duncan, Greg J., Martha S. Hill, and Saul D. Hoffman, "Welfare Dependence Within and Across Generations," Science, Vol 239, January 29, 1988.*

[2] *1991 Green Book: Overview of Entitlement Programs, Committee on Ways and Means, U.S. House of Representatives, p. 689.*

Intergenerational Transmission of Welfare Dependency

[In percent]

Parental welfare status	Status of daughters as young adult: Received no welfare	Low welfare dependency	High welfare dependency	Some welfare dependency	Number of observations
Received no welfare:					
Black	53	33	14	47	108
White	79	19	2	21	354
All women	73	22	5	27	462
Low welfare dependence:					
Black	31	49	20	69	130
White	63	31	5	36	75
All women	47	42	15	57	205
High welfare dependence:					
Black	42	39	19	58	92
White	27	47	26	73	25
All women	41	[illegible]	[illegible]	[illegible]	117
Some welfare dependence:					
Black	36	45	19	64	222
White	54	[illegible]	[illegible]	46	[illegible]
All women	[illegible]	[illegible]	[illegible]	58	[illegible]

Combine Requirement- and Reward-Focused Reforms

Goal: "To reward work, demand responsibility and end welfare as we know it."

Means:
Allocation:
- Expand the earned income tax credit.
- Increase enforcement of child support responsibilities.
- Increase expenditures on reforms to promote education, job training and placement assistance, and child care for recipients.
- Establish a community service requirement for welfare recipients who receive benefits for more than two years.
- Increase the amount welfare recipients are allowed to save without losing benefits.

Implementation: Federal government.

Bill Clinton

Cost: Additional $4 billion in tax credits and $2 billion on education and training.

Outlook: Clinton stated that as president, he will continue to support the proposals he laid out during his campaign.

Point of View: "The changing face of welfare, the changing nature of it and the enormous barrier of people moving from welfare to a productive life deserve special attention. Especially now that most people on welfare are young women and their little children...By the time we're through, we shouldn't have a welfare program in America. We ought to have a helping hand program, followed by a jobs program."

Contact: Bill Clinton for President Committee, P.O. Box 615, Little Rock, Arkansas 72203; (501) 374-3322.

Source: "Putting People First: A National Economic Strategy for America." Gov. Bill Clinton. Gov. Bill Clinton's Speech to the National Baptist Convention in Atlanta, GA, September 9, 1992.

Combine Requirement- and Reward-Focused Reforms

Putting People First

By President-Elect Bill Clinton

Rewarding Work and Families

Putting our people first means honoring and rewarding those who work hard and play by the rules. It means recognizing that government doesn't raise children—people do. It means that we must reward work, demand responsibility and end welfare as we know it.

The Republicans who run the federal government have abandoned working families. Millions of Americans are running harder and harder just to stay in place. While taxes fall and incomes rise for those at the top of the totem pole, middle-class families pay more and earn less. Wages are flat, good jobs have become scarce, and poverty has exploded. Health care costs have skyrocketed, and millions have seen their health benefits disappear.

Today almost one of every five people who works full-time doesn't earn enough to support his or her family above the poverty line. Deadbeat parents owe $25 billion in child support, and have left millions of single-parent families in poverty.

In the 1980s the Republicans once again used welfare as a wedge to divide Americans against each other. They silently hacked away at the programs that keep disadvantaged children healthy and prepare them for school. They talked about "family values" but increased the burden on American families.

My national economic strategy will strengthen families and empower all Americans to work. It will break the cycle of dependency and welfare as we know it.

End Welfare as We Know It

- **Move People from Welfare to Work.** The Clinton plan will provide people with the education, training, job placement assistance and child care they need for up to two years—so they can break the cycle of dependency. (Cost: $1-2 billion in first year, future net costs will depend on size of savings from reducing the welfare rolls.)

- **A Two-Year Limit.** After two years, those who can work will be required to go to work, either in the private sector or in meaningful community service jobs. They won't just pick up a check. They'll earn it.

Make Work Pay

- **A Living Wage.** The Earned Income Tax Credit will be expanded so that no one with a family who works full-time has to raise their children in poverty (Cost: $2 billion when fully phased in).

- **Incentives for Welfare Recipients.** Welfare recipients shouldn't be penalized for helping themselves. The asset limit will be raised from $1,000 to $10,000 for savings to be used, for instance, for job training and college.

- **A Fair Minimum Wage.** The minimum wage will be indexed to keep pace with inflation. Working people shouldn't have to lose purchasing power just because of inflation.

- **Individual Development Accounts.** The federal government would match on a sliding scale money placed in a savings account. AFDC recipients and those with no more than twice the poverty level would be eligible.

Reform the Current System Continued...

Clinton Continued...

- **Guaranteed Health Care.**
  Under the Clinton Plan, every American will be guaranteed affordable, quality health care. No one will be forced to stay on welfare to preserve medical insurance.

- **A Strong Economy.**
  The Clinton administration will get our economy going again—the single best policy for getting people from welfare to work.

Toughen Child Support Enforcement

- **Governments Don't Raise Children, Parents Do.**
  Clinton will launch a nationwide crackdown on deadbeat parents: a national deadbeat databank, automatic wage upholding, early establishment of paternity, and reports to credit agencies of failures to pay. (Cost: $500 million.)

Combine Requirement- and Reward-Focused Reforms

Mandate For Change

By Will Marshall and Elaine Ciulla Kamarck

The Progressive Policy Institute is a project of the Democratic Leadership Council, an organization Clinton helped to create and which he headed from March 1990 to August 1991. In the Institute's recently released book, Mandate for Change, *the following welfare initiatives were outlined:*

1. **Make welfare temporary.** The new president should propose that AFDC eligibility be limited to two years for all able-bodied recipients.

2. **Subsidize work, not dependence.**
   We should expand the Earned-Income Tax Credit in order to lift all families with a full-time worker out of poverty.

3. **Create a civilian GI bill.**
   The U.S. should offer young people a chance to earn college and job training benefits by volunteering to serve needy people in their communities. Community service also should offer minimum-wage jobs to welfare recipients unable to find a private job after their AFDC eligibility has expired.

4. **Establish a social insurance system for children.**
   A minimum child-support benefit guaranteed by government will reinforce parental responsibility and lessen single mothers' reliance on assistance.

5. **Change AFDC eligibility so married recipients can keep some of their benefits.**
   AFDC should foster marriage and offer a transitional stage

6. **Universal access to health care.**
   A work-based social policy requires that welfare recipients not lose medical protection when they take a job. The new administration should adopt a market-based approach.

7. **Stress job placement over education and training.**
   The administration should shift money from education and training programs to private efforts to place recipients in jobs with decent pay and benefits.

8. **Promote microenterprise.**
   The new administration should permit states to use federal community and rural development and job training funds to make direct loans to nonprofit groups that lend to microbusinesses and poor entrepreneurs. Such groups could also raise money from business and foundations.

9. **Encourage saving money and building assets.**
   The administration should spend $1 billion to leverage community-based efforts to encourage low-income Americans to save through Individual Development Accounts. Community development corporations and other nonprofit groups would compete for federal grants and raise money from other sources in order to match IDA deposits of up to $2,000 a year.

10. **Expand choice through vouchers.**
    The new administration should convert into vouchers the $4 billion now spent under Title XX of the Social Security Act, AFDC and transitional child care, and the child care and development block grant.

11. **Foster management and ownership by tenants.**
    The U.S. should expand funding for tenant management and ownership projects. It should encourage further experiments like Chicago's Mixed-Income New Communities Strategy, which sets aside a percentage of housing for working families.

Combine Requirement- and Reward-Focused Reforms

Goal: To ease the tax burden on working and middle income families.

Al Gore

Means: *Allocation:*

- Replacing the personal exemption with a refundable tax credit of $800 per child.
- Expand the earned income tax credit (EITC) and make the credit more sensitive to family size.
- Implement a rate structure of 15-28-32-35 percent.
- Add an 11 percent surtax on the income of taxpayers with adjusted gross income above $250,000.

Implementation: Federal government.

Cost: Cost neutral (No additional cost to the government).

Outlook: President-Elect Clinton supports expanding the earned income tax credit and proposes a tax increase on the wealthiest 2 percent of Americans.

Point of View: "Middle income families are losing ground. They're finding it harder and harder to catch up. Working poor families, struggling to keep their independence, are facing a system that makes welfare seem a lot easier than work. In every family, the children feel the pressure. It's time we let American families know we understand the financial strain they face and that we're on their side."

Contact: Senator Al Gore, SR-393, Russell Senate Office Building, Washington, DC 20510-4202; (202) 224-4802.

***Source:** Press Release on the Working Family Tax Relief Act, May 6, 1991.*

Combine Requirement- and Reward-Focused Reforms

Working Family Tax Relief

By Senator Al Gore

For too long, working and middle income families have been paying too many of America's bills. Working and middle income families are telling us that even with two paychecks and full-time jobs they can't make ends meet. They don't have any more to give and we shouldn't be asking them.

It's time we started listening to the American people; Washington's economic statistics are real life to the people we represent. They don't need an economist to tell them that they have less money to spend to feed or clothe or educate their kids. Their pocketbooks tell them that every day.

Tax Relief for Families and Children

- Increase the tax benefit for children under age 18 by replacing the personal exemption with a refundable credit of $800 per child.

For working amd middle class families, this new refundable child credit can more than double the tax benefit of the existing exemption for children. Families in the 15 percent tax bracket who can currently claim a $2,300 personal exemption per child get a tax savings of only $345 ($2,300 x 15 percent=$800). For families in the 28 percent tax bracket, the new credit would be equal in value to an exemption of $2,857; for families in the current 31 percent bracket, the new credit would be equal in value to an exemption of $2,581.

- This tax credit will be in addition to the current child care credit.

The refundable portion of the new child tax credit, available to those with no tax liability, will be limited to the larger of $400 per family or 20 percent of earned income or child support received.

Strengthening Working Poor Families

- Expand the earned income tax credit (EITC) and make the credit more sensitive to family size.

Under current law, the EITC benefit amount varies by two family sizes. The bill would expand the EITC amount and would vary it by three family sizes. In addition, the bill would eliminate the supplemental EITC for health insurance expenses and the supplemental EITC for young children.

Progressive Tax Changes

- Implement a rate structure of 15-28-32-35 percent, with the top bracket beginning at approximately $130,000-$140,000 of adjusted gross income.

In addition to the rate structure change, the bill would restore to top bracket taxpayers the ability to fully deduct state and local taxes and charitable contributions, and to claim a full personal exemption. That is, it would remove the existing limit on itemized deductions and the phase-out of personal exemptions.

- Add an 11 percent surtax on the income of taxpayers with adjusted gross income (including both ordinary and capital gains income) above $250,000.

- Increase the alternative minimum tax rate to 29 percent.

Combine Requirement- and Reward- Focused Reforms

Goal: To add accountability to welfare and reduce dependency.

George Bush

Means:

Allocation:

- Allow states and communities more flexibility to undertake broad and innovative reforms.
- Exclude income used by an AFDC family head to become self-employed when assessing AFDC eligibility.
- Establish a demonstration project which provides a bonus payment to welfare recipients who work their way off AFDC.
- Increase the AFDC savings limit.
- Broaden child support enforcement measures.

Implementation: Federal and state government.

Cost: Unspecified.

Outlook: President Bush's proposals to increase the AFDC savings limit and broaden child support enforcement are supported by Preident-Elect Clinton.

Point of View: "We can't afford the welfare system we have today...Welfare is a system that literally wastes millions of tax dollars a year...Those who receive government assistance have certain responsibilities to seek work, or get education and training that will help them get a job, and the responsibility to get their lives in order. That means establishing lifestyles that will enable them to fulfill their potential, not destroy it."

Contact: Office of the Press Secretary, 1600 Pennsylvania Ave., NW., Washington, DC 20500; (202) 456-2100.

Source. President's Welfare Reform Fact Sheet. Office of the Press Secretary, July 31, 1992

Combine Requirement- and Reward-Focused Reforms

Creating Opportunities for Self-Improvement

By President George Bush

"It's time to replace the assumptions of the welfare state and help reform the welfare system. States throughout the country are beginning to operate with new assumptions: that when able-bodied people receive government assistance, they have responsibilities to the taxpayer. A responsibility to seek work, education or job training; a responsibility to get their lives in order; a responsibility to hold their families together and refrain from having children out of wedlock; and a responsibility to obey the law."

President George Bush
State of the Union Address
January 28, 1992

The President's Objectives for Welfare Reform

The principles outlined by the president in his State of the Union Address are essential to adding accountability to welfare and reducing dependency. These reforms include:

- Requirements that able-bodied welfare recipients enroll in workfare or some form of job training in exchange for receiving benefits.
- Measuring the success of welfare programs by how many people move from the welfare rolls onto the job rolls.
- Adding incentives that encourage families to stay together, and disincentives that discourage additional out-of-wedlock births.

To accelerate implementation of welfare reforms, President Bush has made a commitment to speed up review of federal waivers for state reforms. The president and the secretary of Health and Human Services have already approved a waiver for Wisconsin's Parental and Family Responsibility Initiative, which provides new incentives for welfare recipients to work and marry.

Reducing dependency in welfare will save taxpayer dollars, but more importantly, make able-bodied citizens productive again. Getting people off welfare and into jobs helps former recipients, their families, and society generally. In addition, getting long-term dependents off welfare will free up more dollars for programs that are supposed to help working Americans and their families in times of economic strain, instead of providing more government funds for already dependent welfare recipients.

The Need for Welfare Reform

The 1988 Family Support Act represented a philosophical turning point in the approach to welfare; it expanded government efforts to train recipients and to collect child support, but it also required recipients to accept new responsibilities.

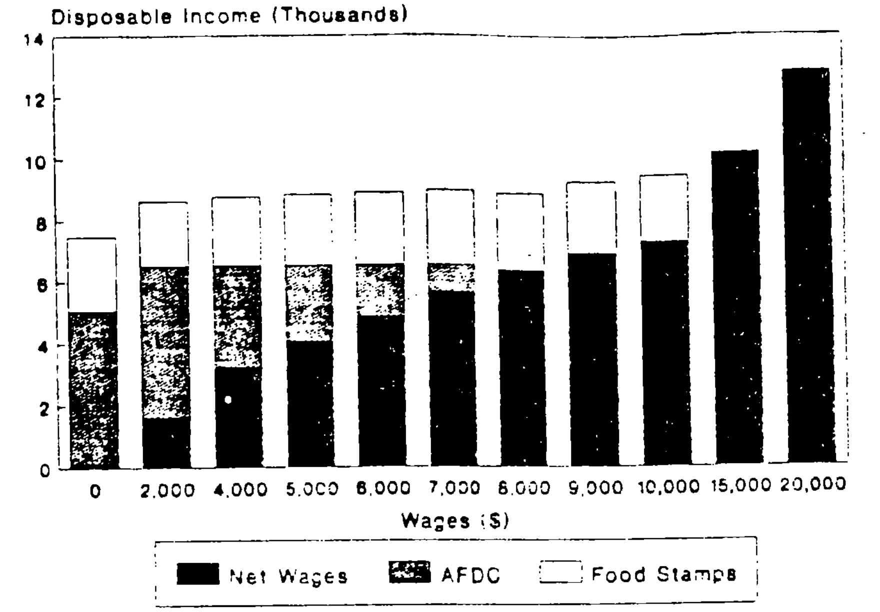
Many reforms proposed since 1988 re

flect the Family Security Act's conceptual approach; however, there remains a growing need to translate new thinking into lasting results. Dependency remains a pervasive problem. Research has shown that about two-thirds of the families on AFDC at any given time will spend a total of eight or more years on the rolls.

Addressing long-term dependency by increasing incentives for those on welfare to work and behave responsibly will help dependent recipients become productive again, and will prevent the current generation of children from becoming the AFDC parents of the next decade. New welfare reforms will meet government's responsibility to become both more effective and more compassionate.

Disposable Income at Various Wage Levels for a Family of Three with Child Care Expenses

Pennsylvania, January, 1992



Source: Committee on Ways and Means

Federal Approval of State Demonstration Programs

On April 10th, President Bush announced approval of federal waivers for Wisconsin's Parental and Family Responsibility Initiative which is designed to encourage teenage welfare recipients to work and marry. The initiative will strengthen families by encouraging poor couples to marry and to be responsible about child-bearing. Also, recipients will be required to participate in education and job placement services. Unlike existing programs, Wisconsin's plan will increase the reward for taking jobs by increasing the amount of monthly earnings that can be received before AFDC payments are reduced.

The Bush administration has approved several other welfare reform demonstration projects, including:

- Illinois' Chance for Self-Sufficiency program which is helping families previously on welfare to stay off welfare by providing state-sponsored and community-based post-welfare education and training services.

- In Maryland, Montgomery County's Cash Incentives Payments for Self-Sufficiency which increases the value of work by providing incentive bonuses for completing job training or getting a job.

- Texas' Toward Independence Program which provided one-year of Medicaid and child care benefits to ease the transition from welfare to work.

More than 20 states have begun to develop welfare reform proposals. These proposals are receiving expedited review at the federal level.

Reforms by States

Reforms that require responsibility, promote family values, and reduce dependency, if adopted by a number of states, would fundamentally improve welfare's operation. Meaningful welfare reform as outlined and promoted by the president will mean dependent recipients, to continue receiving benefits, would have to assume a measure of personal responsibility and take concrete steps to improve their lives.

States such as New Jersey and California are taking steps to approve reforms similar to the president's proposals. New Jersey passed a law this year that would instill responsibility by requiring work for welfare (or job training), and by not increasing benefits to those who have additional children while receiving welfare.

Putting the Private Sector to Work in Reducing Welfare Dependency

The private sector can play an important role in getting welfare recipients back to work. Some states have established public-private networks which pay private firms for each welfare recipient placed in a job. Results-oriented programs like these put the power of the marketplace to work in ways that benefit taxpayers, state and local governments, and welfare recipients.

By focusing on results, private firms are able to take direct control over welfare cases, steering recipients into jobs sooner than the state might have, and reducing costs to taxpayers. States have strong incentives to turn to the private sector, which can be held directly accountable for success or failure.

In partnership with state and local governments, private sector initiatives under the Job Opportunities and Basic Skills (JOBS) program remove barriers to employment with placement services, sharpen workers' skills, and place welfare recipients in paying jobs. Major "welfare-to-work" projects with private sector involvement exist in Connecticut, New York, Massachusetts, and Wyoming. One private firm manages over 14,000 AFDC cases in Los Angeles County alone. Thousands of Texas AFDC recipients benefit from a private firm's case management project that provides focused training and placement services.

Budgetary Commitments to Welfare Reform

The President is making concrete his commitment to workfare and welfare reform by:

- Providing $1 billion in FY93 to finance the federal share of the Job Opportunities and Basic Skills training program (JOBS). JOBS helps eligible parents receiving assistance under AFDC to obtain education, training and employment services, and thus to avoid welfare dependency.
- Proposing $250 million over five years for AFDC changes to provide incentives for savings and promote self-employment among welfare recipients.

President Bush also wants to expand opportunities for private sector involvement and, in his Job Training 2000 initiative has proposed several new welfare-to-work reform demonstrations to fund public-private partnerships involving more than $20 million in welfare payments.

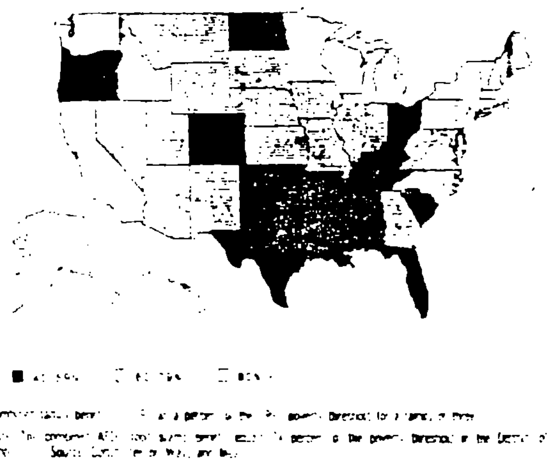
Creating Opportunities for Self-Improvement

The president understands that instilling responsibility means more than just providing opportunities for education and training– it means creating a network of opportunity for self-improvement: the HOPE initiative in housing to encourage home ownership, the AMERICA 2000 strategy to restore accountability to education, and significant new funding for child care programs to help the children of working parents onto the path of opportunity and Job Training 2000 which would establish "one-stop shopping" skill centers replacing the existing job training maze to help the low-income disadvantaged find jobs, and training more easily.

If government is to encourage personal responsibility, the design of current programs must be changed significantly to expand job opportunities and promote self sufficiency. To this end, the president's FY93 budget contains several initiatives to help low-income families escape welfare dependency:

Maximum Combined AFDC and Food Stamp Benefit as A Percent of Poverty

(For A One-Parent Family of Three, Jan. 1992)



- The president has proposed to give states the option of allowing families already on the welfare rolls to accumulate savings. This will give AFDC families the opportunity to save up to $10,000 to achieve independence from welfare, educate their children, or start a business.
- The president has proposed to create a welfare initiative, similar to an existing Social Security initiative, the Plan for Achieving Self-Support (PASS). This plan would let welfare families who agree to leave welfare within a specified period to keep income which normally would count against the family's welfare benefits.
- The president has proposed a demonstration program allowing states to create escrow savings accounts for long-term AFDC recipients trying to work their way off welfare. Individuals could set aside an amount equal to state's savings from not having to pay AFDC that would be realized when the family head gets a job. These savings would be paid back to the family in a lump sum once family income exceeds the need for cash assistance.

These legislative changes would assist states in designing workfare plans that meet the president's reform objectives. They would also allow welfare recipients to prepare better for entry into the work force and help prevent their return to the welfare rolls.

Enforcement of Child Support

President Bush understands that welfare dependency often stems from the failure of families to form or endure. Thus, the President is working on a variety of fronts to strengthen families and lower the costs of raising children.

President Bush is committed to making sure that absent parents meet their financial responsibilities, giving children at least the financial support they need. In the first three years of the Bush administration, child support collections by states rose 30 percent. In 1986, child support orders recovered by the federal government totalled just $3.2 billion. Last year, recoveries had more than doubled to almost $7 billion. About $2 billion of that amount was collected on behalf of families receiving welfare.

President Bush has proposed legislative changes to extend child support enforcement services to recipients of other federally funded programs besides AFDC, and to increase health insurance coverage of children by their non-custodial parents.

Combine Requirement- and Reward-Focused Reforms

Goal: Promote and preserve families by removing disincentives in the welfare system that serve as barriers to young couples from marrying and working.

Tommy Thompson

Means:

Allocation:

- Require participation in sex education and parenting classes.
- Eliminate benefits increases for more than two children.
- Permit welfare recipients to keep more of thier earnings.
- Put the educational, training and job experience resources of state and federal JOBS program behind low-income, young parents.
- Combine the authority and resources of the welfare agency, the family, and the employment and training staff to ensure prompt paternity payment.
- Eliminate the requirement that one member of a low-income married couple have a work history to be eligible for AFDC.

Implementation: State of Wisconsin.

Cost: Unspecified.

Outlook: The Wisconsin Department of Health and Social Services received approval of the Parental and Family Responsibility Demonstration Project on April 10, 1992. The five-year project will begin operation on July 1, 1993 in six counties.

Point of View: "Welfare recipients are undermined by rules and regulations that turn them away from marriage, from earning an income, and from gaining an education. Our first task must be to rebuild the welfare system upon the three foundations of success in our society: home, work, and school. A significant part of this reconstruction is the re-establishment of the two-parent, self-sufficient family as the norm, and not the rare exception in poor neighborhoods."

Contact: Office of Governor Tommy Thompson, (608) 266-1371.

Source: Governor Tommy Thompson, "The American Revolution," keynote address at the 15th Annual Resource Bank Meeting of The Heritage Foundation, April 23, 1992

Combine Requirement- and Reward- Focused Reforms

The New American Revolution

By Governor Tommy Thompson of Wisconsin

The Socialist Welfare State. The chief political fact of our times is the death of the socialist idea. In the United States, the socialist idea has taken the form of the bureaucratic welfare state. Although the welfarists dreamt of a war on poverty resulting in a Great Society, the reality has been the devastation of our urban communities that were once strong and vibrant. The chief casualties of the war on poverty can be found in our central cities, where welfare is too often a way of life, and where the educational route to achievement is often too closed off.

That is why I want to address myself this evening to the ways I have been trying as Governor of Wisconsin to wage a revolution in our welfare and educational systems. Let us understand how welfare developed. Welfare came into existence in a society where women were generally unable to obtain decent paying jobs that would allow them to support a family. A widow, for instance, had very few options, and welfare was a compassionate response to her problems. But today that original vision of welfare has had its props knocked out for such reasons as the advent of the women's movement and the sexual revolution that made premarital sex and single-parent households much more acceptable. Today, we have a 1990s welfare program that is governed by 1930s sociology.

Our Founders envisioned a nation of free and independent, self-sufficient families, educated to play an active and intelligent role in public affairs. In contrast, welfare recipients are undermined by rules and regulations that turn them away from marriage, from earning an income, and from gaining an education. Our first task must be to rebuild the welfare system upon the three foundations of success in our society: home, work, and school. A significant part of this reconstruction is the re-establishment of the two-parent, self-sufficient family as the norm, and not the rare exception in poor neighborhoods. The "Parental and Family Responsibility Initiative" which we have introduced in Wisconsin would greatly aid in that effort by removing a major disincentive to marriage in the most disadvantaged areas.

The Parental and Family Responsibility Initiative is a pilot program designed to promote and preserve families by removing disincentives in the welfare system that serve as barriers to young couples from marrying and working. The Initiative targets AFDC applicants under the age of 20, who are first-time parents, and their spouses, the adjudicated fathers of their child(ren), and non-custodial parents.

It will encourage low-income youth to delay pregnancy and parenting, to finish school, to form a two-parent family, to work, and to be financially and socially responsible parents. By piloting this program in four Wisconsin counties, including Milwaukee, the State of Wisconsin will be taking a serious step toward addressing the problem of teen pregnancy and parenting.

By eliminating the requirement that one member of a low-income married couple have a work history to be eligible for AFDC, the Initiative removes the disincentive in the AFDC program for young parents to marry. By permitting welfare recipients to keep more of their earnings, the Initiative will encourage people to work. And by putting the educational, training and job experience resources of the state and federal JOBS program behind these low-income, young parents, the Initiative will provide opportunities for people to become self-sufficient.

Also, the Initiative will encourage low-income teenagers to complete school and to delay pregnancy by requiring participation in sex education and parenting classes and by removing the financial incentives in the welfare system to have additional children.

To encourage male responsibility for parenting and supporting their children when there is no marriage or when a divorce occurs, the Initiative will combine the authority and resources of the welfare agency, the family, and the employment and training staff to ensure prompt paternity establishment, to establish an obligation to support the child(ren), and to require the education and work activities needed to meet support obligations.

Components of the Initiative

Under current AFDC policy, all AFDC recipients are eligible for Medical Assistance, Food Stamps and child care expenses. All AFDC recipients who leave AFDC because they earn more than AFDC allows are eligible for 12 months of Medical Assistance benefits and transitional child care. These benefits are available to single parents now and would also be available to the newly eligible two-parent family. AFDC recipients are also subject to Learnfare requirements if the mother or father has not completed high school. Upon completion of high school, employment and training services are available through the JOBS program.

In addition to the existing services described above, the Parental and Family Responsibility Initiative will include the following components:

Eligibility Criteria

Current AFDC eligibility criteria require either that an applicant be a single parent or, if the applicants are married, one of them must have an employment history. These "deprivation factors" are traditional factors used to establish a need for aid

AFDC Caseload Growth

July 1989/September 1992

sorted by percent change in cases (in thousands)

Rank	State	July 1989 Cases	September 1992 Cases	Percent Change
1	Florida	121.6	255.7	110.3
2	**New Hampshire**	**5.3**	**10.7**	**101.9**
3	Arizona	37.0	67.4	82.2
4	**North Carolina**	**78.3**	**125.9**	**60.8**
5	Nevada	7.4	11.8	59.5
6	**Delaware**	**7.3**	**11.1**	**52.1**
7	Connecticut	37.7	56.3	49.3
8	**Alaska**	**7.3**	**10.9**	**49.3**
9	Georgia	93.1	138.8	49.1
10	**Texas**	**183.6**	**273.7**	**49.1**
11	New Mexico	20.1	29.7	47.8
12	**Rhode Island**	**15.2**	**21.7**	**42.8**
13	Kentucky	58.3	82.8	42.0
14	**South Carolina**	**35.5**	**50.4**	**42.0**
15	Vermont	7.0	9.9	41.4
16	**Tennessee**	**70.6**	**99.1**	**40.4**
17	Indiana	51.0	70.6	38.4
18	**California**	**604.7**	**826.5**	**36.7**
19	Wyoming	5.0	6.7	34.0
20	**Oklahoma**	**35.7**	**47.8**	**33.9**
21	Oregon	30.6	40.7	33.0
22	**Virginia**	**54.2**	**71.9**	**32.7**
23	Maine	18.0	23.4	30.0
24	**Missouri**	**67.4**	**86.9**	**28.9**
25	Massachusetts	87.6	112.0	27.9
26	**Maryland**	**63.0**	**80.5**	**27.8**
27	Guam	1.1	1.4	27.3
28	**Colorado**	**33.2**	**42.1**	**26.8**
29	Washington	78.1	98.3	25.9
30	**Idaho**	**5.8**	**7.3**	**25.9**
31	Hawaii	13.9	17.4	25.2
32	**New Jersey**	**100.1**	**124.4**	**24.3**
33	Utah	14.8	18.3	23.6
34	**Virgin Islands**	**0.9**	**1.1**	**22.2**
35	Montana	9.0	11.0	22.2
36	**District of Columbia**	**18.1**	**21.8**	**20.4**
37	New York	336.6	405.0	20.3
38	**Ohio**	**218.6**	**261.4**	**19.6**
39	Kansas	24.7	29.5	19.4
40	**Nebraska**	**14.1**	**16.8**	**19.1**
41	North Dakota	5.4	6.4	18.5
42	**Minnesota**	**53.7**	**63.6**	**18.4**
43	Pennsylvania	173.5	203.7	17.4
44	**West Virginia**	**35.1**	**41.0**	**16.8**
45	Illinois	198.5	227.3	14.5
46	**Alabama**	**44.5**	**50.6**	**13.7**
47	Arkansas	24.0	26.4	10.0
48	**South Dakota**	**6.6**	**7.2**	**9.1**
49	Iowa	33.7	36.6	8.6
50	**Michigan**	**210.2**	**221.9**	**5.6**
51	Puerto Rico	59.4	61.0	2.7
52	**Wisconsin**	**79.0**	**80.5**	**1.9**
53	Mississippi	59.2	59.9	1.2
54	**Louisiana**	**91.8**	**91.8**	**0.0**
	United States	3746.1	4856.64	29.6

Source: HHS / ACF

based on the fact that a child is "deprived" of the support of a mother, father, or both parents. Because the AFDC eligibility criteria essentially require couples to have an established work history, there is nowhere for a young couple to turn for help if they wish to marry and support their child, but have not yet worked. This situation tends to force young parents to be single parents.

The Parental and Family Responsibility Initiative will allow young couples with no work experience to be eligible for AFDC. This change in policy will make marriage a viable option to pregnant and single teens, especially if they are older teens. The program is targeted at first-time teen parents who are new applicants for AFDC or are currently part of an existing AFDC family.

Work Incentives

Incentives to work will be increased by allowing participants in this program to keep the first $200 and one-half of additional earnings per month. Currently, AFDC recipients who work are only allowed to keep the first $30 and 1/6 or 1/3 of their earned income.

Elimination of 100-Hour Rule for AFDC Unemployed Parents

- But there has been one final disincentive to work in Wisconsin notoriously referred to as the 100-Hour Rule for Unemployed Parents.
- Two-parent families on AFDC are not allowed to work more than 99 hours per month without loss of AFDC.
- Wisconsin is one of three states to receive a federal waiver to drop this requirement for 50 percent of the cases. (California & Utah)
- The Waiver will be implemented on October 5, 1991.

Grant Size

Currently, the AFDC grant increases with the size of the family. There is the appearance in the AFDC program that parents who have additional babies are "rewarded" with an increased grant. Therefore, the Parental and Family Responsibility Initiative will limit the size of the AFDC grant when a second baby is born and not increase the grant for any additional children. The following table shows how the AFDC grant will change with an additional child born into an AFDC family.

Parental Education

The Parental and Family Responsibility Initiative will require all AFDC recipients under age 20 in the pilot counties and their spouses or the non-custodial parents to participate in classes on parenting, human growth and development, sex education, and independent living. Attendance will be a condition of AFDC eligibility for participants in the Initiative and a requirement of the education and work activity requirement for non-custodial parents.

Male Responsibility

Currently, when a pregnant single teen applies for aid, the county economic support worker refers the case to the child support agency to initiate paternity establishment and orders for support. Once paternity is established, the court must order support for the baby. If the father is unemployed, the judge can order him to "seek work," but the court has no resources to assist him. The father is on his own, with no job history and often no high school degree.

Under the Parental and Family Responsibility Initiative, all unemployed non-custodial parents in the pilot counties will be ordered by the judge to "seek work" by reporting to the county JOBS program.

An unemployed, non-custodial parent who does not fulfill his or her child support obligations will be required to participate for 40 hours a week in a combination of education, parenting and work activities. Education opportunities could include completing high school or attending a vocational education program.

Failure to cooperate with work experience and training activities for non-custodial parents will result in a return to court in contempt of the "seek work" order. Thus, the authority of the court is joined with an employment requirement to ensure the young parent becomes self-sufficient and meets his or her child support obligation.

Paternity and Child Support

One of the major objectives of the Parental and Family Responsibility Initiative is to reinforce the importance of male responsibility in parenting and child support. A DHSS study of minor mothers on AFDC revealed that in about half the cases, paternity was established within one year after the baby was born. In about 30 percent of the cases, paternity establishment was expected to take more than one year. In the remaining 20 percent of cases, the report concluded that paternity would never be established. Enforcement of the consequences of parenting cannot proceed promptly if paternity takes months to establish.

Counties that pilot the Parental and Family Responsibility Initiative will be encouraged to improve coordination of economic support and child support paternity staff to expedite paternity establishment for all AFDC applicants, including low income single parents under age 20 who are the target group for this Initiative. Counties that participate in the Initiative will receive a $200 increase (from $100 to $300) in the bonus paid for paternities established within one year for babies born to women under 20 years of age. County child support agencies will be encouraged to use the incentive funding to experiment with innovative ways to expedite paternity establishment. In addition, one family court commissioner will be added in Milwaukee County to deal solely with paternity actions.

Reform the Current System

Combine Requirement- and Reward-Focused Reform

The Common Good: Social Welfare and the American Future

By The Ford Foundation

Background:

The need for a *comprehensive approach* to social welfare reform was stressed by an independent Executive Panel made up of leaders in business, labor, civil rights, the nonprofit sector and education. The Executive Panel, sponsored by the Ford Foundation, heard briefings from experts and policy analysts representing a broad range of perspectives.

Goal:

- Develop a comprehensive welfare system encompassing all ages.
- Create an expanding economy to provide funds and employment opportunities.
- Blend federal and local initiatives.
- Emphasize the need for anticipatory care and preventive action.

Cost:

- $29 billion over current federal expenditure.
- Private, non-profit, local, and state increases.
  - Increased federal funding provided by taxing Social Security benefits that exceed lifetime contributions.

Summary of Federal Funding Increases In Billions:

WIC	$1.7
Head Start	**$2.0**
Medicaid	$3.0
Chapter 1	**$1.5**
EITC	$2.3
AFDC	**$3.7**
Public Service Jobs	$2.0
Unemployment Insurance	**$1.0**

Allocation:

Infancy and Childhood

Investing in Infants

1) Provide all pregnant women with access to prenatal care and well-baby-care.
2) Fully fund WIC as an entitlement for nutritionally at-risk women and children with incomes of up to 185 percent of the federal poverty line.
3) Expand the Head Start program:
   - Provide enough slots for the 80 percent of poor 3- and 4-year-olds who are now denied this service.
   - Make at least one-half of the slots full-day programs for children with working parents.
   - Expand family support, referral, and home visiting services to very low income parents, especially teen monthers, with children below age three.
   - Increase funding for improved staff compensation and staff training in early child development.
   - Address the needs of children whose knowledge of English is limited.
4) Provide child-care subsidies for lower-income families through refundable federal tax credits.
5) Expand state and local efforts to test and implement family support services featuring early intervention, parent education, and coordination of diverse public programs.
6) Provide adequate federal funding of programs like Social Services Block Grants, AFDC-Foster Care, those in the Child Abuse Prevention and Treatment Act, and the child-welfare services provisions of the Social Security Act.
7) Increase support for research on child-welfare problems at the National Institute of Child Health and Human Development.
8) Offer financial and informational support to state governments and local entities to improve their services to children in need and prevent the need for such entities in the first place.

Young Adulthood: Preparing for a World of Work

Drug and Alcohol Addiction

1) Guarantee help in overcoming drug addiction for all who seek it.
2) Further research, demonstrations, and evaluations of innovative addiction programs.

Reducing School Dropout Rates

Communities across the country need to learn and develop their own set of coordinated actions from the following programs:

- Education incentives for youth.
- School-based reforms.
- Collaborations between schools and business.
- Integrated Remedial Education, Work Experience, and Life Options Services
- Summer Training and Education Programs

Reform the Current System Continued...

Teen Pregnancy

1) Design programs to help teenage mothers avoid welfare dependency.
2) Encourage fathers to contribute to their children's upbringing.
3) Expand education, training, and employment programs to help fathers be responsible.

Coordinating Efforts

1) Resist efforts to slash funding for federal programs aiding disadvantaged adolescents.
2) Create interagency state youth councils composed of senior officials from educational, job training, and human services agencies to develop strategies to coordinate service delivery, share information, maintain continuity and quality control in local programs for at-risk youth.
3) Use schools as centers for delivering integrated services to adolescents.
4) Expand early detection and early intervention programs.
5) Recognize the interrelated nature of such problems as leaving school, teen parenthood, unemployment, and welfare dependency.
6) Create positive incentives and life-option counseling.
7) Involve the private-sector in educational and employment programs and adequately funding of public-sector programs.

The Earned Income Tax Credit—What It Is.

The EIC is a tax credit for low-income working families with children. Created by Congress in 1975, the EIC was designed to offset the regressive impact that Social Security payroll taxes have on low-income working families. The EIC also serves as an incentive to work.

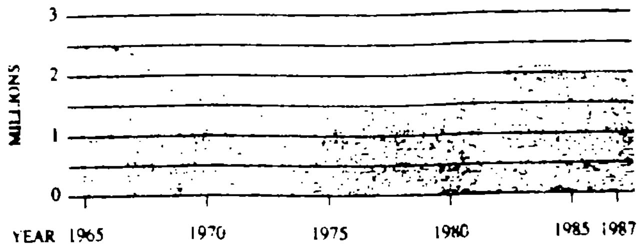
The IRS offers billions of dollars in tax credits through the EIC. The credit is paid to low-income families just like a tax refund. It can mean cash back for working families even if they do not have to pay any federal taxes at all. Working parents also can arrange to receive the EIC over the course of the year in their regular paychecks.

The EIC is available to families with children with at least one member who has worked during the year. It does not matter if the work was full- or part-time. Families can receive the credit if they only worked part of the year, too. To be eligible, a family must have income of less than $22,370 in 1992.

Eligible families can qualify for a credit of up to $1,324 for 1992—and even more if they have two or more children, a child born in 1992, or if they incur costs for a health insurance policy that covers their child.

Source: The 1993 Earned Income Credit Campaign, The Center on Budget and Policy Priorities, 777 N. Capitol St., NE, Suite 705, Washington, DC 20002; (202) 408-1080.

Number of People Working Full Time Year-Round and Living Below the Poverty Line



Source: U.S. Bureau of the Census. In *Working but Poor*, by Sar Levitan and Isaac Shapiro. Baltimore: Johns Hopkins University Press, 1987, p. 4.

Economic Growth

1) Reform entitlement programs.
2) Reduce expenditure on discretionary non-defense programs.
3) Reduce expenditure on non-critical national defense outlays.
4) Enhance productivity through flexible worker compensation, incentive pay, and profit-sharing arrangements.
5) Reforms obsolete work rules.
6) Allow workers to change jobs without losing pension and health benefits.

Improving the return to work

1) Restore the purchasing power of the minimum wage.
2) Expand the Earned Income Tax Credit by varying its benefits with the size of the recipient's family.

Assuring Health Care Coverage

1) Require employers to offer a basic package of health insurance coverage to workers or contribute an amount per employee to a public fund that will finance converage for uninsured workers.
2) Extend the AFDC program to establish a minimum cash-benefit level that assures Medicaid eligibility to at least the poorest of the poor.
3) Expand Medicaid to cover more than those receiving cash welfare assistance.
4) Expand Medicaid's early treatment and preventive health care programs.

Redesigning Unemployment and Welfare Programs:

1) Tighten up administration of the program by stressing job search requirements.
2) Provide lump-sum payments that can be used to move to a more promising labor markets.
3) Recast the schedule of benefits decline gradually as more training and employment services are provided.
4) Implement solvency standards to put state unemployment systems on a sounder and more equal financial footing.

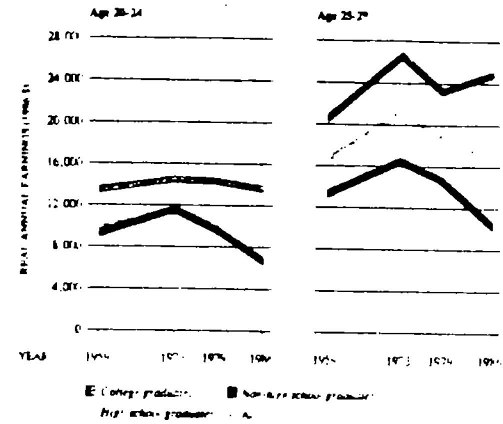
5) Establish a national minimum benefit equal to two-thirds of the federal poverty line (AFDC plus food stamps).
6) Limit the length of time that those who can work are entitled to welfare benefits.
7) Provide a public-sector job for those who have exhausted their benefits but cannot find work.

Old Age: A Time to Reap and Sow Again
Protecting the Weakest Today:
1) Increase federal Social Security Insurance (SSI) benefits to assure minimum poverty-line income.
2) Ease restrictive limits on liquid assets ($2,000 for individuals and $3,000 for couples in 1989) in order to qualify for SSI.
3) Expand the outreach program to increase participation among those eligible for SSI.

Protecting the Many Tomorrow
1) Save Social Security surpluses or allow long-term investment only.

Reducing Medicare
1) Broaden the base of taxation, as opposed to an increase in the rate of taxation.
2) Establish new cost-control measures.

Earnings for Males in Their Twenties, by Schooling and Selected Years



Creating Protection for Long-Term Care
1) Move toward an insurance-based model whatever the combination of public and private insurance.
2) Use public subsidies to encourage the spread of private long-term care insurance.
3) Integrate private insurance for long-term care into flexible benefit packages and provide target subsidies to help lower-income people afford it.
4) Educate the public about the need for long-term care protection.
5) Expand coordination of acute- and long-term care benefits.
6) Expand the use of the private nonprofit sector to provide coordinated services to the elderly.
7) Provide respite care sponsored by community organizations.

Implementation:

Federal, state, and local goverment as well as, private busineses and non-profits

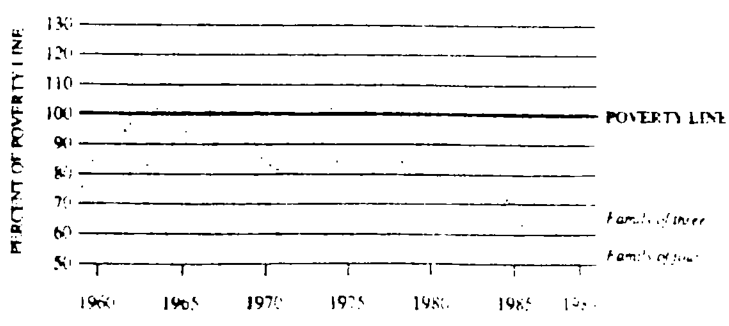
Status:

The report, published in 1989, has prompted organizations representing the nation's main religions—Protestant, Orthodox, Roman Catholic and Jewish—to combine their moral authority to help change present U.S. social welfare policies. The effort is described as the first time such a wide spectrum of American religious agencies has tackled jointly such a broad concern. The Ford Foundation has provided a grant of $152,000 to finance the early phases. A joint team has been set up by the religious groups to develop a common policy statement, with an Interfaith Summit on Social Welfare planned in Washington early next year.

Contact: Michael Lipsky, The Ford Foundation, 320 East 43rd Street, New York, New York. 10017; (212) 573-5000.

Source: The Common Good: Social Welfare and the American Future, Ford Foundation, 1989

Value of Full-Time Work at the Minimum Wage in Relation to the Official Poverty Line



Source: U.S. Department of Labor, In Working but Poor by Sar Levitan and Isaac Sha[illegible] Baltimore: Johns Hopkins University Press [illegible] p. 57

Combine Requirement- and Reward Focused's Reform

California: Welfare Initiatives and Reforms

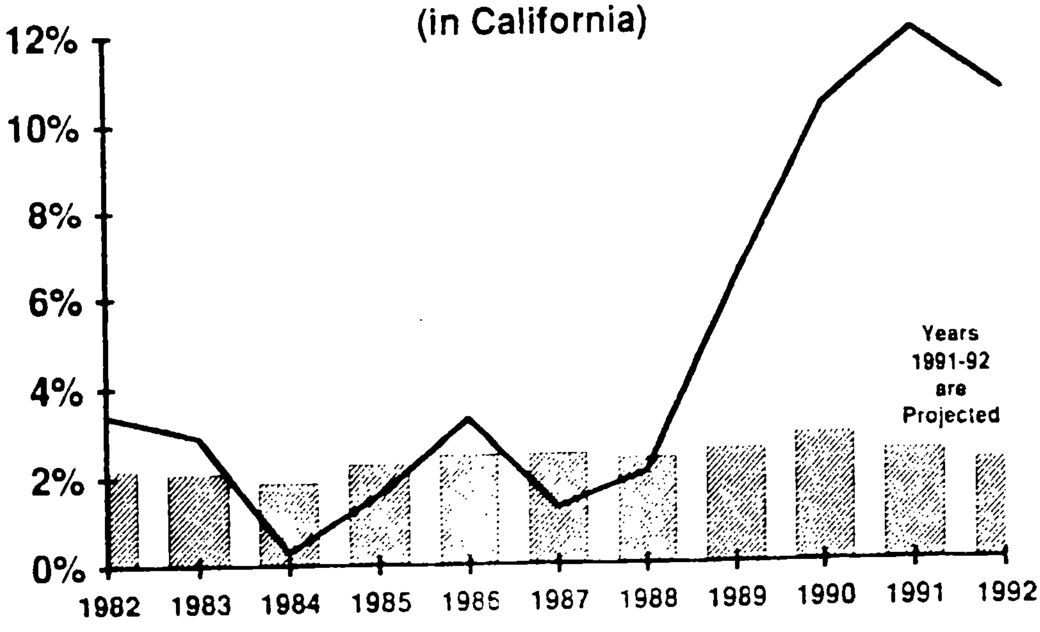
By the California Health and Welfare Department

Goal:
To turn welfare into the temporary assistance and the path to opportunity it was designed to be.

Means:
Allocation:

- **Grant Reduction**
To reduce the incentive to choose welfare over employment, welfare grants are initially reduced by 10 percent—from $663 per month to $597 for a family of three. This reduction is offset by an increase in food stamps of $20 per month. Despite the grant reduction, California retains its ranking as the state with the second largest AFDC grant in the continental U.S. (U.S. median grant is $382).
- **Transitional Grant**
To reaffirm AFDC as a temporary assistance program and to encourage recipients to transition back into the workforce, a two-tiered grant structure is established. A "transition" grant for a maximum of six months would be available to assist families requiring immediate financial support. After six months, those families with an able-bodied adult continuing on aid would shift to a basic aid grant of $517—15 percent below the transition grant level.
- **Work Incentive**
Recent studies have determined that the AFDC program provides recipients with a disincentive to work—AFDC recipients gain little net dollar benefit—and in many cases are financially penalized by going to work. Our proposal provides a gap where an individual can work and retain more earned income. The additional income needed to make up the gap can be earned by working just a few hours a week.
- **Cal Learn**
To encourage pregnant and parenting teens on AFDC to complete their high school education, thereby promoting long-term self-sufficiency, a new education incentive program is proposed for school-age pregnant teenagers or mothers receiving AFDC. A $50 cash incentive will be provided to those AFDC teens who choose to remain in school. For those teens who choose to drop out of school, their family's grant will be reduced by $50. In addition, teens in school would remain at the transitional grant level for their duration on aid.
- **Maximum Family Grant**
To discourage growth in family size while on public assistance, AFDC recipients will not receive a cash grant increase for additional children born to mothers who are receiving assistance. This proposal is based on the governor's belief that it is not only fair, but reasonable, to ask a family on public aid to refrain from increasing their family size until they become self-sufficient and independent of public support.
- **Teen Pregnancy Disincentive**
To discourage teen pregnancy and to encourage families to stay intact, the proposal includes a provision which allows minors who have children who require public support to

Percent of Increase in AFDC vs. General Population
(in California)



Reform the Current System Continued...

receive AFDC only if they remain at home with fit parent(s) or a legal guardian. The payment would be made directly to the parent or guardian on behalf of the minor and her child.

- **New Residency Requirement**
  To reduce any possible potential incentive to migrate to California solely to seek higher public assistance benefits, the maximum AFDC payment level for a family who has resided in California for less than one year would be based upon the payment rate of the state of their previous residency.
- **Child Support Enforcement**
  The administration remains committed to aggressively seeking absent parents who can support their family. Most AFDC families are headed by a single parent. Many of these parents have absent partners who could contribute to supporting the family. In 1991, Governor Wilson signed legislation which toughened laws on parents who do not live up to their legal responsibility of financially supporting their children.

Implementation: California Health and Welfare Department.

Cost: $2.428 billion for fiscal 1993

Outlook:

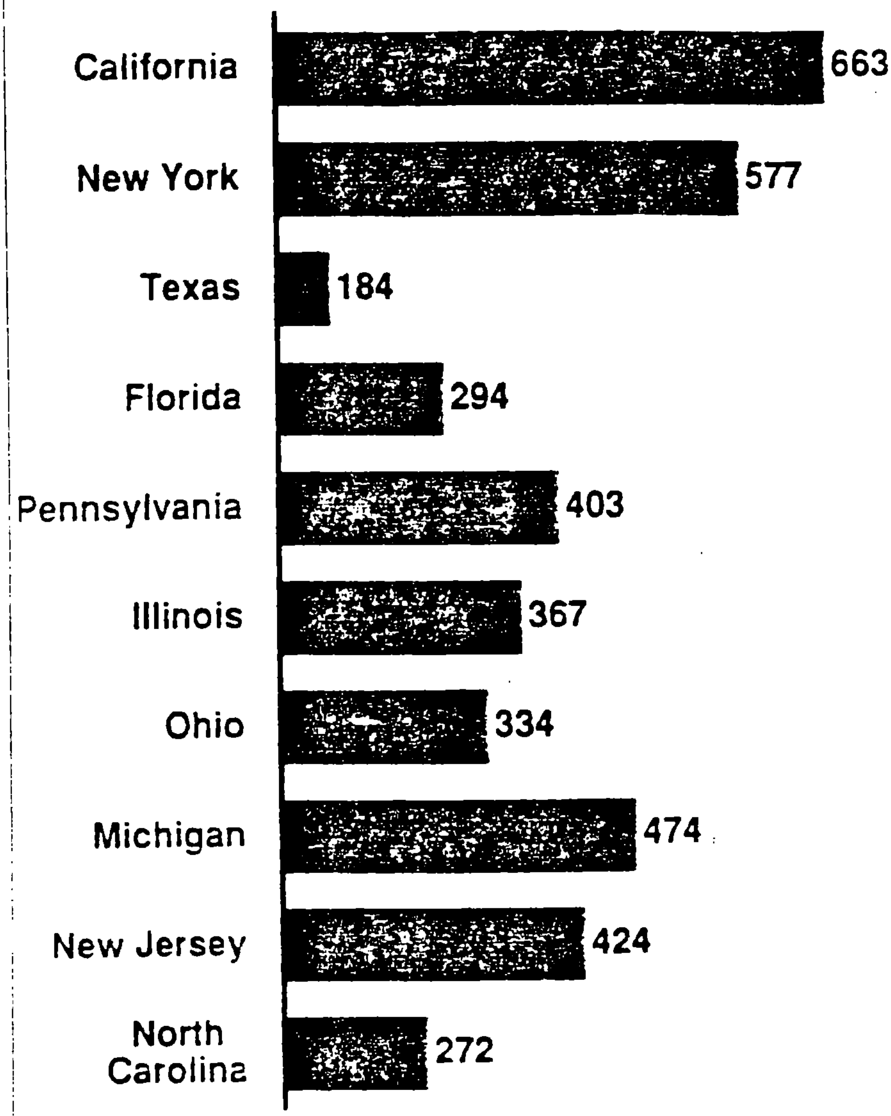
In July 1992, California received approval of waivers for the above initiatives. These waivers were contingent upon approval of a referendum on the November 3, 1992 California ballot. The referendum failed. On October 29, 1992, California received approval of a second set of waivers as an alternative to the first set of waivers. The initiatives approved by the second set of waivers will begin implementation this month and will run for 5 years.

These waivers provide for:

- Extension of the $30 and 1/3 income disregard for all families without the twelve-month and four-month limitations.
- Establishment of new resident requirements.
- Elimination of the AFDC restriction which prohibits eligible unemployed parent recipient families from receiving benefits if the principal wage earner works more than 100 hours/month. The family must meet all other rules for eligibility.

Note: AFDC payments for all households will be reduced by 5.7to 94.2 percent of the maximum aid payment in effect for September 30, 1992. No waiver was needed for this change.

AFDC Maximum Aid Payment for a Family of Three in the Ten Most Populous States as of Nov. 1991



Point of View:

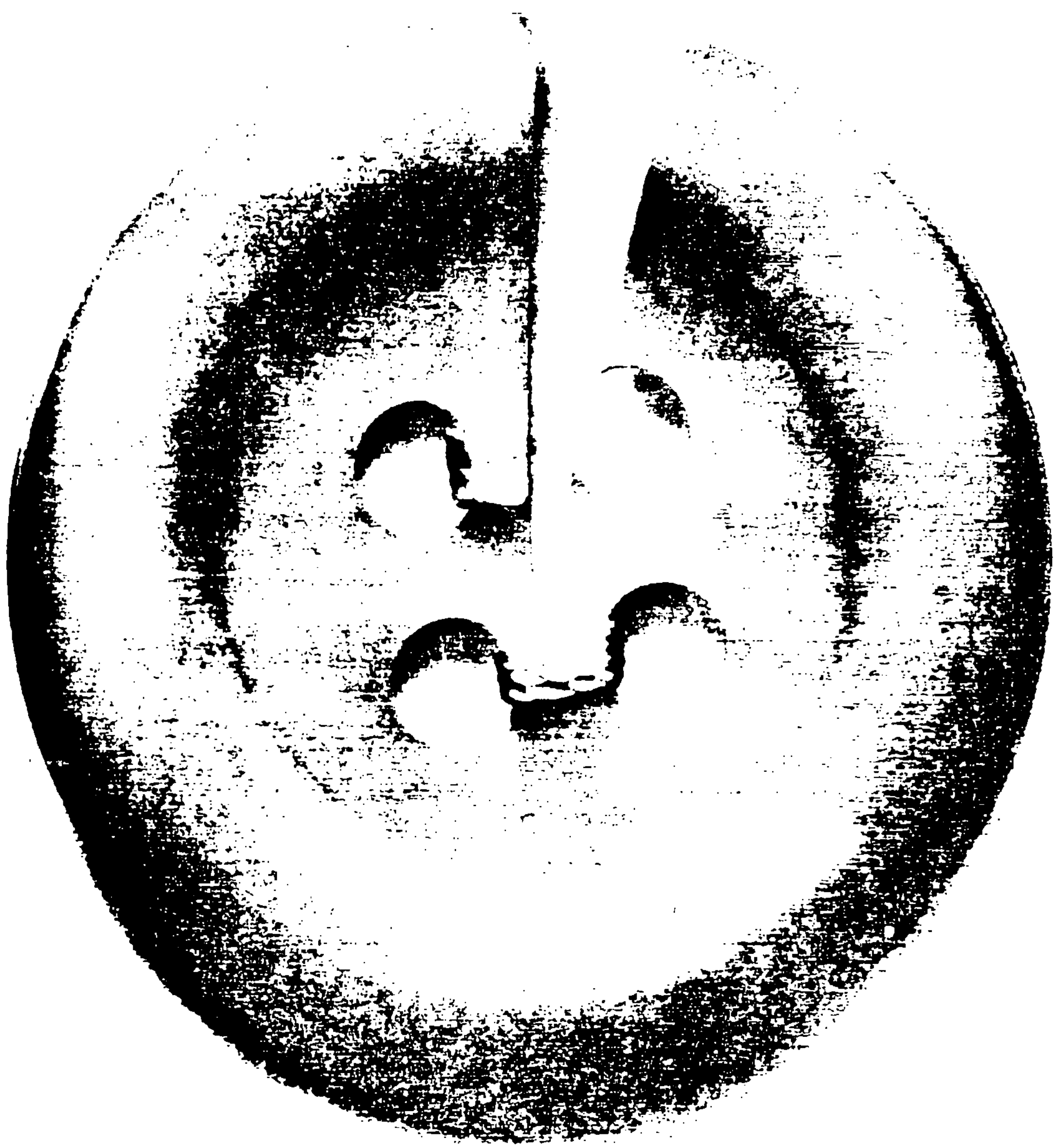
"The government and recipients have a mutual obligation. The government has an obligation to provide assistance to people in temporary trouble. The government also has an obligation not to create programs which foster dependency upon governmental assistance. Because past policies have done just that, government now has the additional obligation to provide those trapped in a cycle of dependency with the tools to break out. Able-bodied recipients have an obligation also, to prepare themselves for rejoining the workforce."

Contact:

Office of Governor Pete Wilson, State Capitol, Sacramento, CA 95814; (916) 445-1764

INDEPENDENT SECTOR

Ad Council



Just a fraction of what we spend on clothes can help mend society's problems.

If we all shared just a small part of our extra money and time with the causes we really care about, we could sew up some of society's loose ends.

Like health problems. Education. Or international understanding.

Millions of people have helped establish five percent of their incomes and five hours of volunteer time per week as America's standard of giving.

If we all reached this standard, we could generate more than $175 billion every year. With a force equivalent to 20 million full-time workers.

This year, make it your goal to give five. And help us all fashion a better society.

Give Five.

[illegible]

Aid to Families with Dependent Children

Requirement-Focused

Scope of the Problem

Past: •Children displaced the elderly as the poorest age group in 1974, and by 1983 22.2 percent of children were living below the poverty level.[1] ***Current:*** •"An estimated 11.5 million children under age twelve are hungry or at risk of hunger."[2] •"In 40 states, the purchasing power of Aid to Families with Dependent Children (AFDC) benefits declined in fiscal 1991. Basic AFDC benefit levels have kept pace with inflation in only 11 states this year."[3] •Three-fourths of families began receiving AFDC due to a relationship change that created a female-headed family. Never-married single women are at greatest risk of long-term welfare receipt, averaging over 9 years on AFDC.[4] •60% of all poor families contain someone who works part- or full-time.[5] ***Indicators:*** •Poor children are at greatest risk of school failure and are more likely to attend a failing school; their family life is the most stressed, and they are unlikely to get adequate social support.[6]

Current Policy

Goal: To promote self-support, decrease dependency on welfare, and reduce poverty. ***Cost:*** In 1991, federal funding available for the Job Opportunities and Basic Skills (JOBS) program was $1 billion. Actual expenditure was $546 million.[7] A state must match any federal funds it obtains. ***Means:*** The Family Support Act of 1988 requires that each state have a JOBS program to help welfare recipients pursue job training, work activities, and education programs. Priority of program funds must be given to the recipients at greatest risk of long-term dependency. ***Implementation:*** The federal government sets program goals, provides enhanced funding, and ensures particapation. States determine the appropriate types of services to offer their welfare recipients.[8]

Proposed Solutions

Work-Focused

Require Employment Activities

Goal: To encourage welfare recipients to engage in employment activities.

Means: Link the eligibility of welfare benefits to employment.

Examples include: •Require some recipients to work or attend school at least 30 hours weekly; •Require welfare recipients to work at a public service job in order to receive benefits. •Reduce AFDC payments by 15% after six months for any family headed by an able-bodied adult; •Limit eligibility for welfare benefits to 4 years.

Non-Work Focused

Require Positive Family Behavior

Goal: To encourage welfare recipients to engage in positive family behavior.

Means: Link the eligibility of welfare benefits to positive family behavior.

Examples include: •Reduce welfare grants by $50 if a student drops out of school; •Revoke a student's driver's license if school attendance requirements are not met; •Require teenage mothers to live with a parent or legal guardian; •Require parents to obtain preventive health care for their children; •Eliminate welfare grants for additional children; •Require teenage parents to participate in sex education and parenting classes.

Status of Proposed Solutions

Work-Focused

•Gov. Clinton supports a $4 billion increase in spending on education and training programs and supports establishing a public service requirement for those on AFDC for more than 2 years •Pres. Bush supports linking work and education requirements to welfare benefits and expanding youth centers which provide job training. •Five national bills have been introduced. •Six states (AL, MI, NJ, OR, UT, WI) have expanded federal work requirements.

Non-Work Focused

•Non-work focused requirements are gaining state support but face strong opposition from the Children's Defense Fund and other child advocate organizations. •Gov. Clinton opposes limiting benefits for additional children. •Five states (MD, NJ, OH, VA, WI) currently have reforms targeting health, family planning, or school attendance. •No national bills have been introduced.

Sources

[1] "Children in Poverty," a report by the Congressional Budget Office and the Congressional Research Service, 1985. [2] *Community Childhood Hunger Identification Project, A Survey of Childhood Hunger in the United States*, Executive Summary, Food Research and Action Center, 1991. [3] *The States and the Poor: How Budget Decisions in 1991 Affected Low Income People*, Center on Budget and Policy Priorities 1991. [4] *1992 Green Book*, Overview of Entitlement Programs, Committee on Ways and Means. [5] Center for Community Change, *Community Change Magazine*, Fall/Winter 1992. [6] *1991 Final Report of the National Commission on Children*, p 79. [7] *1992 Green Book*, Overview of Entitlement Programs, Committee on Ways and Means. [8] *JOBS Fact Sheet*, US Department of Health and Human Services, March 1992.

Requirement-Focused Reform


David Boren

Goal: To eliminate dependency, increase the self-esteem, and improve the skills of welfare recipients.

Means:
Allocation:
The Community Works Progress Administration (CWPA)
- All able-bodied welfare recipients will be required to accept employment on CWPA projects if no other employment is available.

The Youth Community Corps (YCC)
- Secondary schools students (grades 7-12) will be able to earn college scholarship funds by working on approved community projects after-school or on weekends. Preference will be given to the dependents of parents on welfare, out of work, or with income below the poverty line, but shall not be limited to those groups.

The National Youth Community Corps (NYCC)
- Camps, or dormitory units in urban areas, will be created for young people age 15 to 22 to work on projects ranging from reforestation to town beautification.

Implementation: The Department of Labor's Employment and Training Administration.

Cost: Unspecified.

Outlook: A modified version of the Community Works Progress Administration (CWPA) was incorporated into H.R. 11, the Urban Aid Bill. H.R. 11 passed the Senate and House but was vetoed by President Bush. A modified version of the National Youth Community Corps (NYCC) was incorporated into the 1992 Defense Authorization Bill and was appropriated $20 million. Boren plans to reintroduce bill S.2373 next Congress.

Point of View: "If we are going to solve the urban crisis in this country, we need to work our way out of it—literally. In the 1930s, America addressed an economic and social crisis with a straightforward, action-oriented approach; the Works Progress Administration and Civilian Conservation Corps. What worked for FDR was work—not the dole, not welfare, but work, both in the WPA and the CCC."

Contact: Senator David L. Boren, (D-Okla.), SR-453 Russell Senate Office Building, Washington, DC 20510-3601; (202) 224-4721.

Source: Press Packet to the Community Works Progress Act, October 5, 1992.

Requirement-Focused Reform

The Community Works Progress Act

By Senators David Boren (D-Okla.) and Harris Wofford (D-Penn.)

The current welfare system needs a complete overhaul. No one doubts it. It is serving neither the taxpayers nor the welfare recipients. There are too many people in this country drawing a check for doing nothing, who feel alienated and hopeless. It is high time for us to return these people to the productive part of our country and bring them back to the fold of the community. If we can help restore people's integrity then that is worth far more than anything a welfare check can buy.

The taxpayers currently get very little for what they are spending. Those on welfare are deprived of a sense of personal worth which comes from the satisfaction of performing useful work. In addition, the unhealthy idleness promoted by the current welfare system also contributes to increased crime rates, drug abuse, family disintegration, higher school dropout rates, and many other serious social problems.

There is nothing worse for an individual than to have no reason for getting out of bed in the morning, to have no sense that they are doing anything of value or contributing anything back to the community.

In spite of billions spent on welfare programs, America's urban underclass is growing at an unprecedented rate. In the last two years, the number of people receiving AFDC benefits has gone up 24 percent and total spending has increased 17 percent.

As the New York Times put it on March 1:

"Faced with welfare rolls that now reach records every month, the country seems stuck. It cannot increase payments without making welfare more attractive. It cannot cut them without risking further harm to the 13 million people on welfare, 9 million of whom are children. Either direction promises more misery."

While marginal progress has been made in the last few years through job search programs, only 7 percent of the welfare population has actually switched from welfare to work under these plans.

America cannot continue to support a welfare system that spends, but does not invest; one that takes, but does not give back. We have to reawaken the spirit of community in this country and help to make America great again. We have to invest more of our resources in our people. It is time we changed our welfare system to give people a chance to work instead of simply giving them handouts. Let us bring back a modern version of the WPA and restore people's pride in their work. Let us help those who are stuck in the unrelenting cycle of welfare, poverty, and unemployment regain their self-respect and make a real contribution to their communities.

During the seven years the WPA was in existence, 1935 to the 1941, WPA workers built more than 650,000 miles of highways, roads and sidewalks, 124,000 bridges, 125,000 public buildings, and 39,000 schools. They served more than 1 billion lunches to people who were hungry. They

Reform the Current System Continued...

were able to sew together 350 million garments to provide clothing for those that were cold in the winter time. Books were written; murals were painted. The total seven-year cost of the WPA for all of its benefits to the country, in 1991 dollars, was $90 billion.

For 90 billion current dollars, in seven years, we received those 640,000 miles of roads and those 39,000 school buildings and those billion meals served, as well as numerous other contributions.

In contrast, the last eight years of our current welfare system have not cost the taxpayers $90 billion; they have cost the taxpayers $932.5 billion, 10 times the cost of the WPA and the CCC with tangible benefits to show for it.

These people will never have the satisfaction, like those who worked on the WPA or the CCC, of pointing to some valuable community project and saying, "I helped build that park. I helped build that school. I have the satisfaction of contributing something to my community. I helped serve meals to the homeless."

I will never forget talking to an elderly gentleman one day after a speech in a football stadium in a small town in Oklahoma. He came up to me and said "Senator, do you see that stadium wall over there?" I said, "Yes, sir." He said, "I built that stone wall myself. It was part of the WPA." He said, "You see there is not a crack in it. It is not an inch out of line today. It has not settled. It was built right."

As I listened, I thought to myself, that man feels a part of the community. He feels pride because of what he gave back. In a way, that football stadium belongs to him. I bet he has never even dropped a candy wrapper in that football stadium, and he certainly would not stand by and see it vandalized.

Community WPA (CWPA)

The modern version that we are creating in this bill is designed to create jobs for welfare recipients and the unemployed to help make them feel part of the community. Our plan would put them back to work as productive members of society and would make workfare job search requirements a reality. All able-bodied welfare recipients, with the exception of women with small children and those who are enrolled in education and job training programs—which, of course, we want to encourage—could be required to take an available job with the new Community Works Project Administration (CWPA), if they are unable to find a job elsewhere. At least 25 percent of these jobs would be reserved on a voluntary basis for those who have been unemployed for 5 weeks or more.

The program would be administered by the Department of Labor's Employment and Training Administration through the State agency which administers the Job Training and Partnership Program. We would not be creating any new bureaucracy with additional costs. Local and State agencies, as well as private non-profit organizations could apply for grants from the Community WPA. The projects could include areas such as infrastructure, construction and maintenance, the creation or maintenance of parks, community work such as law enforcement assistance, assistance to police, delivering meals to the elderly and shut-ins, or any other proposed projects which serve a useful public purpose.

The U.S. Conference of Mayors ha

The Civilian Community Corps Demonstration Program

Originally introduced in March as part of The Community Work Progress Act, S.2373, the Civilian Community Corps was accepted as an amendment to the 1992 Defense Authorization Bill. For fiscal 1993, the appropriation will be $20 million.

There will be established two divisions of the new CCC: a summer National Service Program and a National Service Program.

The Summer National Service Program will give young people between the ages of 14 to 18, primarily from disadvantaged backgrounds, the opportunity to work for a few months on projects that will benefit the community. In return they can receive room, board, reimbursement of necessary expenses, a living allowance, and either an education credit up to a maximum of $1,000 or half that amount in a post-service cash benefit.

The National Service Program will have a diverse group of young people between the ages of 17 to 25—from all over the country of all races, classes, creeds and socio-economic backgrounds—an opportunity to work on valuable community projects for 9 months to 1 year. Corpsmembers will receive advance service training in project-specific skills so as to be able to tackle more difficult assignments or greater community benefit. The National Service Program provides room, board, reimbursement of necessary expenses, a living allowance, and an educational credit up to a maximum of $5,500 or half that amount in a post-service cash benefit.

Initiatives will be developed to assist corpsmembers complete the transition from the CCC to school or work. Support services shall be provided to the extent necessary.

Every corpsmember will take part in a 3-6 week common curriculum that includes a comprehensive service-learning curriculum designed to promote team-building, discipline, leadership, work training, citizenship, and physical conditioning. National Service corpsmembers will receive additional project-specific skills training.

The new CCC will be run under the auspices of the bipartisan Commission on National and Community Service—a federal agency created by the National and Community Service Act of 1990.

Source: Press Packet to the Community Work Progress Act, October 5, 1992.
Contact: Senator David L. Boren, (D Okla.), SR-453 Russell Senate Office Building, Washington, D.C. 20510-3601, (202) 224-[illegible].

Reform the Current System Continued...

published two volumes containing over 7,200 proposals for job projects which are ready to go. All they need are labor power and adequate funding. The CWPA will help our nation restore its crumbling infrastructure, and in return, provide all participants with a compensation at least 10 percent higher than their current welfare or unemployment benefits. Because we want to encourage people to go to work and be productive and not to penalize them, as we often do under the current welfare system by depriving them of some of their current benefits, or perhaps day care for their children or other benefits that are necessary for them to work.

Our plan would also create two youth divisions within the Community WPA to provide substantial education benefits to students and young adults in exchange for work on community projects.

Youth Community Corps (YCC)

The first division, the Youth Community Corps would allow secondary school students to earn college scholarship funds by working on approved community projects after school or on weekends. Beginning in 7th grade, students could work up to 250 hours per year on these projects until they reach 12th grade. Students participating for 6 years could earn up to $10,000 in educational benefits or elect to receive $5,000 cash upon graduation as an alternative.

If they earn these education benefits, it would not be counted against any resource that they might otherwise qualify for under federal scholarship or loan programs, Pell grants, or otherwise.

National Youth Community Corps (NYCC)

The second division, the National Youth Community Corps would create camps, or dormitory units in urban areas, for young people age 17 to 22 to work on projects ranging from reforestation to auxiliary police work to town beautification. With the continued down sizing of the military establishment in the country, old military bases and former military personnel could be put to good purpose and used to help house, supervise and train young adults. A volunteer national youth corps would help get young people off the street while providing them with a real education opportunity, because they also would be able to earn $10,000 in educational benefits for each year of service to be used for college, vocational school, or other kinds or additional training that they need. Those not wishing to continue their education after high school would also have the option of receiving $5,000 a year in cash, although they would have the choice of receiving , as I say, twice that value in educational benefits.

Non-high school graduates would be required to complete high school GED diploma work on the programs to eligible for any of these bonuses. So we encourage education. We require that high school be completed in order to qualify for these benefits.

Preference to those signing up for the youth programs would be given to dependents of families who are on welfare, out of work, or below the poverty level. But the corps would not be limited to these groups. Other young people hoping to have a work experience would have the opportunity if the funds were available.

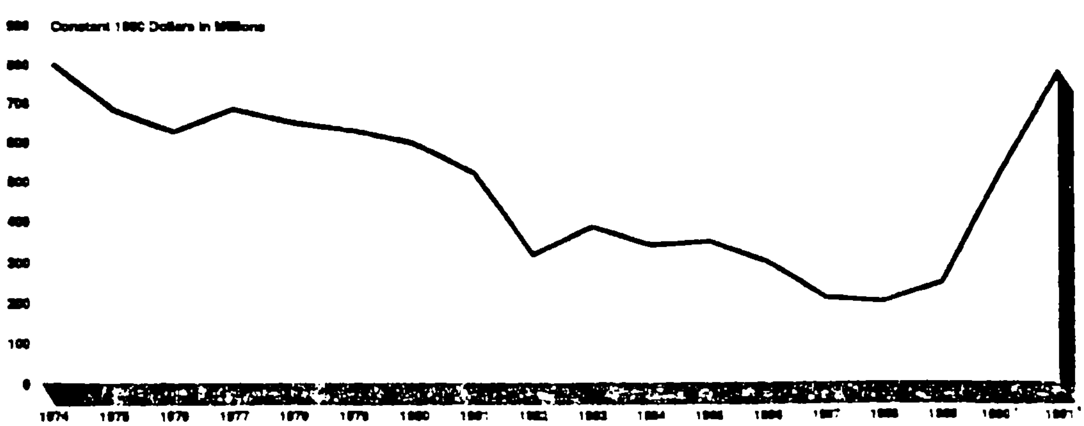
Let us give young Americans who are disadvantaged and disillusioned an incentive to become a productive part of society. Let us instill in them at an early age the ethic of hard work, reward them for providing service to their country, and give them a sense of accomplishment—accomplishments on which they can look back in later years with pride.

It is time to recycle an approach that worked well in the past and modify it to current conditions. Instead of the growing division in our country between taxpayers and welfare recipients who are taking tax benefits– a widening gulf– increasing resentment, and increasing sense of division in our country– it is time to make all Americans part of the same team.

And maybe someday, welfare recipients, unemployed people and young adults will be able to point to some major community facility, environmental project, or restoration project and like that man who stood in the football stadium who had worked on the WPA, pointing to that stone wall– can say with pride, "I helped to build it."

That is what we need in this country. We cannot afford to waste the talents of 10 percent of our people. Almost 1 in 10 receive some check in the mail, again, but are not giving back to the community or producing anything in return. We need to give them the opportunity to contribute to their neighborhood, to give back something to the community.

Federal Spending for AFDC Welfare-to-Work Programs (FYs 1974-91)



Current Policy

JOBS: Job Opportunities and Basic Skills Program

by American Public Welfare Association

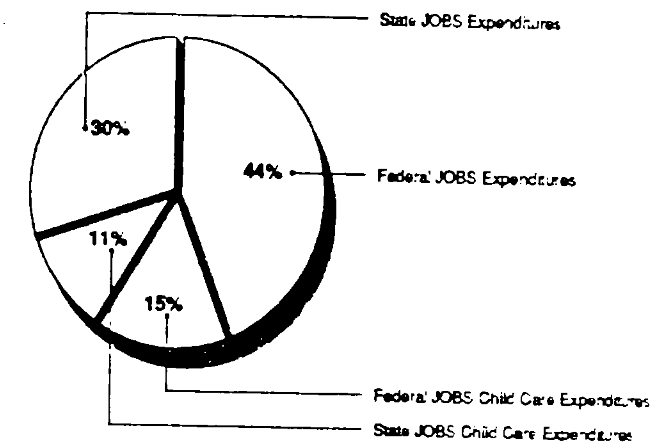
JOBS is designed to assure that needy families with children obtain the education and training necessary to become independent of welfare. It builds on previous legislation related to welfare employment programs, including the Work Incentive (WIN) Program and other program activities that were permitted under the Omnibus Reconciliation Act of 1981 and subsequent amendments.

Primary responsibility for JOBS rests with each state's welfare agency, which was allowed to implement JOBS in July 1989 and required to do so by October 1990. States must offer educational activities, including high school or equivalent education, basic and remedial education, and English proficiency education; job skills training; job readiness activities; and job development and job placement. Additionally, states must provide at least two of the following: group and individual job search, on-the-job training, work supplementation, and community work experience.

In a significant departure from previous legislation, mothers with children age 3 or older are required to participate if child care is available. At state option, participation in JOBS may be required of parents with children age 1 year or older. Mothers under 20 years of age who have not completed high school or its equivalent are required to participate in educational activities, regardless of their children's ages. States must guarantee child care is open-ended and matches state expenditures at the Medicaid rate, which ranges from 50 to 80 percent.

To encourage states to focus on people who are most likely to become long-term welfare recipients, the federal legislation requires that 55 percent of the JOBS funds be spent on recipients who are, or are likely to become, long-term welfare recipients.

Federal and State Shares of Estimated Expenditures for JOBS and Related Child Care (FY1991)



The legislation has also mandated overall participation rates for the states' JOBS programs: 7 percent of the nonexempt caseload must participate in 1990; 20 percent in 1995.

To assist states in financing their JOBS programs, federal matching funds have been increased significantly. The limitation on the total amount of federal grants to the states are lifted considerably from previous levels. available federal funding was $800 million in 1990, and it increased to $1.3 billion in 1995. The federal matching rate is 90 percent up to each state's WIN allocation for 1987. Expenditures for JOBS services beyond that amount are matched at the Medicaid rate or 60 percent, whichever is higher. Supportive service and administrative expenses are matched at 50 percent.[1]

State's progress in helping participants become self-sufficient may be slowed by states' limited spending on JOBS funds and budget shortfalls. Almost one-half of the federal JOBS spending funds available to states will go unused in fiscal 1991 because many states are not planning to spend enough state and local moneys to obtain all of the federal funds available. In 1991, federal spending totaled only 55 percent of the $1 billion in available funds.

JOBS spending may be further limited by the fiscal difficulties affecting many states. The National Governor's Association reports that 29 states had enacted or proposed cuts to their fiscal year 1991 state budgets. Fiscal problems in two states have slowed the influx of new participants into JOBS programs and limited the number of people who can become self-sufficient. States' progress in moving participants out of JOBS and into employment may also be slowed by poor economic conditions.[2]

Due to these difficulties, the Department of Health and Human Services (DHHS) has entered into a contract with the Manpower Demonstration Research Corporation (MDRC) for an 8 year study at about 10 sites in various states to evaluate JOBS programs. Analysis is planned in the areas of impact analysis (earnings, degree of AFDC dependence, poverty status, education), process analysis, and cost/benefit analysis. Related studies are planned about outcomes for children, performance standards, and effectiveness of specific educational activities.[3]

Sources:

[1] *Heavily borrowed from Hagen, Jan L. and Lurie Irene. "How 10 States Implemented JOBS." Public Welfare Magazine, Summer 1992. American Public Welfare Association, Washington, DC p. 14*

[2] *"Welfare to Work. States begin JOBS, but fiscal and other problems may impede their progress." United States General Accounting Office, September 1991. GAO HRD 91-106, p. [illegible]*

[3] *"Welfare," Congressional Research Service Updated September 4, 1992. [illegible] p. 9*

Contact: The American Public Welfare Association, 810 First Street, NE, Suite [illegible] Washington, DC 20002-4267, (202) [illegible] 0100.

Requirement-Focused Reforms

Goal: To break the cycle of dependency of those on welfare.

Newt Gingrich

Means:

Allocation:

- Expand requirements for AFDC recipients to prepare and train for work.
- Limit the amount of time most people can remain on AFDC to four years.
- Allow welfare benefits to be used to subsidize a recipient's employment.
- Link welfare benefits to preventive health care and school attendance.
- Reduce the AFDC restrictions on marriage.

Implementation: Federal and state government.

Cost: Cost neutral.

Outlook: The Welfare Reform and Personal Responsibility Act of 1992 (H.R.5501) is strongly supported by Representatives Newt Gingrich (R-Ga.), Vin Weber (R-Minn.), Bill Gradison (R-Ohio), and E.Clay Shaw (R-Fla.).

Point of View: "Many people have been talking to me about how frustrating it is to work hard every day to support their families and then have the government take money from their paycheck to give to people who don't work for a check. It's not fair to those of us who work, they say, and welfare is not helping in the way in which it was intended."

Contact: Newt Gingrich, (R-Ga.), 2438 Rayburn House Office Building, Washington, DC 20515-1006; (202) 225-4501.

Source: Press Release and "Dear Colleague" letter on H.R 5501. Rep. Newt Gingrich. House Republican Whip, June 25, 1992.

Requirement-Focused Reforms

Welfare Reform and Parental Responsibility Act of 1992

By Representatives Shaw, Gingrich, Gradison, and Weber

This legislation is an outgrowth of the Wednesday Group's ongoing work on poverty. As you know, Moving Ahead: Initiatives for Expanding Opportunity in America has received a great deal of favorable attention since its release in October 1991. Through this legislation, we hope to provide further debate on needed reforms in the welfare system.

We believe the government carries a responsibility to provide recipients with a certain level of support and the assistance needed to leave welfare. At the same time, individuals have a responsibility to society, which this legislation recognizes by limiting the time a person may remain on welfare and requiring that person to work. By establishing additional opportunities and requirements for welfare recipients, the bill underscores the responsibilities of both welfare recipients and the government in a "new social covenant."

Our legislation would accomplish this and related goals in the following ways:

- Create the AFDC Transition Program. This program would expand requirements for AFDC recipients to prepare and train for work, with additional resources to fund these efforts. In return, the legislation limits the total amount of time most people can remain on AFDC to four years.

- Allow the states to use the cash value of AFDC and food stamps to subsidize a recipient's employment. This provision is the same as the work supplementation bill authored by Sen. Hank Brown, S. 2288. Employers would be able to supplement the wages they pay with the cash value of certain welfare benefits. This gives businesses an incentive to offer valuable work experience to welfare recipients.

- Require states to condition the receipt of a parent's welfare benefits on whether they ensure that their children receive immunizations and preventive health care and whether their children attend school. Currently, states can institute these programs on their own with a federal waiver. Our legislation would make these programs a basic part of AFDC nationwide.

- Reduce financial penalties mothers on welfare suffer if they choose to marry. This provision would remove the stiff penalty for a mother who marries someone who is not the father of her children.

We believe that this legislation will be a significant factor in the developing debate over welfare reform. Some have argued that time-limiting welfare or instituting tougher rules is too draconian. Others are concerned that requiring mothers on welfare to work will undermine their role in the home.

While recognizing these concerns, we believe strong measures are necessary to break the cycle of dependency of many on welfare. Sixty-five percent of the people on welfare rolls at any moment will remain on welfare in at least eight years—that's over three million families today. We need a tougher approach to break dependency.

Requirement-Focused Reforms

E. Clay Shaw

Goal: To help welfare recipients achieve real independence through their own efforts.

Means:

Allocation:

"Gradually introduce people to the world of work while weaning them from the world of nonwork."

- Require states to involve 100% of the nonexempt AFDC caseload, about 60% of the entire caseload, in employment and training activities for 10 hours per week.
- Place a time limit on the number of years AFDC benefits can be received.

Implementation: Federal and state government.

Cost: $3 billion a year, ($2 billion more than what is currently allocated).

Outlook: As part of his comprehensive plan, President-elect Clinton has proposed that welfare recipients be subject to work requirements after receiving benefits for more than two years. Rep. E. Clay Shaw, with support from Reps. Johnson, Grandy and Johnson, is currently drafting legislation in line with Clinton's proposal.

Point of View: "We believe it will prove necessary to restrict every family's eligibility for welfare benefits a a particular length of time. Our intent is to send a clear message to welfare families from the first day they apply for benefits—AFDC cash payments are never permanent but must be both contingent on behavior and limited in duration."

Contact: Rep. E. Clay Shaw, (R-Fla.), 2238 Rayburn House Office Building, Washington, DC 20515-0915; (202) 225-8398.

***Source:** Moving Ahead: How America Can Reduce Poverty Through Work, Rep. E. Clay Shaw, Nancy L. Johnson, Fred Grandy, Republican Members, Human Resources Subcommittee, Committee on Ways and Means, United States House of Representatives, June 1992*

Requirement-Focused Reforms

Moving Ahead: How America Can Reduce Poverty Through Work

By Rep. E. Clay Shaw (R-Fla.)

Editor's Note: The following article explains only one of the six proposals included in the plan supported by Reps. Shaw, Johnson, and Grandy. In its entirety, their plan consists of both requirement- and reward-focused reforms. Their proposal on time-limiting AFDC benefits was excerpted because it provides a clear and concise proponent's view on this issue.

Our greatest concern is that young mothers become dependent on welfare and that an entire culture has grown up around life on AFDC, Food Stamps, Medicaid, and housing. For many years, policy makers and scholars have argued about whether most people use welfare as a temporary crutch to survive an emergency or as long-term means of supporting their family. Liberals allow that although a few welfare families take advantage of the system, most families do not. The recent National Commission on Children report, for example, argues that "the average spell of AFDC enrollment is approximately two years."

The Commission's quotation is notable for what it omits. True, if we collect information on everybody who enrolls in welfare and follow them for a few years, we will find that half are off the rolls within two years. But many of them return to the rolls later; if repeat spells are counted, only 30% of the families are on welfare for just two years.

But the more important omission from the Commission's quotation is that those who stay on the rolls for 3,4,5,6, or more years build up on the rolls over time. As a result, if we examine all the families on welfare at a given moment, we find that the claim that the average spell is 2 years is very misleading. In fact, 65% of the people on the rolls at any given moment will eventually be on the rolls, counting repeat spells, during 8 or more years. We call this serious and substantial dependency. Further, we hold that these figures make it exceedingly unwise for policymakers to minimize the depth and seriousness of dependency.

The very persistence of these families on AFDC convinces us that some families will need strong incentives to leave welfare. People who stay on welfare tend to have little education or job experience. Moreover, after several years out of the mainstream economy, many are intimidated by the prospect of trying to find and hold a real job and lack the prerequisite skills and experience to hold even low-income jobs.

For these reasons, we believe it will prove necessary to restrict every family's eligibility for welfare benefits to a particular length of time. Our intent is to send a clear message to welfare families from the first day they apply for benefits—AFDC cash payments are never permanent but must be both contingent on behavior and limited in duration.

Here is a reasonable way for states to implement this policy. First, there must be some exemptions. These include: the disabled (as defined currently in AFDC), women in the second or third trimester of pregnancy or in the first few months after birth (this would be a one-time exemption), women with children under age 1 (although mothers with babies between 6 and 12 months of age should be offered instruction in parenting), and those providing full-time care to a disabled dependent. Adults meeting any of these tests would not be subject to the requirements associated with time limitations.

Particularly over the first several years after the program is implemented, a major focus of activity should be to gradually introduce people to the world of work while weaning them from the world of nonwork. We estimate that well over 2 million families have been on AFDC for more than 2 years, about 1.3 million for more than 4 years, and 1.1 million for more than 5 years. They will face a tough transition to private sector work. We don't expect all of them to start work immediately.

Thus, we believe states should allow parents several years to prepare for and adapt to the world of work. The JOBS program created by the Family Support Act of 1988 recognized several types of employment and training programs that states could use to help AFDC parents prepare for the labor force.

These include:

- Job search in which trained staff use any of several approaches to help parents locate potential jobs, prepare for interviews, and then interview;
- Work supplementation in which the welfare check is used, in combination with money from employers, to subsidize jobs in the private sector that provide not only a paycheck but work experience and on-the-job training;
- Community work experience in which parents work in government jobs to gain work experience and to establish work references for use when applying for private-sector jobs;
- Education programs including English as a second language, high school or high school equivalency degrees, and business and math courses;
- Training programs in which parents learn actual skills such as carpentry, bricklaying, and hospital technician.

All of us are well aware of the debate, sometimes contentious, that has surrounded state implementation of the participation standards in the JOBS bill. These standards now call for states to involve 11% of their nonexempt caseload in employment and training activities for 20 hours per week. Given that roughly half the AFDC caseload is exempt, the actual percentage of the caseload states must involve is 5.5%. When participation standards are fully operational in 1995, states must involve 10% of their caseload. Given that around 4.8 million families are now on AFDC, under current law states will need to include about 480,000 people each month for an average of 20 hours per week.

Under our approach, states will need to involve 100% of the nonexempt caseload, about 60% of the entire caseload, for 25% time or 10 hours per week. If the caseload is 4.8 million, states will need to conduct programs for an average of 2.9 million people per week, for 10 hours per week. Ignoring lots of complexity, the total program hours per week under current law are 480,000 x 20 hours or 9.6 million. Under our bill, states will need programs that cover 10 hours per week for 2.8 million people for a total of 28 million hours.

Thus, based on this admittedly crude accounting, states will need to triple their employment and training capacity. Achieving this substantial expansion will take at least two things: more time and more money. If time-limited AFDC is ever implemented on a national basis, we propose to phase in participation over a 4-year period and to give states $2 billion more per year for their JOBS programs.

Require Welfare Recipients to Work

By Rep. Randy "Duke" Cunningham (R-CA)

Randy Cunningham

I feel that our current welfare system is a major contributing factor to the strife in this country. For this reason, I will soon introduce legislation to reform our welfare system.

Nearly three decades have passed since President Johnson launched his "unconditional war on poverty in America." Despite the enormous financial and political resources that have been committed, welfare dependency is at the highest level ever. In many respects the condition of the poor is worse than it has ever been.

The problems facing the poor today, however, have less to do with low material living standards and more to do with the collapse of the traditional family unit. Welfare, most analysts now agree, has discouraged family formation and the work ethic. It is then our responsibility in Congress to amend this faulty system and restore pride to welfare recipients.

Under the guidance of my bill, states would set up programs which would require welfare recipients who do not have pre-school-aged children, and those who have been on welfare for more than 7 years to work 30 hours a week. Hours spent in job-training would be deducted from the required work hours.

At a time when state budgets are pinched, welfare recipients can provide the needed work force, and at the same time gain valuable work experience and training. By becoming a productive member of the labor force, welfare recipients can more easily make the transition to a permanent job.

It is clear that the American taxpayers is frustrated with the current system and there is good reason for this public hostility. In 1991 alone, the federal government spent $140 billion on a range of welfare programs. State spending on welfare has grown even faster. From 1980 to 1988, federal outlays for all programs rose from $48.7 billion to $74.1 billion. State spending during the same period mushroomed from $23.3 billion to $46.2 billion.

I feel that my legislation offers welfare dependent individuals the opportunity to become productive members of society, renew their self-esteem, and eventually serve as a catalyst from welfare dependency to self-sufficiency.

Reward-Focused

Scope of the Problem

Past: •22 percent of all children born between 1967 and 1969 spent at least one year on welfare before age eighteen.[1] •Between 1965 and 1985 case loads of Aid to Families with Dependent Children (AFDC) grew 270 percent.[2] •Between 1972 and 1990, the real value of AFDC benefits fell 42 percent.[3] *Current:* •1992 Census Bureau statistics show that children under 18 comprise 40.2 percent of the poor. •4.6 million families receive AFDC. This consists of 13.2 million people, 9 million of whom are children. •According to the Department of Health and Human Services, 32 percent of welfare recipients stay on the rolls twelve months or less, 50 percent stay less than two years, and twenty percent stay longer than six consecutive years. •The average size of a family on AFDC is 2.9 persons. *Indicators:* •"Failure to address the economic needs of families will inevitably lead to more crime, more teenage childbearing, more failure in school, and lower productivity among the working-age population."[5]

Current Policy

Goal: To promote self-support, decrease dependency on welfare, and reduce poverty. *Cost:* In fiscal 1991, estimated federal funding for Earned Income Tax Credits (EITC) was $7 billion.[6] There was no state funding for EITC. *Means:* The EITC is the major reward-focused component of the federal government's income-tested cash assistance to families with children. The EITC was designed to offset the regressive impact that Social Security taxes have on low income working families and to increase the incentive to work. The EITC is available to families with children in which at least one member has worked during the year. Working families can receive cash back even if they do not have to pay any federal taxes. A family of three can qualify for a credit of up to $1,324.[7] *Implementation:* Federal government (IRS).

Proposed Solutions

Work-Focused

Reward Employment Activities

Goal: To encourage welfare recipients to engage in employment activities.

Means: Provide financial rewards for employment.

Examples include: •Allow teenage parents and mothers on welfare to retain a greater portion of their earnings when returning to work; •Increase the earned income tax credit; •Allow two parent families to work more than 99 hours per month without losing AFDC; •Establish a public job program which offers a bonus equal to at least 10% of the AFDC benefit amount; •Expand the amount of earned income that is disregarded for tax purposes; •Provide a bonus payment when a recipient leaves the welfare rolls.

Non-Work Focused

Reward Positive Family Behavior

Goal: To encourage welfare recipients to engage in positive family behavior.

Means: Provide financial rewards for positive family behavior.

Examples include: •Reward school-aged parents and children on welfare with good school attendance with a $50 bonus payment each month; •Increase the amount welfare recipients can save for small business endeavors or for college from $1,000 to $10,000; •Provide a $7 bonus payment each week to women on welfare who are not pregnant; •Allow married young couples to retain 50% of their independent income while on welfare; •Eliminate the reduction in benefits for families with a step-parent.

Status of Proposed Solutions

Work-Focused

•Gov. Clinton supports providing an additional $4 billion in tax credits. •The Center for Law and Social Policy and other child advocate organizations support the earned income tax credit. •Four bills were introduced last Congress which lowered AFDC benefit reductions on employment. •Eight states (AL, CA, MI, NJ, NY, UT, WA, WI) currently allow recipients to keep more benefits when returning to work.

Non-Work-Focused

•Pres. Bush and Gov. Clinton support increasing the AFDC savings limit for selected purposes. •Eight national bills were introduced last Congress for this purpose. •Michigan, New York, and Utah have eliminated resource limits in seven counties. •Easing requirements on married couples and expanding Medicaid to those leaving AFDC have broad-based support from organizations as diverse as the Heritage Foundation and the Center on Budget and Policy Priorities. •Virginia and Ohio currently offer bonus payments to children on AFDC with good school attendance.

Sources

[1] *Panel Study of Income Dynamics*, Greg Duncan, University of Michigan [2] *Incentive Effects of the U.S. Welfare System: A Review*, Robert Moffitt, Madison, Wisconsin: Institute for Research on Poverty, March 1990, p. 2 [3] *Overview of the AFDC program for fiscal 1991*, Department of Health and Human Services [4] *Beyond Rhetoric*, Final Report of the National Commission on Children, 1991, p.91. [5] *Beyond Rhetoric*, p. 85 [6] *Welfare*, Congressional Research Service, September 1992 [7] *1993 Earned Income Credit Campaign Fact Sheet*, Center on Budget and Policy Priorities

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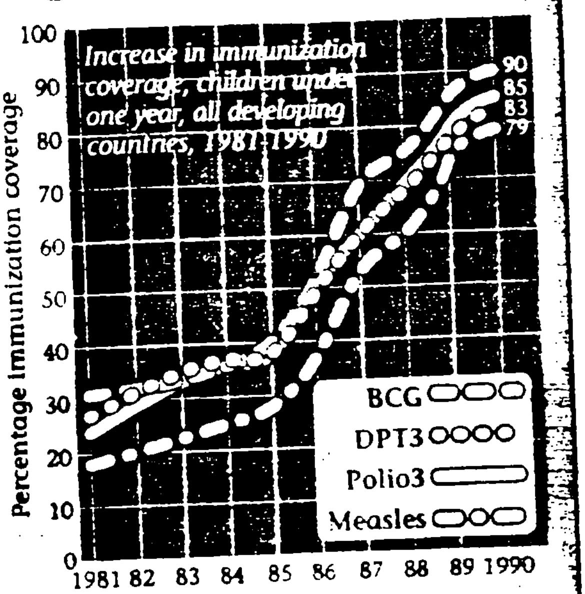
SUCCESS STORY

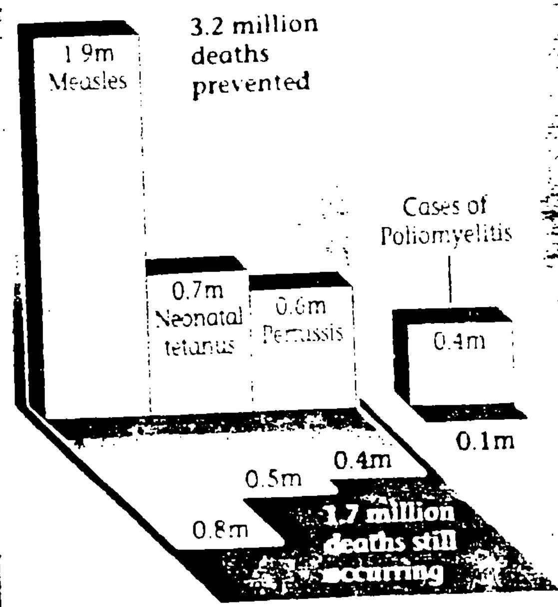
In the late 1970s, when vaccines reached only about 10% of the developing world's children, the international community set the ambitious target of 80% immunization by the end of 1990. The charts show the result of that ten year effort.

80% REACHED



The years 1981 to 1985 exclude figures for China

3 MILLION SAVED



Reward-Focused Reforms

Goal: To remove the barriers to work and family formation.

Means: *Allocation:*
- Establish and ensure minimum benefit standards for the AFDC Program.
- Ensure federal food stamp benefits are federally determined, nationally uniform, and paid for by the federal government.
- Vastly increase the commitment to education and training.
- Broaden eligibility for health care and child care assistance for working poor families.
- Expand the amount and availability of the earned income tax credit.
- Establish a stronger and more reliable child support enforcement system.
- Decrease AFDC benefit reductions on work.
- Ease the more stringent AFDC eligibility conditions on two parent families.

Implementation: Federal government.

CLASP

Cost: Unspecified

Outlook: This testimony was heard on April 9, 1992 before the Domestic Task Force, Select Committee on Hunger, U.S. House of Representatives. Child advocate organizations such as the Children's Defense Fund and the Center on Budget and Policy Priorities, have voiced strong support for Greenberg's proposals.

Point of View: "The fundamental problems are that welfare does not provide enough assistance to meet basic needs, does not provide enough assistance to help people succeed in the labor market, punishes poor families for working and punishes poor families for being married. Real welfare reform wouldn't add new punishments—there are too many already. Instead, it would remove the barriers to work and barriers to family formation."

Contact: Mark Greenberg, Center for Law and Social Policy, 1616 P Street, NW, Suite 450, Washington, DC 20036; (202) 328-5140.

Source: Testimony before the Domestic Task Force, Select Committee on Hunger, U.S. House of Representatives, April 9, 1992.

Reward-Focused Reforms

Real Welfare Reforms

Testimony of Mark Greenberg
Senior Staff Attorney, Center for Law and Social Policy (CLASP)

I welcome the opportunity to discuss the gap between the rhetoric and the reality of the current welfare reform debates. Many of the current proposals are, at best, misguided. They may stem from deep frustration with the failures of our welfare system, but too often, they do little or nothing to address the real problems in the system.

The problem with AFDC is not that mothers move from state to state in search of higher welfare benefits. Nor is it that they have additional children to get additional welfare benefits, or that mothers receiving AFDC do not care enough to send their children to school. Rather, there are four fundamental problems in the current system. The AFDC Program:

- Does not provide basic income support for families in need;
- Does too little to improve education, training, and employment services to families;
- Imposes sharp penalties on families when they attain employment; and
- Sharply penalizes families for getting or staying married.

Insufficient Basic Income Support

In recent months, state legislative proposals have often focused on tying receipt of AFDC to particular behaviors in the AFDC family. But there should be a threshold question: whatever conditions are attached, what is the basic level of support that ought to be provided when a family has children and no income?

There are no federal standards for the adequacy of AFDC benefits. Each state is free to set benefits at the level it chooses. The only current safeguard is a provision imposing a Medicaid penalty if the state reduces AFDC payments below the March 1, 1988 payment level.

With no federal standards, the AFDC payment for a mother with two children and no income in the median state is $372 a month, 39% of the federal poverty level. If food stamps are counted, the combined income from AFDC and food stamps will bring the family into the median state of 67% of the federal poverty line. In nine states, the monthly grant to a family of three with no income is less than $250.

Last year, AFDC benefits were reduced in nine states and frozen in thirty-one others. Overall, the real value of AFDC benefits has dropped over 40% since 1970. Even when food stamps are counted as income, the combined value of AFDC and Food Stamps dropped by 27% since 1972. The experience of 1991 underscored that when AFDC benefit decisions are left to the unfettered discretion of states, the fiscal stress imposed by a recession will lead to freezes and reductions in benefits. At the height of a recession, when the safety net should be expanding, it contracted instead.

While discussion of "behavioral issues" have been more frequent in current state legislative sessions, the cuts last year were primarily driven by perceived fiscal necessities to reduce spending. The policy issue should be clear: is it a matter of federal concern whether states raise or cut basic assistance to families with children? If so, the federal government must play a greater role in assuring the adequacy of benefits. The current maintenance of effort provision for AFDC benefits should be updated and strengthened. The federal requirement contained in the Family Support Act that states periodically reevaluate their AFDC need standards and payment standards should be enforced. And, it is time to reconsider whether the federal government should establish and ensure minimum benefit standards for the AFDC Program. Federal Food Stamp benefit levels are federally determined, nationally uniform, and the costs borne by the federal government. An expanded federal role in AFDC would ensure that the issues of benefit adequacy would be addressed and resolved as national issues.

Insufficient Links to Education, Training, and Employment

In testimony before the full Committee two weeks ago, several witnesses expressed general caution about the extent to which education and training services will lead to sufficient income for a family to get out of poverty. I'm in general agreement with that observation, but would emphasize two key qualifications:

- Often in the welfare context, when people talk about the record for education and training programs, they are talking about programs that historically did not involve much education and training. Instead, many of the most carefully evaluated programs were ones that primarily involved job search or job search combined with work experience. We do not have comparable random assignment studies that tell us the impact of providing basic education to parents lacking high school diplomas; nor do we have random assignment studies telling us the impact of permitting AFDC recipients with high school diplomas or GEDs to pursue postsecondary education.

- Though we lack random assignment studies on the impact of access to education, we know that in the labor force generally, the correlation between educational attainment and earnings is strong. In 1988, the median annual income of a full-time female worker age 25 and over with one to three years of high school was $13,104; with four years of high school, earnings rose to $16,810; with four years of college, earnings rose to $25,187. At each educational level, men's earnings were higher; a woman needed a college education to approach the earnings of a man with four years of high school.

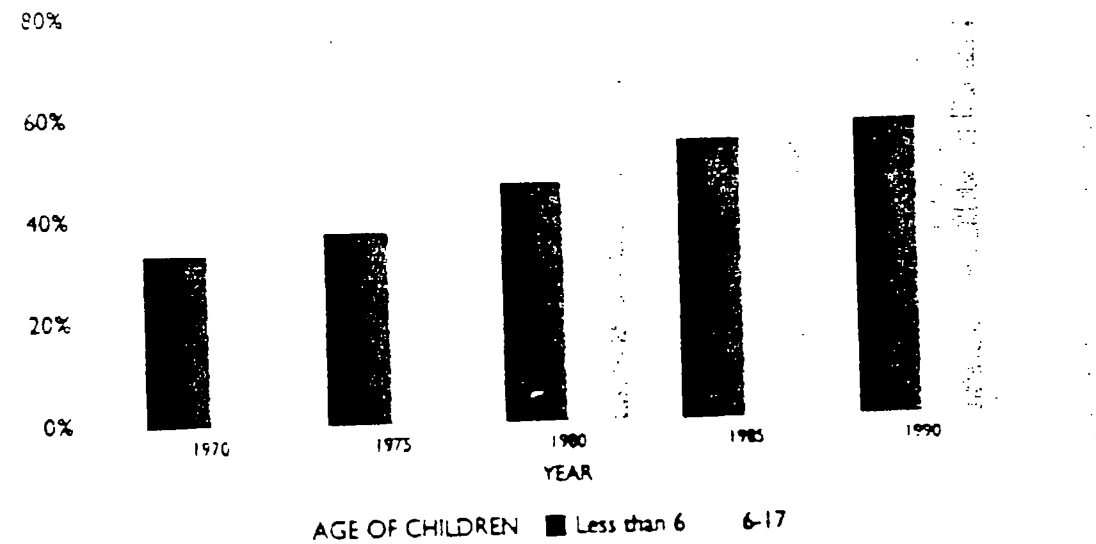
When we pull together what we know from the random assignment studies of work-welfare programs with what we know about the general correlation between education and earnings, there are two appropriate policy conclusions:

- If we want to help AFDC families increase their chances of getting jobs that pay above-poverty wages, we need an increased commitment to access to education and training;

- Whatever we do in the education and training area, it will still be essential to provide income support to families entering low wage employment.

In a few moments, I'll talk about the

Mothers in the Paid Work Force, 1970-1990



SOURCE: US Department of Labor, Bureau of Labor Statistics, *Handbook of Labor Statistics*, bull. 2340 (Washington, DC: Government Printing Office, 1989), p. 244, tables 56 and 57. US Department of Labor, Bureau of Labor Statistics, unpublished data from March 1990 Current Population Survey

Reform the Current System Continued...

need for continuing income support. But, first, I want to focus on the gap between what is needed and what is currently occurring in the provision of education and training assistance. Since 1988, there have been some important steps forward in the linkage between AFDC and access to education and training, but the present level of effort affects only a small minority of recipients. The Family Support Act of 1988 mandated that each state develop a Job Opportunities and Basic Skills Training Program. CLASP has analyzed available federal data about JOBS and found that:

- Probably between 400,000 and 500,000 people are involved in JOBS activities in some way. Over half of JOBS participants are in some kind of education or training activity.

- The most common Jobs Activity is participation in basic education, i.e., literacy, high school or GED completion, English as a Second Language. About one-fourth of JOBS participants are in a basic education activity.

While these signs are encouraging, it is essential to keep in mind that the program only affects about 1 in 10 of the over 4 million adult AFDC recipients. This is not surprising in light of the limited resources for the program: this year, only $1 billion in federal funds is available for JOBS expenditures; last year, when $1 billion was also available, states drew down less than 40% of the available federal funds because of failure or inability to provide the required state match. There are many issues to discuss about the nature and directions of the JOBS Program, but the central issue is that of resources: if Congress believes that welfare reform should entail related activities, there must be a greater infusion of resources into the program.

Insufficient Support for Families Who Enter Employment

While AFDC does not provide a family enough to live on while unemployed, the system treats the family worse when it enters employment. Any means tested program must have a benefit reduction rate, i.e., a rate at which assistance is reduced when the family has income from another source. However, the benefit reduction rate for AFDC is exceptionally steep. For the first four months of employment, the family is allowed limited deductions for work expenses and a deduction for one-third of gross earnings. After the first four months of employment, all earnings after the first $120 lead to a dollar-for-dollar reduction in the family's AFDC grant in most states. For example, if Ms. Smith's gross earnings are $500, her family's AFDC grant is reduced by $380. This may mean complete loss of AFDC. Or, if the family is still eligible for AFDC, the net gain from employment is $120, part of which will be lost through a reduction in food stamp assistance.

Another set of penalties apply to families entering self-employment. Current federal rules make it virtually impossible for a self-employed recipient to retain eligibility for assistance. In part, this is because federal rules draw no distinction

Revamping the Earned Income Disregard Structure

Definition

The earned income disregard is the amount of earned income which is exempted from the benefits reduction calculation. Currently in most states, income exceeding the disregard is "countable income" and results in a dollar-for-dollar reduction in the family's AFDC grant.

Under current law, a family receiving AFDC that enters employment is potentially eligible to receive:

1. A $90 work expense disregard;
2. For the first 12 months of employment, a $30 work incentive disregard;
3. For the first 4 months, a work incentive disregard of 1/3 of gross earned income after the $90 and $30 disregard are allowed;
4. Actual dependent care expenses, subject to a limit of $200 per child under age 2, $175 per child age 2 and over.

There seems to be broad agreement that the current structure is complicated and difficult for both recipients and caseworkers to understand. As a result, it imposes administrative costs, and makes it quite hard for an individual to know what will happen to her family's income when she enters employment.

In the current structure, the major disregard-of 1/3 of gross earned income-expires after four months. Thus, a family faces an effective tax rate of close to 67% in the initial months of employment and close to 100% after the first four months. As a result, even in states where a working poor family is initially eligible for AFDC, many low wage families lose eligibility after the fourth month of employment:

- A forty hour a week minimum wage job results in immediate loss of AFDC eligibility for a family of three in 26 states.

- In twenty more states, a family with a forty hour a week minimum wage job is initially eligible for aid, but loses assistance after four months.

In 1992, we see a range of approaches to earnings disregards. All of the waivers leave the dependent care deduction intact. Michigan, Utah, and Wisconsin all have state proposals which reflect an interest in a simpler system. All the states share an interest in abandoning time limits on expiration of the disregard. There is less agreement on how much income should be disregarded—both in the initial amount (ranging from $90 to $200) and in the percentage disregarded (ranging from 20% to 45%).

Reform the Current System Continued...

between assets of an individual and assets of a business; nor do federal rules distinguish between the income of an individual and the net receipts of the business. The effect is that an individual beginning self-employment is likely to lose AFDC eligibility long before the business has reached a point of stability and viability.

The most severe employment-related penalties for AFDC families occur when a job results in loss of AFDC eligibility. Under current rules, so long as the family is eligible for AFDC, it is also eligible for Medicaid and job-related child care. When the family loses AFDC, it loses automatic Medicaid and child care. The Family Support Act enacted a program of up to one year of continuing Medicaid and child care assistance. As a result, in September 1991, only 46,000 children were receiving transitional child care, in contrast with the Congressional Budget Office's original estimate of 280,000 children.

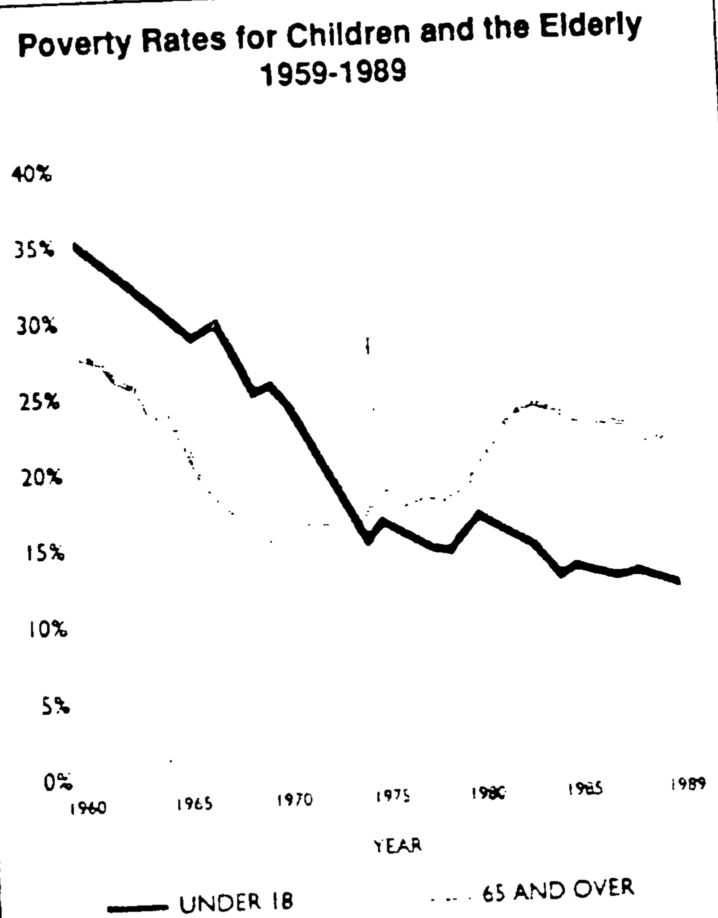
Whether or not a family initially receives transitional child care and Medicaid, that assistance ends after a year. And at the end of the year, the family may or may not be eligible for Medicaid or other child care in the state.

The critical point is that in our current system, the moment the family loses AFDC, the family risks being without health care and child care assistance. This occurs even though the family may still be deep in poverty. In 26 states last year, if an AFDC parent took a minimum wage job for 40 hours a week, she would lose AFDC assistance immediately. In all but six states, she would lose AFDC assistance after four months. And with the loss of AFDC assistance, she would risk losing child care and Medicaid assistance.

Our goal should be a system where a parent need not fear that taking a job or receiving an additional dollar of income means loss of health care, and need not fear that she must leave her children unattended when she goes to work. In the long run, if we want to remove barriers to employment for AFDC families, it seems essential to broaden eligibility for health care assistance for working poor families. This would both remove a serious barrier to work for AFDC families and would be an important step toward equity among the working poor.

Besides addressing health care and child care, we must resolve when and how government should provide income support to the working poor. In 1992, a full-time worker at the minimum wage has earnings that fall $2,400 below the poverty line for a family of three; the minimum wage would need to be raised to $5.40 to equal the three-person poverty line.

In recent years, many people have taken up the slogan "Make Work Pay." But "Make Work Pay" can have at least two different meanings. It can mean "Make work pay enough that a working family is not in poverty" or it can mean "make work pay more than AFDC, by cutting AFDC." But if our goal is that families that work should not be poor, then there must be income supplements for those families. There are at least three options to explore:



SOURCE: U.S. Department of Commerce, Bureau of the Census, Current Population Reports, ser. P-60, no. 168, Money, Income, and Poverty Status in the United States 1989 (Washington, DC: Government Printing Office, 1990), p. 59, table 20

- **Earned Income Credit:** Congress has made important strides in expanding the amount and availability of the Earned Income Credit. But at present, over 99% of families who receive the EIC do so through an annual lump sum rather than the advance payment option. For the credit to be part of the family's monthly disposable income, it is essential to find ways to make advance payment work.

- **Child Support:** Less than half of single parents have a child support award; of those with an award, only 68% actually receive some payment. The child support system is particularly ineffective for AFDC families: in FY 89, collections were made in only 11.5 % of AFDC cases. A stronger and more reliable child support enforcement system could provide essential income supplements for working poor families.

- **AFDC as Income Supplement:** AFDC used to be a source of income support to the working poor. Before 1981, the major AFDC earnings deduction, of $30 and one-third of earnings, was not time-limited. As a result, a single parent in a low wage job was much more likely to retain AFDC eligibility, for an income supplement and for Medicaid coverage. In 1981, part of the AFDC restructuring promoted by President Reagan involved time-limiting the $30 and one-third deduction to 4 months; the effect was to dramatically reduce the availability of AFDC to the working poor. It is hard to see any policy rationale to why the $30 and one-third earnings deduction should expire after 4 months; it only serves to make working poor families poorer.

Penalties of Marriage

The AFDC Program punishes marriage in two ways: by how it treats a married couple with children in common, and by how it treats families with stepparents.

A needy two-parent family is less likely to be eligible for AFDC than an equally needy one-parent family. When a two-parent family applies for assistance and neither parent is incapacitated, the family can only receive AFDC if it qualifies under the terms of the AFDC-UP (Unemployed Parent) Program. AFDC-UP rules restrict assistance in three important ways:

- Work history rules: A family applying for AFDC-UP must satisfy federal "work history" requirements. These rules generally require that the principal wage earner either have worked in 6 of 13 past quarters or have been eligible for unemployment compensation under state law. The families most likely to be unable to satisfy work history requirements are young families. In a recent U.S. General Accounting Office (GAO) report looking at states newly implementing the AFDC-UP program, several states volunteered they were finding anywhere from 1 in 6 to 3 in 8 applicant families eligible for AFDC-UP benefits. The workforce attachment requirement was identified as one of the two major reasons for the high denial rates. (The other major reason was reported to be the AFDC asset rules.) UNEMPLOYED PARENTS: Initial Efforts to Expand State Assistance, GAO/PEMD-92-11 (January 1992).

- The "100 hour" rule: An AFDC-UP family loses AFDC eligibility if the principal wage earner is employed for 100 hours a month, even if the wages from employment are so low that the family would still be financially eligible for AFDC. This is a particularly harsh and unjustified penalty: 100 hours of employment at the minimum wage would lead to gross earnings of $425 - plainly insufficient to meet family needs. The findings from a demonstration project in Fresno, California waiving the 100-hour rule suggest that eliminating the rule could actually increase work among AFDC-UP families. After the rule was eliminated, the percentage of the AFDC-UP caseload with earned income increased from 11% to 18%. See "Linking AFDC-U Parents to Employment: Fresno County's Link-Up Project" (Final Evaluation, May, 1991).

- AFDC-UP Time Limits: Some states terminate AFDC-UP benefits after six or nine months, even if the family still needs assistance. The Family Support Act of 1988 took an important step toward improving the way in which AFDC treats two-parent families by mandating that all states begin to operate an AFDC-UP Program by October of 1998. But the newly implementing states were allowed the option to impose annual time limits on assistance. According to the GAO, 13 of the 23 newly implementing states have opted to do so. UNEMPLOYED PARENTS: Initial Efforts to Expand State Assistance, GAO/PEMD-92-11 (January 1992).

There is no justifiable reason for imposing more stringent eligibility conditions on two-parent families than one-parent families. States have sufficient tools through their JOBS Program to ensure that at least one parent in an AFDC-UP family is actively looking for work or engaged in appropriate JOBS activities. But the question of appropriate requirements while receiving assistance should be a different question from whether assistance to a needy family with children is provided.

The AFDC program also sharply penalizes families when a mother gets married. In most states, a stepparent has no legal duty to support the children of his or her spouse. Nevertheless, AFDC severely cuts or eliminates benefits when a mother marries, by counting much of the stepparent's income when calculating the family's AFDC eligibility. The effect is often to reduce or eliminate benefits to the family even if the step-parent is working at a minimum wage job.

The stepparent penalties are so extreme because only very limited deductions from income are allowed for stepparent families under AFDC rules. The major deduction from income is the state "standard of need" for the step-parent and his legal dependents in the home. The problem is that in many states, the standard of need is an arbitrary and wholly unrealistic figure. The standard of need is the amount of money a state supposedly considers necessary for a family to live on. In eight states, the standard of need for a family of 3 was below $400 last year.

Since the standard of need is an often-arbitrary figure with no relation to real need, it should not be the measure used to determine how much of a step-parent's income should be counted in the AFDC budgeting process. If instead, a deduction was based on the federal poverty level rather than the standard of need, program rules would dramatically reduce the penalties involved when an AFDC mother marries a low income father.

Real Welfare Reform

The striking thing about so many of these proposals is that they have little to do with the real problems in the welfare system. As I've suggested, the fundamental problems are that welfare does not provide enough assistance to meet basic needs, does not provide enough assistance to help people succeed in the labor market, punishes poor families for working and punishes poor families for being married. Real welfare reform wouldn't add new punishments—there are too many already. Instead, it would remove the barriers to work and the barriers to family formation

Reward-Focused Reforms

John Rockefeller

Goal: To help families get through hard times and enable people who work and play by the rules to get ahead.

Means:

Allocation:

- A $1,000 refundable tax credit to replace the current personal exemption.
- Simplification of the earned income tax credit and further adjustments for family size.
- Child support demonstration projects.
- Allow economically depressed communities to use federal funds to create jobs for low-income parents.

Implementation: Federal government.

Cost: Unspecified.

Point of View: "The time has come to shift emphasis from punishing those families of whom we appear not to approve, to rewarding those, whatever their income, who embrace the values that we hold dear, to wit; hard work, personal responsibility, family stability."

Outlook: Bill S.2237 was introduced by Senator Rockefeller on 2/20/92 and referred to the Senate Finance Committee with no further action. This bill incorporates the recommendations made by the National Commission on Children which Sen. Rockefeller chaired.

Contact: Senator John D. Rockefeller, (D-W.Va.), SH-109 Hart Senate Office Building, Washington, DC 20510-4802; (202) 224-6472.

Source: Introductory remarks to S.2237, Congressional Record, February 20, 1992, pp. S1894-1895

Reward-Focused Reforms

Family Income Security Act

By Senator John D. Rockefeller

For 3 years I have had the honor and somewhat a struggle of chairing the National Commission on Children. This is a bipartisan board which was created by Congress and it was charged with examining every fact that has to do with family and children in our country, and then recommending a means for improving their lot.

The Family Income Security Act of 1992, is the principal product of the unanimous bipartisan recommendations of that commission, a 32 to nothing vote, members of the Bush administration, liberals, conservatives, everybody in between, a unanimous report.

It is our first and best hope to translate a vision of our nation where every child is healthy, every child is educated, every child has the opportunity to contribute to our society into legislation. I refer to my income security legislation.

During my tenure as chair, we discovered that no single action by the federal government would benefit children more than by providing their families with true income security. That means helping families keep more of what they earn and helping them to reach up and grab the next rung on the ladders to success. That includes reforming our welfare system and rewarding hard work and demanding responsibility in ways that promote strong and stable families.

We were not alone in making these discoveries, obviously. In recent months, many of our colleagues have introduced legislation which parallels parts of the Family Income Security Act of 1992. I hope that I will be able to work with those colleagues to combine the best of their ideas into the systemic reform that we desperately need.

The time has come, in my view, to stop pretending that piecemeal approaches to family income security work, to stop pigeonholing families by income or education, to stop disassociating programs that are, in fact, intimately intertwined with one another. The time has come to shift emphasis from punishing those families of whom we appear not to approve, to rewarding those, whatever their income, who embrace the values that we hold dear, to wit; hard work, personal responsibility, family stability.

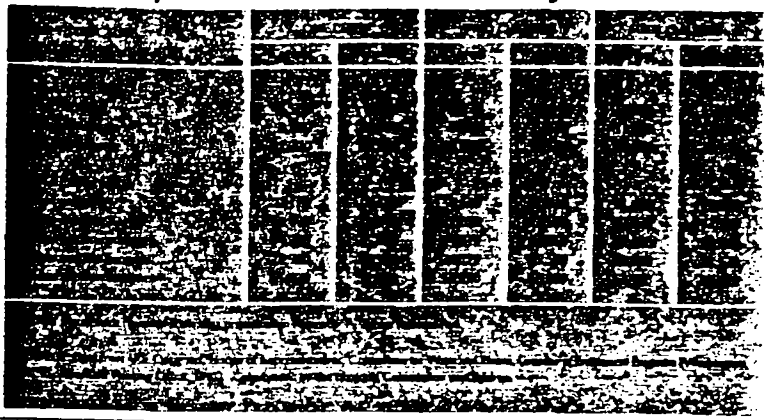
The Family Income Security Act is important because it puts every family in America on exactly the same footing. It recognizes the continuum between poverty and the middle class and between the middle class and wealth. It understands that individuals over time and families over generations can climb to higher levels of success if we do not place insurmountable barriers in front of them and that the vast majority of Americans can and want to contribute to our society.

It would take a lot more time than I am allowed to spend now to detail the damage done to our families in the past 10 years; the decline in living standards, the need for two incomes, where one once sufficed, the rising costs and the narrowing opportunities. You do not have to be an expert to see that something has gone terribly wrong. You just have to be a parent.

But the experts and the economists among us have pointed out that in ignoring our families, we have undercut our ability, in fact, to compete economically. Attempts to revitalize American industry by encouraging capital formation, by focusing on money and credit, by changing laws and regulations can, at best, partially be effective. Ignoring those who can grow to direct those investments, to design and operate that capital equipment, to export and to sell our products abroad condemns us to fight our trade battles and economic battles with

Reform the System Continued...

Effects of Comprehensive Income Security Plan on Family Income (1991 Dollars)



one hand tied behind our backs.

Investment in our families, particularly in our children, must be the cornerstone of any policy that embodies economic growth. Right now, we risk placing them in the nexus of a vicious downward spiral; Poor families, unprepared children, an inferior work force, a contracting economy, poor families, unprepared children and on and on. Without action, I believe this generation of children will have the sad distinction of being the first in that downward spiral. That is why this legislation is so important.

The bill has four parts. All are wholly interdependent. A $1,000 refundable tax credit to replace the current personal exemption. This would benefit every family, without exception, and bring proportionality, greater relief to the middle-class and lower income families that most need help. The tax credit concept contrasts clearly with the president's proposal which increases only the personal exemption, thus saving top bracket taxpayers twice as much as middle-income families.

Second, simplification of the earned income tax credit and further adjustments for family size. I believe that simplifying paperwork and adjusting for family size would encourage millions of low-income working families who are not taking advantage of what is their due under the earned income tax credit to take advantage of this step toward self-reliance.

Third, child support insurance demonstration projects. Combining tough enforcement of child support laws, incentive and support for mothers who help track down missing fathers and a government-insured minimum benefit when absent parents do not meet their obligations. Ultimately, this system would recapture, when fully implemented, between $25 and $29 billion out there in the private economy in unpaid child support. The effect of that on families with children who are owed that support is obviously enormous and you do not have to raise a single tax dollar to get it.

Fourth, waivers to economically depressed communities allowing them to use federal funds to create jobs for low-income parents who are willing to work as an alternative to welfare.

Passage of this legislation will leave all families with children better off. Middle-class families will keep more of what they earn. lower income working families will find themselves lifted out of poverty by tax credits and child support enforcement which is a compelling incentive to get a job and to get off welfare. Responsibility for one's employment and one's children is rewarding while child support cheats are hunted down and made to pay.

It makes sense, and all I can say to you is that the combination of the four parts of this package together will, in fact, mathematically and literally lift out of poverty the overwhelming majority of families in America who now do live in poverty, and help everybody else on the income scale with respect to bringing up children.

Welfare will once again become what it was intended to be: A transitional program helping families get through hard times. People who work hard and play by the rules will be able to get ahead and the system will work for them, too.

Net Federal Cost of Income Security Proposals (1993 Dollars)

PROPOSAL	Cost ($ Billions)
$1,000 refundable child tax credit (a)	[illegible]
Earned Income Tax Credit (EITC) (b)	[illegible]
Child support insurance demonstrations (c)	[illegible]
Transitional supports and services	[illegible]
Public employment program	[illegible]
Aid to Families with Dependent Children (AFDC) (d)	[illegible]
TOTAL	[illegible]

NOTES

[illegible]

SOURCE: Data from the U.S. Congress Joint Committee on Taxation

Reward-Focused Reforms

Daniel P. Moynihan

Goal: "To ensure that the poorest children in the nation receive at least the barest level of support."

Means:
Allocation:
"Require that AFDC payments, when combined with food stamp benefits, equal at least 50 percent of the poverty level."
Implementation: Federal government.

Cost: Unspecified.

Outlook: Bill S.835 was introduced on April 17, 1991 and referred to the Senate Finance Committee with no further action. Minimum payment standards have strong support from child advocate organizations such as the Children's Defense Fund.

Point of View: "...the social calamity that is welfare dependency will not be reversed overnight. What took near a generation to create will take near a generation to remedy.
Meanwhile, we have 12.6 million children who live in pauperdom; who at the very least must be provided with food, clothing, and shelter."

Contact: Senator Daniel P. Moynihan, (D-NY), SR-464 Russell Senate Office Building, Washington, DC 20510-3201; (202) 224-4451.

Source: Introductory remarks to S 835, Congressional Record, April 17, 1991, pp. S4615.

Reward-Focused Reforms

Minimum Benefit for Families Act

By Senator Daniel P. Moynihan (D-NY)

Mr. President, I rise today to introduce a bill that would require that AFDC payments, when combined with food stamp benefits, equal at least 50 percent of the poverty level. Under this proposal, the minimum monthly AFDC-food stamp benefit for a family of three would be $464.

Children now make up the largest proportion of poor persons in the United States. Some 12.6 million, 39.9 percent of the poor. This development is linked to recent changes in the American family. Today, nearly one-quarter of all families are headed by a single mother. That's up from 19.4 percent in 1980., 11.5 percent in 1970.

Single-parent families now represent two-thirds of all poor families. And they seem out of the reach of the standard economic prescriptions. The annual poverty status report recently issued by the Bureau of the Census suggests that the economic growth and high employment levels of the last decade made no impact on this group.

In 1988, we enacted legislation, the Family Support Act, to address child poverty and welfare dependency. This proposal introduced a wholly new concept to welfare, a social compact. Society owed single mothers support while they acquired the means of self-sufficiency; mothers owed society the effort to achieve this goal. Absent fathers owed child support to both. But the social calamity that is welfare dependency will not be reversed overnight. What took near a generation to create will take near a generation to remedy.

Meanwhile, we have 12.6 million children who live in pauperdom; who at the very least must be provided with food, clothing, and shelter.

The federal government does not set benefit levels, states do. And some states set theirs quite low-Alabama: $118 a month for a family of three; Mississippi: $120; Tennessee: $184; Texas: $184; and Louisiana: $190. By contrast, the State of Alaska pays $346. This is over seven times as much as Alabama and Mississippi, a range that greatly exceeds geographical differences in the cost of living.

Since the 1970's, Social Security benefits have been indexed to inflation. As a result, poverty among the elderly has been nearly eliminated—surely one of our most significant achievements. Indeed, by 1989 the proportion of the elderly who were poor had dropped to 11.4 percent, down from 35.2 percent in 1959. Similarly, Supplemental Security Income, a national program of income assistance for the aged, blind and disabled, also provides federally set benefits which are indexed to inflation. By contrast, the value of AFDC benefits has steadily dropped over the past two decades. From 1970 to 1989, the median maximum benefit for a family of three declined in real terms by 37 percent. In Texas the decline was 60 percent.

The welfare benefits required under this bill are extremely modest—some $235 a month in AFDC payments for a family of three. If we took the minimum benefit for a family of three included in President Nixon's family assistance plan and passed by the House back in 1970, and inflate it forward to today, we would have a payment of $364—over 50 percent more than that required in this proposal. Many people would argue that a much higher minimum payment is justified, and I might well agree. But in support of the proposal, I would advance three points. One, the minimum benefit will increase over time. As the poverty level goes up with inflation, the minimum benefit will increase also. Two, in the 10 states that are affected, this bill would increase income going to some of our neediest families. And three, the cost is bearable—$250 million to the federal government.

It is time we took this badly needed step to ensure that the poorest children in the nation receive at least the barest level of support.

Reward-Focused Reform

Goal: To "provide low-income people the opportunity for financial independence through self-employment."

Charles Grassley

Means: *Allocation:*

- Increase the amount which can be excluded from the net worth of a microenterprise (personal business enterprise) for AFDC eligibility purposes.
- Ensure that AFDC caseworkers make it clear to AFDC recipients that beginning a microenterprise is an option for them.

Implementation: Federal government.

Cost: Unspecified.

Outlook: Sen. Grassley bills, S.1395 and S.1860, were referred to the Senate Finance Committee with no further action along with three other microenterprise bills.

Point of View: "Not only is microenterprise beneficial to welfare-dependent persons, it is equally important to state and federal governments. First, there is a reduction in welfare expenditures for persons whose success full business starts enable them to become financially independent. Second, tax revenue is generated from the additional economic activity generated through the business."

Contact: Senator Charles Grassley, (R-Iowa), SH-135 Hart Senate Office Building, Washington, DC 20510-1501; (202) 224-3744.

Source: Introductory remarks to S.1860, Congressional Record, October 23, 1991, pp.S15072.

Reward-Focused Reform

Self-Sufficiency Through Personal Business Enterprise

By Senator Charles Grassley (R-Iowa)

Several weeks ago, I introduced S. 1395. The title of that act was the Act for Microenterprise Development Act. At that time, I believe it would provide low-income people the opportunity for financial independence through self-employment.

The term microenterprise is defined as any unincorporated trade or business enterprise which has five or fewer employees, of which one or more is the owner. The microenterprise program makes particular sense in rural areas of the United States where employment opportunities are limited and self-ownership often is the only alternative to employment.

The results from microenterprising in demonstration projects are astonishing. Success in terms of personal satisfaction, self-esteem and community pride cannot be overstated. Success in terms of loan repayment is equally impressive with levels reaching 94 percent.

Not only is microenterprise beneficial to welfare-dependent persons, it is equally important to state and federal governments. First, there is a reduction in welfare expenditures for persons whose successful business starts enable them to become financially independent. Second, tax revenue is generated from the additional economic activity generated through the business.

Today I am introducing another microenterprise bill that addresses not only the concerns mentioned in S. 1395, but also other concerns raised by my constituents who work in these demonstration projects in my state. Congressman Tony Hall, chairman of the Select Committee on Hunger, has introduced this bill in the House and I am proud to join him today.

There are several goals to this bill.

First, to increase the exclusion of the net worth of the microenterprise for purposes of AFDC eligibility. Currently, the exclusion limit is only $1,000. This means that the cost of a personal computer would put an AFDC mom over the limit. One of the women who spoke at the House hearings on this issue was an Iowa constituent who wants to start her own medical computer billing service. Unfortunately, if she buys a computer while on AFDC, she will lose eligibility for AFDC and the important medical assistance provided to her family because of her eligibility. Certainly it is clear that this $1,000 limit is too low. My bill raises this limit to $10,000.

The reason this is important is that it allows the new entrepreneur the ability to remain on public assistance and not draw income out of the newly formed enterprise. As most new businesses are not cash rich, their owners can seldom rely on the business for their livelihood until the business is more established. Also, any income generated from the business can be reinvested back into the business without penalty to subsistence payments.

A second goal is to ensure that caseworkers make it clear to recipients that beginning a microenterprise is an option. They can start their own business with the assistance of leaders in the community, and provide a better future for their children.

Similar to the second goal, this bill also includes microenterprise in the jobs program. The goal of the program is to provide greater incentive to welfare moms to get off public assistance. This bill makes microenterprise a further option for this mom.

The original goal of welfare was to provide a stop-gap to those who temporarily have a crisis and need assistance. It was never meant to be a permanent means of support. Allowing these women the opportunity to make changes for their futures is what welfare assistance is all about.

Finally, this bill calls on the secretary of Health and Human Services to conduct a study to identify the administrative and bureaucratic barriers that prevent recipients from developing microenterprises.

Our desire is to make independence from public assistance a reasonable goal for those with the desire, motivation and discipline to take the challenge.

Glossary

AFDC .... Aid to Families with Dependent Children, the major cash welfare program for families with children.
Cost Neutral .... At no additional cost to the government, i.e. the same amount of expenditure.
Demonstration Program ..... An experimental program which is used to test the effects of a reform. Demonstration programs run for a set amount of time and must be followed by a thorough evaluation.
Earned Income Disregard ... The amount of earned income which is exempted from any reduction in benefits.
EITC .... Earned Income Tax Credit, this tax is refundable and therefore allows working families to receive cash back even if they do not earn enough to pay any federal taxes.
Family Cap .... No additional benefits are given to recipients who have additional children while on AFDC.
Family Support Act .... Enacted in 1988, this legislation expanded support and services but increased eligibility requirements.
Food Stamps .... The federal system of means-tested provision of food.
IDA .... Individual Development Accounts, tax-free accounts that the federal government would guarantee at a minimum fixed amount and that families could add to over time.
JOBS .... Job Opportunities and Basic Skills Program, the program established to fulfill the Family Support Act's requirement that certain welfare recipients engage in school, training, or work activities.
Learnfare .... AFDC benefits are reduced to families whose children are truant from school for more than a specified number of days.
Matching Funds .... Funds which require that some percentage of the amount received be "matched" by the entity receiving the funds. For example, if the federal government matches state funds at 60%, than for each state dollar, the federal government will provide 60 cents.
Medicaid .... The federal system of means-tested provision of health care.
Microenterprise .... Any unincorporated trade or business enterprise which has five or fewer employees, of which one or more is the owner.
Non-custodial Parent .... The divorced parent who does not live with the child.
Reform .... The broad range of initiatives to modify the current system of means-tested income support.
Refundable Tax Credit .... This credit benefits poor working families who pay few if any taxes. With a $1,000 refundable tax credit, a family that would have paid $200 in taxes would be tax-exempt and receive an $800 "refund".
Requirements .... A variety of reforms which link a recipient's eligibility for benefits to his/her engaging in desired behavior.
Rewards .... A variety of reforms thatprovides incentives to a recipient for engaging in desired behavior.
Tax Liability .... The amount of taxes for which one is responsible.
Waiver .... A state must seek permission to "waive" federal welfare requirements to run a demonstration program.
Workfare .... AFDC benefits are reduced to families whose eligible members do not attend work, training, or job search activities.

Review Credits

This policy overview on "Aid to Families with Dependent Children" has been reviewed by:

- Mark Greenberg, The Center for Law and Social Policy, 1616 P Street, NW, Suite 350, Wash., DC 20036; (202) 328-5140.
- Robert Rector, The Heritage Foundation, 214 Massachusetts Avenue, NE, Wash., DC 20002-4999; (202) 546-4400.
- Arloc Sherman, The Children's Defense Fund, 25 E Street, NW, Wash., DC 20001; (202) 628-8787.
- Julie Strawn, The Center on Budget &Policy Priorities, 777 North Capitol Street, NE, Suite 705, Wash., DC 20002; (202) 408-1080.

Financing Higher Education

Scope of the Problem:

- According to a report by the College Board in New York, tuition is up 11 percent at state universities and 7 percent at private colleges this year.

Proposed Solutions

- *Change Demand:* Reduce the cost of higher education by offering three-year baccalaureate degrees.
- *Restructure Finance:* Make it easier for students to pay for higher education through income contingent loans and public service.
- *Expand Finance:* Create a new pool of capital to supplement the current system and extend eligibility.

Outlook

- *Change Demand:* S. Frederick Starr, president of Oberlin College in Ohio, has proposed a three-year baccalaureate degree.
- *Restructure Finance:* President-Elect Clinton has proposed giving students the option of repaying all or part of their loans by taking community-service jobs.[1]
- *Expand Finance:* Senator Kennedy introduced S. 2255 on February 25, 1992 which proposed "self-reliance" loans in which all students are eligible to borrow money directly from the federal government. Loans would be repaid through the Internal Revenue Service.[2]

Contact:

Change Demand: S. Frederick Starr, Oberlin College, Oberlin, Ohio; (216) 775-8121.

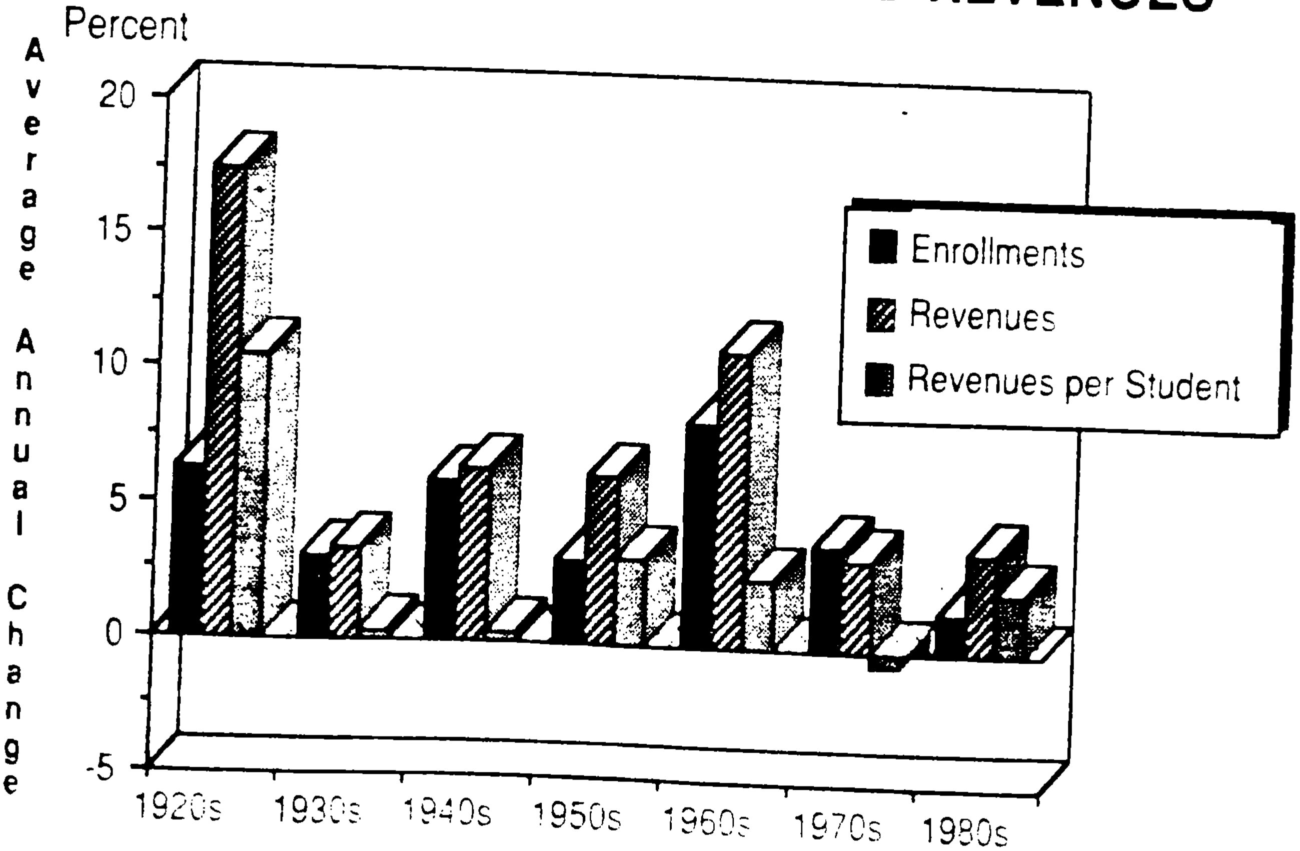
Restructure Finance: Presidential Transition Office, 1120 Vermont Avenue, NW, Washington, DC 20270, (202) 973-2600.

Expand Finance: Sen. Edward M. Kennedy, SR-315 Russell Building, Washington, DC 20510; (202) 224-4543.

Notes

1. "Putting People First," Bill Clinton.
2. Congressional Record, February 25, 1992.

TRENDS IN ENROLLMENTS AND REVENUES



Family Leave

Scope of the Problem:
1990 Bureau of Labor Statistics studies found that 37 percent of female employees have maternity leave and 18 percent of fathers at medium and large firms are covered by unpaid paternity leave.[1] Two out of three new entrants into the workforce will be women by the year 2000.[2]

Current Policy:
The Pregnancy Discrimination Act mandates that employers who include disability leave in employee benefits must include pregnancy in those provisions. Several states have family leave laws.

Proposed Solutions:
Mandatory Offer of Family Leave- Businesses are required to grant employees unpaid leave.

Cost:
The average cost of the legislation (S.5/H.R. 2) to employers with more than fifty employees according to the GAO is $5.30 per employee per year.[3]

Allocation:
12 weeks of unpaid leave for the birth or adoption of a child, or serious illness of an employee or his or her child, parent or spouse. Employers would maintain health coverage during the leave.

Implementation: Federal legislation would require businesses with more than fifty employees to provide family leave.

Preferential Rehire:
Job protection for employees who leave employment for a legitimate family purpose.

Cost:
The cost of providing "parental preference" will be marginal, as the employer would accrue the cost of hiring and training a new person regardless of the instatement of this legislation.

Allocation:
Provide up to six years of job protection.
The employee would be reinstated in his or her previous or equivalent position if it was available or would be entitled to the first suitable position to open. Benefits and seniority would also be reinstated upon return.

Implementation: Employers.

Tax Incentives:
Encourage businesses to offer family leave by providing tax incentives.

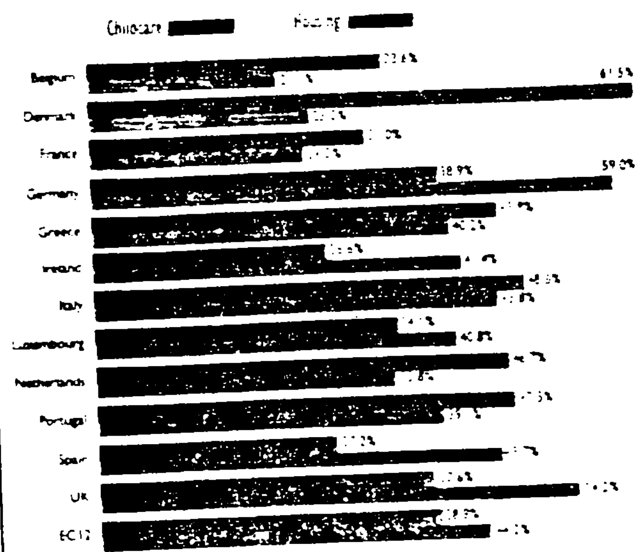
Cost: Estimate unavailable.

Allocation: An additional tax deduction for the costs to employers of providing family leave for the birth or adoption of a child or the serious illness of a child, spouse or dependent of the employee.
Implementation: Federal government and businesses.

Status
Mandatory Offer of Family Leave
The Family and Medical Leave Act passed in the Senate and in the House. The House fell 27 votes short of overriding the president's veto.
Preferential Rehire
Although several bills have been proposed, none have been scheduled for a hearing.
Tax Incentives
President Bush proposed up to $500 million in tax-credit subsidies for companies that grant family or medical leave. The credit would amount to 20 percent of the cost—up to $6,000—to hire a replacement, continue a worker's benefits or pay partial salaries during a leave.

Notes: 1. Congressional Record, September 27,1991. 2. "American Women and Their Families Need the Family and Medical Leave Act." Women's Legal Defense Fund, 1991. 3. Congressional Record, September 27, 1991.
Original Publication: January, 1992.

Top Priorities for Government Action to Improve Family Life (By Country)



Updates and Summaries Continued...

School Choice

Scope of the Problem:
Despite large increases in educational spending over the last decade, the average verbal score on the Scholastic Aptitude Test in 1991 dropped two points to 422, the lowest level of all time. The average math score fell two points as well to 474.

Current Policy:
Goal: To provide improved educational choices for students.
Cost: Varies from state to state.
Allocation: Individual state plans, which range from limited choices among public schools in several states to a program including private schools in Milwaukee, Wisconsin.
Implementation: States and school districts.

Solutions
Public and Private Schools
Goal: "To make schools more responsive and to stimulate improvements in educational performance." [1]
Cost: The president proposed $200 million for a federal voucher support fund.[2]
Allocation: Incentives to states and localities to adopt comprehensive choice plans.
Implementation: States and school districts.

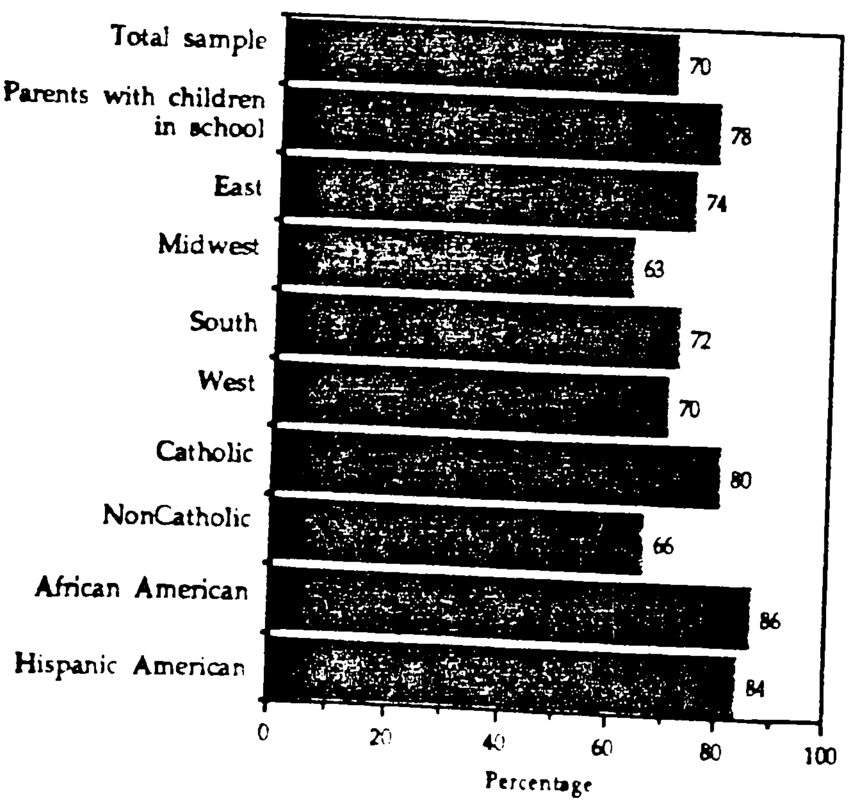
Public Schools Only
Goal. To improve education performance and create school accountability.
Cost: No extra public funds.
Allocation: The three main options of public school choice are Intra-District Choice, Inter-District Choice and Charter Schools.
Implementation: States and school districts.

Status:
Public and Private Schools: President Bush's GI Bill for Children, sent to Congress on June 25, would have authorized $500 million in new federal (FY 93) funds, and additional amounts in later years, for states and communities to give $1,000 scholarships to middle and low income children. Families could spend the scholarships at any school of their choice—public or private. An Associated Press survey in late August found 63 percent favoring the proposal.

Public Schools Only: The California legislature approved a charter school law on August 26, 1992, which Governor Wilson signed into law, September 20. The legislation authorizes the creation of up to 100 charter schools. The National Education Association supports choice within the public system only.

Notes.
1. President's Budget 1992, Part Two p. 4.
2. President's Budget

Percent of Americans Favoring Vouchers



National Health Care Finance Reform

Scope of the Problem

Past: In 27 of the 30 years from 1960 to 1990, health care spending grew faster than GNP. *Current:* Between 34.7 and 35.7 million Americans did not have health insurance in 1990. *Indicators:* Health care spending is projected to reach $800 billion in the United States in 1992.

Current Policy

A multiple-payer, primarily employer-based, system, with varied public programs for the elderly, the poor, and veterans. Federal government subsidizes employer-provided private health benefits by not taxing them as it does regular wages.

Proposed Solutions

Single-Payer System

One organization, in most cases the federal government, is the insurer.

Multiple-Payer System

More than one insurer. Employment or non-employment based.

State-Based Reform

Allows states to take the initiative in health care reform and pave the way for national reforms.

Status of Proposed Solutions

Single-Payer System

In a recent survey, 30 percent of the public favored a single-payer system. Congressional Democrats were divided over this category.

Multiple-Payer System

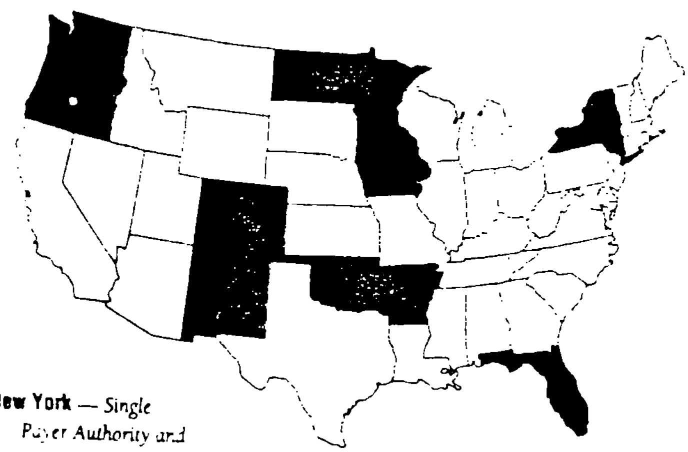
In a recent survey, 60 percent of the public favored one of two kinds of multiple-payer approaches. This category has the most support, with over 50 bills introduced, yet much disagreement exists within the category.

State-Based

Most Americans are looking to the national government to solve the health crisis, finds a recent survey. Thirty states are developing or implementing reforms. The Robert Wood Johnson Foundation this summer awarded $25.5 million to 12 states to plan state reform initiatives.

Original Publication: *Youth Policy*, March/April 1992.

State Initiatives in Health Care Financing Reform



Arkansas — *Seamless system of basic health care coverage for children*

Colorado — *Statewide plan with multiple insurers*

Florida — *Expanded private coverage for small employers and Medicaid Buy-in*

Iowa — *Managed competition under expenditure caps*

Minnesota — *Insurance market reform and state plan for the uninsured*

New Mexico — *Primary payer*

New York — *Single Payer Authority and insurance market reform*

North Dakota — *All payer rate-setting system and universal health coverage*

Oklahoma — *Individual health accounts*

Oregon — *Play-or-Pay employer mandate*

Vermont — *Universal system with global budgets*

Washington — *Develop health reform with multiple competing plans and a state operated subsidized plan*

States Receiving Grant Money from the Robert Wood Johnson Foundation

Source: ADVANCES, *Newsletter of the Robert Wood Johnson Foundation, Fall 1992, p. 4*

Public Health Improvement

Scope of the Problem
•The leading causes of death and disability have evolved from communicable diseases to chronic diseases and injuries. •Although the US's infant mortality rate is at an all-time low (9.1 deaths per 1,000 live births in 1990), it ranks 21st among industrialized nations, but progress in reducing the rate has slowed.

Proposed Solutions
•*Medical Focus:* Promote health primarily through reform of the medical care system.

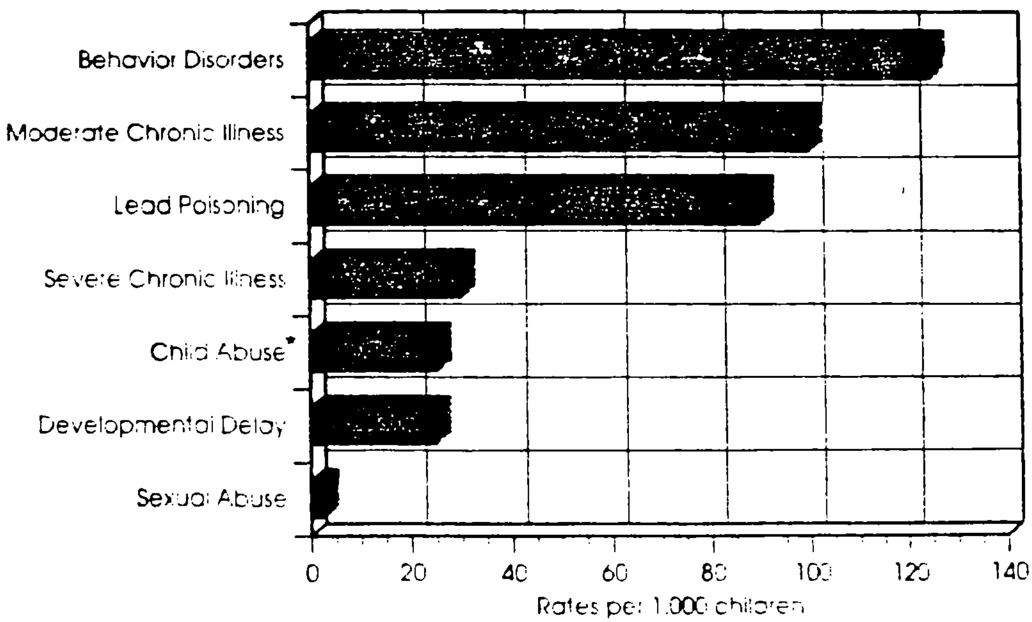
•*Holistic Approach:* Promote a healthy living environment through mobilization of the entire community.

Outlook
•*Medical Focus:* The U.S. is primarily focused on medical reforms to improve the health of its citizens. Over 100 bills dealing with health care financing, administration, delivery, and quality were introduced in the last session of Congress.

•*Holistic Approach:* The World Health Organization began the *Healthy Cities Project* in 1986 to put this view into practice; local projects are now operating in 1,000 communities around the world. The *California Healthy Cities Project* is hosting an orientation session Jan. 8, 1993, in Oakland.

Contact
•*Medical Focus:* U.S Dept. of Health and Human Services, Public Health Service, Office of the Assistant Sec. for Health, 716G Hubert H. Humphrey Building, 200 Ind. Ave., SW, Washington, DC20201; (202) 245-7694.
•*Holistic Approach:* California Healthy Cities Project, Gregory S. Shaffer, (916) 323-0702.

New Morbidities of Childhood



*Does not include sexual abuse

Source: U.S. Department of Health and Human Services. *Healthy People 2000 National Health Promotion and Disease Prevention Objectives.* Washington, DC: U.S. Government Printing Office (DHHS PHS 91-50212), 1991; Newacheck, P.W., and Starfield, B. Morbidity and Use of Ambulatory Care Services Among Poor and Non-poor Children. *American Journal of Public Health* (1988) 78:927–33.

Credit: "Health Care Services for Children and Adolescents," James Perrin, Bernard Guyer, and Jean M. Lawrence, in The Future of Children: U.S. Health Care for Children. *The David and Lucile Packard Foundation, Vol. 2, No. 2, Winter 1992, p. 61.*