

Jeremy - Oregon Project - December 5

welfare reform strategy

communications outreach - Bruce / Bahm

Policy / Financing - Bruce / David / Mary Jo

Financing - \$9.3 off sets. (Do we pay for WR on the backs of
the rich or poor). Need a serious discussion on the immigrant issue.
Need Treasury involved (EITC)

timing, financing



CENTER ON BUDGET AND POLICY PRIORITIES

FOR IMMEDIATE RELEASE:
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"CONTRACT" WOULD ULTIMATELY DENY BENEFITS TO FIVE MILLION POOR CHILDREN, REPORT FINDS

The Personal Responsibility Act (PRA) in the House Republican "Contract with America" would deny AFDC benefits to at least half the families and children that would receive aid under current law, according to a report released today by the Center on Budget and Policy Priorities.

The Center found that if the bill's provisions were fully in effect today, at least 2.5 million families and more than five million children currently receiving assistance would be ineligible for benefits. This would result from a strict time limit on welfare receipt and provisions denying aid to children born to young unmarried mothers, children whose paternity is not legally established, and children born when their parents are receiving welfare.

Cuts in a Wide Range of Poverty Programs Total Much Larger than in the Early 1980s

The report also noted that the PRA contains reductions in a range of benefit programs for the poor that substantially exceed the reductions enacted during the early 1980s. Among the programs subject to cuts, according to the Center, are the Supplemental Security Income (SSI) program for the elderly and disabled poor, child care assistance for low-income working families that are not on welfare, child support enforcement, and the school lunch program. The "entitlement" status of these programs would also be ended.

According to the report, the net effect would be a reduction in benefits for low-income families and individuals of about \$57 billion over the four-year period from 1996 to 1999, with the cuts growing with each passing year. By 1999, the cuts in basic entitlement programs for the poor would be double the combined effects of the cuts in poverty programs enacted during President Reagan's first two years.

The bill also would alter a key feature of the safety net under which programs such as food stamps and free school lunches for poor children expand during recessions when unemployment and poverty rise, the study noted. Under the PRA, some low-income families or elderly people could be denied benefits during such periods. Alternatively, low-income families could be placed on waiting lists or benefits for all eligible families could be cut across-the-board.

— more —

The Center's analysis also examined the new work requirements that the bill establishes. By 2001, an estimated 1.5 million recipients would be required to work 35 hours a week for their aid. In the typical state, these work slots would "pay" \$2.42 an hour for a mother in a family of three, the report said, well below the \$4.25-an-hour minimum wage. In Mississippi, recipients would be "paid" 79 cents an hour.

Time Limits

Of particular note, according to the report, is the PRA's time limit. Unlike President Clinton's proposal and other bills (including earlier Republican bills) that allowed or required states to provide work slots to families that reached a time limit, the PRA would end eligibility for both work slots and cash aid. Mothers who accumulated five years on welfare over their lifetime (or as little as two years, at state option) would be permanently barred from receiving either further cash aid or a work slot. Mothers willing to work but unable to find an unsubsidized job to support their children — including mothers who had faithfully worked nearly full-time for several years in a work slot — would be denied aid once they had passed the time limit.

There would be no exceptions or extensions to the time limit, the report noted. This means, for example, that families headed by parents who are temporarily disabled or caring for disabled children would be removed from the rolls upon reaching the time limit. Children receiving AFDC who live with elderly grandparents would be subject to the time limit as well.

In addition, in a state choosing a two-year time limit, a mother who received welfare for two years in her early twenties, left AFDC and worked for 10 years but then needed assistance during a recession would be ineligible for any further aid, as would her children. Recent studies show that most people who enter the AFDC program leave within two years, often because they find jobs, the Center said. The same data, however, show that many of those who leave welfare subsequently return, often because they lose the low-wage jobs they obtain.

"The PRA differs in important ways from — and is much less balanced than — other recent welfare reform plans, including an earlier plan offered by a majority of House Republicans," said Isaac Shapiro, the Center's acting co-director and co-author of the report. "The Act begins to dismantle basic features of the safety net, even for poor parents who want to work and have met all work requirements imposed on them."

Sweeping Provisions

In addition to the time limit, the bill's provisions include:

- A denial of both cash and housing benefits throughout their childhoods to poor children born to young unmarried mothers. States could use the savings to support programs such as orphanages. An unmarried mother who had a child 10 years ago as a teenager, but who applies for AFDC after losing her job, would be ineligible for aid under this provision.
- A denial of benefits for children whose paternity has not been legally established; this includes 29 percent of all children currently on AFDC. These children would be ineligible regardless of whether their mothers were cooperating with state efforts to establish paternity. Paternity establishment is usually neither swift nor certain, the report said, and state bureaucracies frequently take one to two years to establish paternity in a case *after* a mother has provided the relevant information. The children in question would be denied benefits during this lengthy process. Children whose fathers cannot be located would never have paternity established and, therefore, would never be eligible for assistance.

Looking at all of the provisions together, the report said, the PRA's effect would be to disqualify more than half the low-income children who would be eligible for aid under current law. Five to six million poor children would be rendered ineligible for any cash assistance. On average, 9.5 million children received AFDC in 1993. Similarly, at least 2.5 million of the five million *families* now receiving assistance would be made wholly ineligible for AFDC if the PRA were fully in effect.

Many families made ineligible for assistance would likely be unable to provide basic necessities for their children. There is a strong risk, the report warned, that an already-overburdened foster care system would then be asked to find foster care and institutional placements for large numbers of children whose parents were forced to give them up because they were destitute.

Reductions in Other Safety Net Programs

The Act would reduce other programs for the poor in addition to AFDC. It would: merge federal food assistance programs for poor households into a block grant and set the block grant's funding level several billion dollars below the levels needed to maintain current benefits; place a number of other major programs for low-income households under an expenditure cap that would require large cuts in these programs; and make poor legal immigrants ineligible for nearly all government benefits and services.

The PRA would cut about \$18 billion over four years from food assistance programs, the Center said. Virtually all domestic food programs, including food stamps and the school lunch program, would be consolidated into a block grant. The bill would set a ceiling on how much could be appropriated for the block grant, placing this ceiling several billion dollars a year below the funding level needed to maintain current levels of food assistance.

A substantial majority of the cuts in food assistance would be targeted on families that are now eligible for food stamps. Assistance to these families would be reduced almost \$4 billion a year, according to the Center's analysis. Currently, the average food stamp allotment is just 75 cents per person per meal. About two-thirds of food stamp beneficiaries are children or elderly or disabled people.

In addition, the PRA would impose a cap on total expenditures for an array of major programs for the poor: the SSI program for the elderly and disabled poor; the child support enforcement program (which helps establish paternity); a key child care program for working poor families not on welfare; low-income housing programs; and AFDC. The cap governing these programs would be set at a level well below what the programs would cost under current law. This would require these programs to be cut \$18 billion in the three-year period from 1997 to 1999, according to estimates from the House Republican conference. The cuts would grow larger with each passing year, found the Center.

The bill also would convert low-income benefit programs that are now entitlements, such as AFDC and SSI, into non-entitlement programs. Eliminating the entitlement status of these programs would weaken their ability to cushion families and the elderly against economic shocks or other unexpected developments. If funding proved insufficient during a fiscal year for SSI or AFDC — as could occur during an economic downturn when poverty mounted or if a greater-than-expected number of poor elderly people applied for SSI — either benefits would have to be reduced, some eligible people would have to be denied assistance, waiting lists would have to be created, or additional state funds would have to be spent.

Food stamp-type assistance and school lunch programs would lose entitlement status as well. Funding for free school meals for poor children and food stamp-type assistance would no longer expand automatically during recessions when unemployment and poverty climbed.

Legal Immigrants Hit Hardest

The PRA also would make most *legal* immigrants ineligible for nearly all health, education, job training, housing, social service, and income assistance programs, the study said. (*Illegal* immigrants are already ineligible for most programs.) For example, legal immigrants disabled on the job in the United States would be ineligible for SSI benefits. Non-citizen

migrant farm worker families legally in the United States could not have their children treated at a migrant health center. Legal immigrants who are children would be denied access to foster care payments if their parents died and could not be screened for lead poisoning.

Legal immigrant children also would be ineligible for immunization programs. These programs currently cover immigrants partly to help avoid the spread of contagious diseases that could infect children who are U.S. citizens. Legal immigrants are subject to the same taxes as U.S. citizens.

Net Budgetary Impacts

Overall, the bill would reduce safety net programs \$57 billion over four years, the Center said, noting that cuts of this magnitude are unprecedented in programs for the poor. The cuts in AFDC, SSI, food stamps and Medicaid would be double the size of the cuts made in these programs by the budgets enacted in 1981 and 1982, when the previous deepest reductions in poverty programs were made. The programs targeted for cuts represent a small fraction of federal spending: AFDC, SSI, and food stamps combined account for 4 percent of federal expenditures.

An Unbalanced Proposal

"People across the political spectrum agree that welfare needs fundamental reform," Shapiro said. "There is also wide support for further efforts to reduce the federal budget deficit."

"The PRA, however, does not strike a responsible balance between these goals and the need to maintain a basic safety net beneath poor children, the elderly, the disabled, and other vulnerable groups. The bill would make deep cuts in vital programs without helping welfare recipients earn their way out of poverty. Increases in poverty, homelessness, and hunger for millions of children almost certainly would result, and states would likely be saddled with significant added costs as they face the destitution created by these harsh policies."

The Center on Budget and Policy Priorities conducts research and analysis on a range of government policies and programs, with an emphasis on fiscal policy issues and on issues affecting low- and moderate-income households. It is supported primarily by foundation grants.

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The Personal Responsibility Act

An Analysis

Summary

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Contents

Included in this packet are:

- The summary of the Center on Budget and Policy Priorities' analysis of the Personal Responsibility Act.
- An appendix on the overall impact of the Personal Responsibility Act on children, including a description of how the Center estimated the numbers of children and families who would be denied AFDC benefits.

The Center's full report on the PRA will be available the week of November 28th.

The Personal Responsibility Act: Summary

A new welfare reform proposal, the Personal Responsibility Act (PRA), is part of the "Contract with America" unveiled in September 1994 by Republican members of the House of Representatives and congressional candidates. The PRA differs in important ways from other recent welfare reform plans. Key elements of the bill include the following:

- The PRA proposes deep cuts in a broad range of programs for low-income households and eliminates the entitlement status of most major low-income benefit programs, including the Supplemental Security Income program for the elderly and disabled poor and the food stamp program. The effect would be a net reduction in low-income programs of at least about \$57 billion over the four-year period from 1996 to 1999, with the cuts escalating over time.
- The bill would deny Aid to Families with Dependent Children and housing benefits to many poor children born to young unmarried mothers for their entire childhood, diverting these funds to support programs such as orphanages for poor children. In addition, children whose paternity has not been established — 29 percent of all children currently receiving AFDC — would be denied benefits even if their mothers were fully cooperating with state efforts to track down absent fathers and establish paternity.
- The bill would establish extremely stringent time limits and work requirements. States would be required to terminate both cash assistance and work opportunities for families who had received AFDC for a total of

five years; regardless of their circumstances, these families could never receive assistance again. States would have the option of ending welfare assistance for families after they receive aid for a total of two years. The PRA would *not* provide work opportunities for parents who reach these time limits and are unable to find jobs even if the parents fully complied with work requirements while on assistance and made faithful efforts to find employment. During the period in which they would receive aid, a large fraction of recipients would be required to work their benefits off at "wages" that would equal \$2.42 an hour in the typical state and range as low as \$0.79 an hour in Mississippi.

- In combination, various PRA provisions that would prevent certain categories of children from receiving AFDC benefits and the mandatory time limit would ultimately deny assistance to *a substantial majority* of the children who would be eligible for AFDC under current law. If the provisions were fully in effect today, more than five million children would be denied AFDC. At least 2.5 million fewer families would receive AFDC benefits.

The Personal Responsibility Act represents a dramatic departure from the principle of "mutual responsibility" that has guided bipartisan welfare reform efforts such as the Family Support Act of 1988. Under this principle, welfare recipients are expected to move toward self-sufficiency by participating in education or training, by working, or by looking for work, while government agrees to maintain a basic safety net beneath poor children and to provide services and supports to help recipients improve their prospects in the labor market.

The PRA largely abandons the government's side of this bargain. The bill would deny basic income support to numerous poor families, including many families in which the parents comply with all program rules and are willing to work but cannot find a job. The bill also would weaken the safety net through deep cuts in programs that provide food, cash, and housing assistance to the elderly and disabled poor, as well as poor families with children. Further, the bill undercuts programs to improve the earnings prospects of poor parents.

The PRA encompasses far more than what is usually labeled "welfare reform." Under this rubric, it proposes sweeping changes that would begin to dismantle the basic features of the safety net that provide vital support to people in need.

Budget Provisions Would Reduce Benefits for Low-Income People

In addition to making specific cuts in AFDC, the PRA includes three provisions that would make substantial cuts in a wide range of programs for low-income families and individuals. The bill would: (1) merge federal food assistance programs into a block grant and set the block grant's funding level several billion dollars below what is needed to maintain current benefits; (2) place a number of other major programs for low-income households under a spending cap that would require large cuts in these programs and end their entitlement status; and (3) make poor *legal* immigrants ineligible for nearly all government benefits and services.

Food Assistance Programs

The PRA would cut an estimated \$18 billion over four years from food assistance programs. Virtually all domestic food programs, including food stamps, WIC, and the school lunch program, would be consolidated into one block grant, thereby ending their "entitlement" status. The bill would set a ceiling on how much could be appropriated for the block grant each year, placing this ceiling several billion dollars a year below current funding levels. (Backup materials to the PRA estimate the reductions from these provisions as \$11 billion over the four-year period, but this estimate appears to be significantly understated.)

A substantial majority of the cuts in food assistance would come from programs targeted on the families that now receive food stamps; assistance to these families would likely be cut almost \$4 billion a year. The food stamp program currently provides an average benefit of 75 cents per person per meal, and more than 90 percent of food stamp households live in poverty.

In addition, ending the entitlement status of programs such as free school meals for poor children and food stamps means these programs would no longer expand automatically during recessions when unemployment and poverty rise and more people qualify for such benefits. During economic downturns, states would have to reduce benefit levels, establish waiting lists, make some categories of needy families or individuals ineligible for benefits, spend additional state funds, or implement some combination of these approaches.

The New Caps and the End of Entitlement Status

The PRA would impose a cap on aggregate spending for an array of important programs for the poor: Supplemental Security Income (SSI); AFDC; the child support enforcement program (which helps establish paternity, locates absent parents, and collects child support from them); the at-risk child care program (which subsidizes child care for low-income working families that are at risk of going onto the AFDC

program if they cannot secure affordable child care); and low-income housing programs. The cap governing these programs would be set at a level well below what the programs would cost under current law.

The impact of these caps would first be felt in fiscal 1997. According to estimates from the House Republican Conference, the caps would cut spending by \$18 billion in the three-year period covering 1997 to 1999. The magnitude of the cuts would grow each year.

The bill also would convert the programs in this group that are now entitlements — such as AFDC, SSI, and the child support enforcement program — into non-entitlement programs whose funding level is set each year through the appropriations process. Since the budget constraints governing non-entitlement programs are likely to become much more severe in coming years — especially if much tighter discretionary spending caps are enacted to help balance the budget by 2002 — subjecting these programs to the appropriations process may result in deeper cuts over time than those described here.

Eliminating the entitlement status of these programs would also undercut their ability to cushion families and the elderly against economic shocks or other unexpected developments. If funding proved insufficient during a fiscal year for AFDC or SSI — as could occur during an economic downturn or if a greater-than-expected number of poor elderly people applied for SSI — either benefits would have to be reduced, some eligible people would have to be denied assistance, additional state funds would need to be spent, or waiting lists would be created.

Ending these programs' entitlement status also is problematic because the PRA's formula for adjusting the cap from year to year is flawed. The formula for setting the cap includes an adjustment for changes in the size of the poverty population, but because of data availability problems, this adjustment would lag almost three years behind the actual change in the number of poor people. Had the PRA been in effect in recent years, the cap governing these programs would have been subject to a downward poverty adjustment in 1990, 1991, and 1992 — years in which unemployment rose — to reflect the decrease in the number of poor people three years earlier in 1987, 1988, and 1989, which were recovery years.

Legal Immigrant Provisions

Under current law, *illegal* immigrants are ineligible for benefits under most major federal programs. Certain categories of low-income *legal* immigrants, however, are generally permitted to participate in federally-assisted programs. The legal immigrants allowed to participate include many permanent residents who have “green

cards" as well as some categories of immigrants fleeing oppression abroad. Legal immigrants are subject to the same taxes in this country as citizens are.

The PRA would make most *legal* immigrants ineligible for about 60 federally-funded health, education, job training, housing, social service, and income security programs. The main means-tested aid the PRA would allow these legal immigrants to receive would be emergency medical services. Denying AFDC, SSI, and most Medicaid services to these legal immigrants would result in benefit reductions totaling approximately \$18 billion from fiscal years 1996 to 1999.

A few examples illustrate how broadly these blanket cuts would reach:

- Poor immigrants granted political asylum or parole in the United States because they face danger of persecution in their country of origin would be denied all subsistence aid except emergency medical services.
- Legal immigrants disabled on the job in the United States would be denied SSI benefits; non-citizen migrant farm workers legally in the United States could not have their children treated at migrant health centers; and legal immigrants who are children would be denied access to foster care payments if their parents died.
- Some programs indirectly help American citizens by assisting immigrants. Immunization and preventive health programs cover immigrants partly to help avoid the spread of contagious diseases that could infect U.S. citizens. Pre-natal care and nutrition benefits are provided to pregnant women partly to reduce the likelihood that their children — who will be U.S. citizens — will be born with significant health problems and need costly health and special education services. All such assistance, too, would be ended.

Net Effects

The reductions in the three provisions described above would total \$54 billion from 1996 to 1999. In combination with other provisions in the bill, the net reductions in low-income programs under the PRA would total about \$57 billion over four years. The cuts would grow rapidly, equaling \$21 billion in 1999 alone.

By 1999, the cuts in basic entitlement programs for the poor — AFDC, SSI, food stamps, and Medicaid — would be double the combined effects of the cuts in these program enacted during President Reagan's first two years.

This would exact a steep price from programs that represent a small portion of federal spending. AFDC, SSI and food stamps combined account for about nine percent of total spending on mandatory programs (excluding deposit insurance) and about four percent of all federal spending.

The estimate here of the net reductions in programs under the PRA — \$57 billion over *four* years (fiscal years 1996 to 1999) differs significantly from the House Republican Conference estimate of about \$40 billion over *five* years (fiscal years 1995 to 1996). One part of the explanation is that the estimates for particular provisions — such as the reductions resulting from the food assistance block grant requirement — are higher here.

A second part of the explanation is that the Conference considers fiscal 1995 in their estimates even though the PRA would not begin to take effect until fiscal 1996. Naturally, the estimates for fiscal 1995 are therefore zero. So the Conference cost estimates are themselves *four* year estimates. Under either method, *five* year estimates that would include fiscal 2000 would be more than one-quarter higher since the size of the reductions escalate each year. Because of data limitations, however, precise estimates for the year 2000 are unavailable.

Denying Assistance to Poor Children

The PRA includes several sweeping provisions that would deny cash aid, and in some cases housing assistance, to poor children and their families. The bill would deny benefits to children born to young unmarried mothers, to children for whom legal paternity has not been established, and to children whose parents received welfare at any time during the 10 months prior to the child's birth.

Denying Aid to Children Born to Young Unmarried Mothers

The PRA would establish a complicated set of AFDC rules for children born to young, unmarried mothers. Under the PRA:

- Families in which a young unmarried mother had a child before her 18th birthday would be denied AFDC and housing assistance. Because the food stamp program is repealed and put into a discretionary block grant, these families also could be denied food assistance if their state chose to target them for some of the cuts it would have to make in food benefits.
- States would have the option of denying cash aid and/or housing assistance to families in which an unmarried mother had a child before her 21st birthday.

- In general, as long as their mothers remained unmarried, these children would remain ineligible for cash assistance *throughout all of their childhoods*. Such children could become eligible for assistance only if their parents married or if they were adopted. The mother could receive assistance if she had a subsequent child when she was older, but the first child would remain ineligible.
- Women who, prior to the passage of this legislation, had children outside marriage when they were young would be ineligible for assistance once the bill took effect. Consider a mother who had a child when she was 17 years old, has worked ever since, and has never received AFDC. She is now 27 years old and her child is 10. If after implementation of this legislation she lost her job due to a company cutback and applied for AFDC, she and the child would not be eligible to receive aid.

Because children born to young, unmarried mothers would generally be ineligible for assistance throughout their childhoods, a large proportion of AFDC families would be affected. More than one in ten families currently receiving AFDC was begun by an unmarried mother under the age of 18. In states that took the option to deny assistance to children born to unmarried mothers under 21, the number of children denied assistance would generally more than double.

Paternity Establishment

Children for whom legal paternity has not been established would also be denied cash assistance under this bill. Such children would remain ineligible even if their mother was cooperating with state officials by providing all the information she had about the father. (The mother would be eligible for AFDC benefits, as long as she cooperated with the child support agency. Also, if the family included a mother and two children, one of whom had paternity established, that child would be eligible for an AFDC grant.)

Some 29 percent of *all* children receiving AFDC — or 2.8 million children — do not have paternity established. If this PRA provision were now in effect, these children, with very limited exceptions, would be ineligible for assistance.

This provision would apply to children of all ages and to those already receiving welfare. So a mother with a ten-year-old child who had not had contact with the child's father for many years would be required to establish paternity in order for the child to remain eligible for assistance. If the mother cooperated fully but the father could not be located, the child would never be eligible to receive assistance.

The process of paternity establishment often takes a long time even if a mother is cooperating. The state agencies charged with helping families establish paternity and child support orders are often overburdened and unable to assist families in a timely manner. Many child support caseworkers are responsible for as many as 1,000 cases. Under federal regulations, a state child support agency has 18 months to establish paternity *after* the father is located, and states often take longer than that; under the PRA, children would be denied AFDC in the meanwhile.

Furthermore, state paternity establishment rates vary widely. At one extreme, West Virginia established paternity in 85 percent of the cases that needed paternity established. Oklahoma, by contrast, establishes paternity in only three percent of its cases that year. These data suggest that state processes, rather than the cooperation of mothers, largely determine state paternity establishment rates. Under the PRA, however, children living in states which have poor records of establishing paternity would be especially likely to be denied eligibility for AFDC.

Finally, while the PRA would deny AFDC benefits to children for whom paternity was not established, the bill would also place the child support enforcement system under the outlay cap described earlier. This would make it likely that this already-overburdened program would be faced with reduced federal resources.

Child Exclusion

The bill also includes a "child exclusion" provision (sometimes called a "family cap") that denies AFDC to children born to families already receiving welfare or to families that received welfare at any time during the 10 months prior to the child's birth. This child exclusion provision would deny assistance even to some poor children who were conceived while the family was working and not on welfare. Consider the case of a married pregnant woman who has one child. Suppose her husband deserts the family, and she receives assistance from the AFDC program to meet basic needs during the latter months of pregnancy. Her newborn would be ineligible for assistance throughout his or her childhood even though the child was conceived while the mother was married and not on welfare.

Child exclusion proposals are often based on the belief that AFDC families are large. Some 73 percent of AFDC families, however, include two or fewer children. Families receiving AFDC are no larger than other families with children, and the size of the average AFDC family has dropped sharply over the past two decades. Furthermore, research has shown that both benefit levels and the benefit increase associated with an additional child have little bearing on the likelihood that a woman will have another child.

Orphanages and Adoptions

The bill allows states to use the money saved from denying assistance to children born to young unmarried mothers to support orphanages and promote adoption. The bill will likely drive some parents to relinquish their children not because the parents are abusive or neglectful, but because they are destitute. Their destitution may simply reflect the fact that they live in a high unemployment area and cannot find a job.

The Relationship Between AFDC and Out-of-Wedlock Births

The above provisions stem in large part from the view that welfare is the primary factor behind out-of-wedlock childbearing in general and teen childbearing in particular. While there is strong, justifiable concern about the rise in the proportion of children living in poor families without their fathers, research does not suggest that welfare is the primary factor behind out-of-wedlock childbearing. Out-of-wedlock childbearing is a complex, society-wide phenomenon not limited to teenagers, the poor, or welfare recipients.

This summer, a statement by 76 leading researchers addressed this issue. It said:

As researchers who work in the area of poverty, the labor market, and family structure, we are concerned that the research on the effect of welfare on out-of-wedlock childbearing has been seriously distorted. As researchers, we are deeply concerned about the rising rates of out-of-wedlock childbearing and the high incidence of poverty and welfare use among single-parent families. However, the best social science research suggests that welfare programs are not among the primary reasons for the rising numbers of out-of-wedlock births.

...ending welfare for poor children born out-of-wedlock does not represent serious welfare reform, and would inflict harm on many poor children. *We strongly urge the rejection of any proposal that would eliminate the safety net for poor children born outside of marriage. Such policies will do far more harm than good* [emphasis in the original text].

Work and Time Limit Provisions

Like several other recent bills, the PRA would impose a time limit on AFDC receipt and establish new work requirements for AFDC recipients. However, the new

Optional Block Grant of the AFDC Program

The PRA gives states the option to receive a block grant instead of federal support for AFDC programs, including cash assistance and administrative funds, JOBS, emergency assistance, and AFDC child care. A state would be required to spend this block grant on a program "to provide benefits to needy families with dependent children." A state would not have to meet any other standards to receive this block grant and would not be required to match the federal funds with state dollars.

The amount of a state's block grant would be permanently frozen at 103 percent of the amount the state received in fiscal year 1994 for its AFDC program. No adjustment would be allowed in future years for inflation, changes in the state's poverty population, or other factors. Since the PRA ends the entitlement of AFDC and places the program under a spending cap, there is no assurance that states would even receive their full allocation as prescribed by the bill. It is unclear how many states would elect this option.

bill's time limit and work provisions differ in important ways from those contained in other welfare reform proposals, including some earlier Republican proposals. Moreover, the PRA would likely lead to cuts in some programs which can help welfare recipients earn their way off welfare and out of poverty.

A Different Kind of Time Limit

Under the PRA, each state would be required to place a time limit on AFDC receipt. At most, a state could provide AFDC to a family for five years; after that point, the family would be permanently removed from the welfare rolls. States would be permitted to remove families permanently from AFDC after two years, as long as the parent spent one of these years in a work program.

The PRA's time limit would be cumulative; that is, the "clock" would not be reset if an individual left AFDC, even for an extended period. Thus, in a state choosing the more restrictive option, a mother who received welfare for two years in her early twenties, left the rolls and worked for 10 years, and then needed assistance during a recession would be ineligible for any aid (as would her children).

One of the key differences between the PRA's time limit structure and the time limits proposed in some other bills, such as the Clinton Administration's Work and Responsibility Act of 1994, is in the definition of what would happen to families that use up their allotted months of AFDC receipt. Under the administration's plan, recipients who had received two years of cash assistance would be required to work. If a parent was unable to find an unsubsidized job, she would be provided a subsidized

work slot and would be paid at least the federal minimum wage for the hours she worked. As long as a parent was willing to work, she would be given access to a work slot.

By contrast, under the PRA, the time limit would *not* be defined as the point after which a recipient would be required to work; instead, time spent in a work position would itself count toward the two- to five-year time limit. Upon reaching the time limit, a family would be *permanently* barred from receiving *both AFDC and a work slot*. The PRA's time limit provisions would require states to remove families from the AFDC rolls even if the parent was willing to work and had performed faithfully in a work slot for a long period of time but was unable to find a job due to adverse economic conditions or poor basic skills.

There would be no exceptions or extensions to the time limit; for example, families headed by parents who are temporarily disabled or caring for disabled children would be removed from the rolls upon reaching their state's time limit. In fact, children receiving AFDC who live with elderly grandparents would also be subject to the time limit.

Recent studies show that two-thirds of the families who enter the AFDC program for the first time leave within two years, often because the parents find jobs. However, the same data show that many of those who leave welfare subsequently return, often because they lose the low-wage jobs they obtain. This means a large fraction of AFDC recipients would eventually reach the PRA's time limit and be denied assistance. One recent study found that 48 percent of the current AFDC caseload has accumulated at least five years of welfare receipt. (This accumulation often occurs in more than one spell; only about 14 percent of first-time welfare recipients stay on AFDC for five or more years in one continuous spell.)

The PRA's Work Program

Although the PRA would not offer jobs to recipients who reach their state's time limit and are unable to find work, it would require states to impose work requirements on a growing proportion of AFDC recipients while they received assistance. An estimated 1.5 million work slots would be required by the year 2001. The conditions of the work program are exceptionally stringent:

- Most recipients placed in these slots would be required to work 35 hours per week in exchange for their welfare grants;¹ since the maximum AFDC

¹ The PRA would allow state work programs to provide work supplementation (a program that uses
(continued...)

grant for a family of three in the median state is \$366, this means most recipients would be working at far less than the federal minimum wage of \$4.25 an hour. In the median or typical state, the work slot "wage" would equal \$2.42 an hour. In Mississippi, recipients would be "paid" 79 cents an hour.

- The PRA establishes no exemptions from the work requirement. For example, states could require parents caring for disabled children or infants to work full-time.

The PRA's work provisions would likely impose a large administrative and financial burden on states. Federal matching funding for the administrative and child care costs associated with the work program (an estimated \$6,000 per year per slot) would be included under the aggregate spending cap the PRA would establish for an array of key low-income programs. This means the federal share of the work program would need to be funded through cuts in the other capped programs. If Congress decided not to cut the other programs, it would be necessary to reduce the size of the work program or pass more of its cost onto states. In any case, states would need to find enough money to finance their share of administering the work program and providing full-time child care to participants. The administrative challenge of developing 1.5 million or more work slots would be enormous, considering that less than 20,000 AFDC recipients nationwide are currently in work positions.

Absence of Strategies to Increase Employability or "Make Work Pay"

Many AFDC mothers lack employment-related skills; fewer than half have graduated from high school. Women with low levels of skills face high unemployment rates and earn low wages when they work. Jobs that are temporary or part-time and without benefits are often their only option. This suggests that many recipients need help finding and holding jobs that allow them to support their families.

Rigorous studies have shown that adequately funded programs offering a mix of employment-oriented education and training services can increase the number of recipients who find jobs, reduce the number receiving AFDC and, in some cases, save money for taxpayers. The PRA, however, provides no additional support for such programs. The existing Job Opportunities and Basic Skills (JOBS) program — which provides federal funding for state education and training programs for welfare recipients — would receive no new funding under the bill, and states would not be

¹ (...continued)

welfare grants to subsidize wages paid to recipients by employers) instead of or in addition to work experience. However, this option has been available to states for some time but has rarely been used. Of those participating in JOBS, 0.1 percent nationwide are in work supplementation programs.

required to provide parents with these services. In fact, faced with the new requirement to create a rapidly-growing number of work positions, states might be forced to divert funding from JOBS training services to pay for the high cost of the work slots.

By contrast, most other recent welfare reform proposals would expand funding for work preparation services and require states to provide such services to large fractions of their welfare caseloads.

Finally, the PRA does not contain measures to “make work pay” even though many adults who leave welfare for work obtain low-wage jobs that are insufficient to support a family. In this respect, too, the PRA differs from other proposals. The previous House Republican bill supported by a large majority of Republicans would have allowed states to change the current rules under which recipients who work lose up to one dollar in benefits for each additional dollar they earn. Similarly, a bill introduced by the Mainstream Forum — a group of moderate and conservative House Democrats — would have mandated such a change and greatly expanded child care subsidies for working poor families.

Indeed, the PRA would likely *reduce* assistance for the working poor. For example, it places under the outlay cap — and thereby makes susceptible to cuts — a key child care program for working poor families that are not on welfare. Since the cap would be set below current levels, funding for child care services for low-income working families could be lowered even as cash assistance for many poor families with children was being withdrawn. Furthermore, some of the nutrition assistance programs that would be merged into the PRA's nutrition assistance block grant and then cut back, such as the food stamp program, provide important supports to many low-income working families.

The Overall Impact on Poor Children

The Personal Responsibility Act includes numerous provisions that would deny AFDC benefits to poor children and their families. These features include the denial of housing and cash assistance to families in which the child was born to a young unmarried mother, the denial of assistance to children for whom paternity has not been established, and the child exclusion and time limit provisions.

To estimate the total number of children and families who would be denied benefits under the PRA, one cannot simply add up the independent effects of the different provisions (such as 48 percent of the families being denied AFDC because of the time limit plus 29 percent of the children denied benefits because of the paternity establishment provision). Some of the provisions would affect many of the same

people. For example, some of the children who would be denied benefits under the paternity establishment provision would also be affected by the time-limit provision.

An analysis of the effect of the various provisions makes clear, however, that the impact of the numerous provisions to deny AFDC benefits to poor children and families would be dramatic.

- If the PRA were fully in effect today, *well over half of the children who would be eligible for aid under current law would be denied assistance*. This translates into more than five million — and perhaps as many as six million — poor children who would not be receiving AFDC.
- At least half of all families receiving assistance today would be denied AFDC if the PRA were fully in effect. This translates into at least 2.5 million families who would receive no cash assistance.

Among those families faced with large benefit reductions or made completely ineligible for assistance, it is likely that many parents would be unable to provide basic necessities for their children. Because food assistance is also cut substantially and would no longer be an entitlement, some children made ineligible for AFDC might not be assured even a minimal safety net to help them meet their nutrition needs. An already-overburdened child welfare system would likely be asked to find foster care and institutional placements — temporary and permanent — for many children whom their parents are forced to relinquish.

An Imbalanced Approach

The public and policymakers from across the political spectrum agree that the AFDC program needs fundamental reform. There is also wide support for further efforts to reduce the federal budget deficit. The PRA, however, fails to strike a responsible balance between these goals and the important need to maintain a basic safety net beneath poor children, the elderly, the disabled, and other vulnerable groups. The bill would make deep cuts in basic support without including strategies for improving employability or making work pay. Increases in poverty, homelessness, and hunger for millions of children would almost certainly result, and states would likely end up paying a greater share of the costs of programs for the poor.

Appendix: The Overall Impact of the AFDC Proposals On Children and Their Families

The Personal Responsibility Act includes numerous provisions that would deny AFDC benefits to poor children and their families. In combination, these features — the denial of housing and cash assistance to families in which the child was born to a young unmarried mother, the denial of assistance to children for whom paternity has not been established, and the child exclusion and time limit provisions — would have far-reaching consequences.

How Many Children Would Be Denied Benefits?

It is difficult to estimate the total number of children and families who would be denied AFDC benefits under the PRA with absolute precision, primarily because the various provisions would affect many of the same people.² For example, some of the children who would be denied benefits under the paternity establishment provision would also be affected by the time limit proposal. Similarly, some of the children who would be denied assistance because they were born to a young unmarried mother would also have been ineligible because they did not have paternity established. Because of these "interactions," one can not simply add the number of children that would be denied aid by each provision independently to determine the total number of children affected. (For a description of the assumptions about the behavioral responses to PRA provisions and caseload effects, see the box on page X.)

² This analysis assumes that states do not choose the AFDC block grant option.

Even though we were unable to determine the precise extent of these interactions, it is nevertheless clear that the PRA would ultimately deny basic cash assistance to *substantially more than half of the children* who would be eligible for aid under current law. In 1993, an average of 9.5 million children received AFDC benefits each month. The PRA would ultimately deny AFDC to *at least half of all families* who would be eligible under current rules. In 1993, an average of almost five million families received benefits each month.

The steps toward this conclusion begin with an examination of the mandatory time limit provision that would remove entire families — that is, poor adults and their children — from the AFDC program, regardless of individual circumstances such as parents' ability to find jobs.

- As noted, the PRA mandates that states terminate assistance to families that accumulate 60 months of AFDC receipt. While about two-thirds of families who enter the welfare system for the first time leave welfare in less than two years, most eventually return to the program when they again need assistance.³ As a result, nearly half of all families now receiving AFDC benefits would be affected by the time limit if it were currently in place. (For a discussion of recent research on how long families receive welfare, see box on page XI.)
- Approximately 48 percent of families currently receiving AFDC have accumulated at least 60 months of welfare receipt, with many accumulating this time over several welfare spells.⁴
- If the five-year time limit had been implemented before these families first received welfare, an estimated 2.4 million families and at least 4.6 million children now receiving AFDC would be ineligible.⁵
- The PRA gives states the option to set the time limit at as little as two years. Many additional families would be denied benefits if any states

³ LaDonna Pavetti, "The Dynamics of Welfare and Work: Exploring the Process by Which Women Work Their Way Off Welfare," Doctoral Thesis prepared for Harvard University, 1993.

⁴ Harold Beebout, Jon Jacobson, and LaDonna Pavetti, "The Number and Characteristics of AFDC Recipients Who Will Be Affected By Policies To Time-Limit AFDC Benefits," presented at the Annual Research Conference of the Association for Public Policy and Management, October 1994 (cited with permission of the author).

⁵ In fact, the number of children who would be affected is likely to be higher than 4.6 million because larger families are more likely than smaller ones to remain on welfare for long periods of time.

exercised the more restrictive option. Approximately 73 percent of families currently receiving AFDC — or 3.6 million families — have accumulated more than 24 months of welfare receipt.⁶

While the time limit would always eliminate AFDC benefits for entire families, the other PRA provisions would sometimes affect entire families and sometimes just the children in the families. Large numbers of additional children are likely to be affected by these other provisions as well.

- Some 29 percent of children — or 2.8 million children — currently receiving AFDC do not have paternity established. These children would be denied assistance under the PRA.⁷
- About 12 percent of families currently receiving AFDC were begun by an unmarried mother under the age of 18; all children born to unmarried mothers under age 18 are denied AFDC under the PRA.^{8,9} This provision would affect many more families if states opted to deny AFDC to families in which an unmarried mother gave birth before her 21st birthday (the PRA would give states this option).
- Additional children would be denied assistance because they were subject to the child exclusion provision. Poor legal immigrant families would also be denied assistance under the provisions denying numerous forms of aid to legal immigrants.

⁶ Beebout, *op. cit.*

⁷ U.S. Department of Health and Human Services, *Characteristics and Financial Circumstances of AFDC Recipients*, FY 1992.

⁸ If the family consists of only an unmarried mother and a child she had prior to her 18th birthday, both she and the child would be ineligible for assistance. If she has an additional child when she passes her 18th birthday, she and the second child would be eligible for assistance.

⁹ According to the May 1994 General Accounting Office report, *Families on Welfare: Teenage Mothers Least Likely to Become Self-Sufficient*, some 42 percent of all families on AFDC were begun by a mother under the age of 20. The report also notes that about two-thirds of those mothers who started families as teens never married. Thus, approximately 28 percent of families now on AFDC were begun by an unmarried mother under age 20. In 1992, approximately 44 percent of all births to unmarried teen mothers were among teens under the age of 18. The 12 percent estimate in the text was computed by multiplying this 44 percent figure by the estimate that 28 percent of all families receiving AFDC were begun by an unmarried mother under the age of 20. The data on overall births to unmarried teens by the age of the mother is from the National Center for Health Statistics report, *Advance Report of Final Natality Statistics*, 1992.

Even after adjusting for overlap among these categories of families and children who would be denied assistance, when those people affected by these provisions are combined with the 48 percent of families who would be wholly ineligible for aid because their family hit the mandatory five year time limit, the effects are striking:

- Well over half of the poor children who would be eligible for assistance under current law would be denied aid once these provisions were fully implemented. This translates into more than 5 million poor children — and perhaps as many as 6 million children — who would not receive cash assistance to help them meet their most basic needs.
- At least half of all families who would be eligible for assistance under current law would be denied AFDC once the PRA was fully implemented. This translates into at least 2.5 million families with children who would receive *no* AFDC cash assistance.

It is interesting to note that even without the time limit provision, a large proportion of children who would be eligible for assistance under current law would be denied aid under the PRA. The paternity establishment provision alone would deny aid to 29 percent of children who would otherwise be eligible. In combination with other provisions, it is likely that at least 35 percent of children who would receive AFDC would be made ineligible by this bill even without the time limit provision.

What Would the Consequences Be?

The consequences for the millions of poor families and children who would lose their benefits would be serious. Most obviously, families that are already quite poor would become even poorer.

- Currently, for a single-parent family of three with no other income, AFDC benefits in the median state total \$4,400 a year, or 37 percent of the poverty line.
- Families that become wholly ineligible due to the time limit provision or the provision denying assistance to young unmarried mothers and their children would, of course, receive no AFDC income.¹⁰

¹⁰ Under current law, the vast majority of AFDC families also receive food stamps. For the typical single-parent family of three with no other income and who lives in the median state, food stamps lift the family's annual income to \$7,580, or 64 of the poverty line. Under the PRA, the Food Stamp Program is repealed and placed within the nutrition assistance block grant. No family currently receiving food stamps
(continued...)

- Most of the children denied AFDC under the PRA would live in families that would eventually become wholly ineligible for assistance, but in other cases only the children in the family would lose assistance. If one child in a typical AFDC family were denied AFDC benefits, the income of the family would drop to \$3,530 — a 20 percent drop in income. A single-parent family consisting of a mother and one child, would suffer a 28 percent drop in their cash income if the child became ineligible for assistance. More than four out of 10 AFDC cases include two or fewer recipients.

Among those families faced with large benefit reductions or those made completely ineligible for any assistance, it is likely that many parents would be unable to provide basic necessities for their children. Some rent would go unpaid and food budgets would be cut back — homelessness and hunger could increase, particularly among families made wholly ineligible for assistance. Because the food stamp program is repealed under this bill and the money converted to a block grant, children made ineligible for AFDC might not be assured even the minimal safety net of food stamps to help them meet their nutrition needs.

Research Underscores Harmful Effects of Childhood Poverty

Each of these proposals to deny AFDC eligibility to some children would intensify child poverty, which research has found to be harmful to children in identifiable ways. One recent study found that "Poor children are more likely to be low height-for-age [i.e., shorter than nonpoor children of the same age], low weight-for-height [i.e. thinner than other children of the same height], and to score poorly on indicators of cognitive and socioemotional development than middle- and upper-income children. Long-term economic disadvantage is also associated with deficits in rates of growth in height."¹¹ In short, this study showed that poverty can dramatically affect the physical and emotional health of children.

Furthermore, poor children are more likely to drop out of high school than more affluent children. Among children with single and married parents, among blacks and whites, and among families in which the mother is and is not a high school graduate,

¹⁰ (...continued)

would be guaranteed to receive any nutrition assistance, let alone a food stamp increase if their AFDC benefits fell.

¹¹ Jane Miller and Sanders Korenman, "Poverty, Nutritional Status, Growth and Cognitive Development of Children in the United States," Princeton University's Office of Population Research Working Paper Series. June 1993.

poor children are far more likely to drop out of school than nonpoor children. For example, among white two-parent families with a mother who has graduated from high school, poverty increases the likelihood that children will not graduate high school by 8 percentage points.¹²

Some Parents Would be Forced to Give Up Their Children

Under the PRA, an already overburdened child welfare system would likely be asked to find foster care and institutional placements (temporary and permanent) for children whose parents — in the face of AFDC and other cuts — determine that they are unable to feed, clothe, and house their children. Yet the child welfare system is already overwhelmed with the task of finding appropriate placements for children who have been abused and neglected; as a result, children often languish in inadequate care for long periods of time. In 1993, about 460,000 children were in foster care, an increase of more than 70 percent from 1982.¹³ The system now would also have to find placements for children whose parents are not abusive or neglectful, but who live in families which lack the income to care for them.

To place the massive cuts in AFDC eligibility into perspective, it is interesting to note that the number of children who will ultimately be denied basic cash assistance is more than 10 times the number currently in foster care. The child welfare system could face a substantial increase in their caseload which could mean that it will have fewer resources to devote to assisting abused and neglected children.

In addition to an increased reliance on temporary out-of-home placements, some parents could be forced to relinquish their children permanently. In fact, the sponsors of the PRA appear to understand that this might occur. The bill allows states to spend the money saved by the provision denying benefits to families in which the child is born to a young unmarried mother on orphanages and programs to foster adoption.

This increased emphasis on taking children from their parents and moving them to foster care or other out-of-home arrangements including orphanages is in contrast to the direction the child welfare system has taken to try to help families stay together and to limit use of institutional care. The child welfare system has largely moved away from group care settings, especially for younger children, in recognition that such

¹² Data are from tabulations of the Panel Study of Income Dynamics and are reported in *Wasting America's Future: The Children's Defense Fund Report on the Costs of Child Poverty* by Arloc Sherman. Some 4.8 percent of white children living in nonpoor, two-parent families in which the mother has graduated from high school drop out of high school. Among children in families that have these same characteristics except that they are poor, some 12.3 percent do not finish high school.

¹³ Data are from the Child Welfare League of America.

settings deny children the individual attention and continuity of care critical to their development. Proposals to institutionalize children are also in direct contrast to the growing movement, based on clinical experience, to help families in crisis work out their problems so children can stay with their parents rather than be placed in foster care.

Many who talk about such provisions often assume that the children taken from their parents would be newborn babies whose parents are unable to care for them. Many of the children affected by these provisions, however, would not be infants, but children already attached to their parents.

- Some 45 percent of young women under age 18 who have children outside of marriage do not go onto AFDC in the year following the birth of the child.¹⁴ Many of these families eventually need cash assistance, but when they do their children are no longer infants. The provision that denies assistance to families in which a child is born to a young unmarried mother applies to all families that *apply* for AFDC after the date the provision takes effect. Therefore, a 27 year-old mother with a 10-year-old child who has never before received welfare benefits — but who loses her job and applies for AFDC after the bill's passage — would be ineligible for assistance.
- Many of the children affected by the time limit proposal will certainly be older, as the time limit applies to families that have already received assistance for five years.
- The paternity establishment requirement would also deny assistance to children of any age if their paternity was not established. Establishing the paternity of older children is often quite difficult and may, in many cases, be impossible. The reduction in the AFDC grant in conjunction with other benefit reductions could lead some families to lose a significant percentage of their incomes.

If a denial in benefits forces mothers to give up their children either temporarily or permanently, the consequences could be serious. Psychologists have long recognized the importance of children's attachments to their caregivers (generally

¹⁴ 1994 *Green Book*, Committee on Ways and Means, U.S. House of Representatives, pg. 454.

parents) and have noted that disruptions in the relationship between the child and the caregiver places the child at risk for serious developmental problems.¹⁵

While many parents may ultimately be forced to relinquish their children on either a temporary or permanent basis, it is also important to recognize that it is likely that many parents will take extreme measures to keep their families together. Some may move to dangerous, or more dangerous, neighborhoods to save on rent. Food budgets might be cut back placing children at nutritional risk. Some mothers might be forced to rely on an abusive boyfriend for help in meeting their children's basic needs. It is, of course, impossible to know what mothers would do when faced with a sharp reduction in or total elimination of cash assistance. It does seem plausible, however, that many mothers would be faced with difficult choices — either break-up their family or make decisions that might otherwise seem unwise such as living in an unsafe apartment to save rent.

Policies Would Cause Far More Harm than Good

In short, the negative consequences of the PRA would likely be extreme. Poverty would deepen, homelessness and hunger could rise, temporary and permanent out-of-home placements and institutionalization of children could increase. Some might argue that this is the price that must be paid to reduce out-of-wedlock childbearing and increase employment among welfare recipients. But, does the research support the view that these policies are likely to work?

Research has shown that most welfare recipients leave AFDC in less than two years — many leaving to take low-wage, unstable jobs. This research suggests that the most pressing problem is not forcing AFDC recipients to leave welfare for work, but helping them move into jobs that are more secure and providing them the necessary supports so they are able to meet their families' needs.

The evidence also indicates that welfare is not the primary cause of out-of-wedlock childbearing in general or teen pregnancy in particular. In June 1994, a group of 76 leading researchers issued a statement on the relationship between welfare and out-of-wedlock childbearing.¹⁶ The researchers concluded that welfare was not the primary cause of out-of-wedlock childbearing:

¹⁵ Barbara M. Newman and Philip R. Newman, *Development Through Life: A Psychosocial Approach*. Brooks/Cole Publishing Company, 1991. Children's attachment to their caregivers typically occurs in the first one to two years of life.

¹⁶ The statement was organized by Sheldon Danziger, professor of social work and public policy at the University of Michigan. The Center on Budget and Policy Priorities provided technical assistance to the researchers in this effort.

As researchers who work in the area of poverty, the labor market, and family structure, we are concerned that the research on the effect of welfare on out-of-wedlock childbearing has been seriously distorted. As researchers, we are deeply concerned about the rising rates of out-of-wedlock childbearing and the high incidence of poverty and welfare use among single-parent families. However, the best social science research suggests that welfare programs are not among the primary reasons for the rising numbers of out-of-wedlock births.

Most research examining the effect of higher welfare benefits on out-of-wedlock childbearing and teen pregnancy finds that benefit levels have no significant effect on the likelihood that black women and girls will have children outside of marriage and either no significant effect, or only a small effect, on the likelihood that whites will have such births. Indeed, cash welfare benefits have fallen in real value over the past 20 years, the same period that out-of-wedlock childbearing increased. Thus, the evidence suggests that welfare has not played a major role in the rise in out-of-wedlock childbearing.

The researchers' statement also addressed on the issues raised by proposals to deny welfare benefits to families in which the child was born outside of marriage. The researchers concluded that such a policy would be ill-advised:

...ending welfare for poor children born out-of-wedlock does not represent serious welfare reform, and would inflict harm on many poor children. *We strongly urge the rejection of any proposal that would eliminate the safety net for poor children born outside of marriage. Such policies will do far more harm than good* [emphasis in the original text].

Assumptions Used for Impact Analysis

When estimating how many recipients would be affected by the provisions in the PRA, we calculated how many recipients in the *current* caseload would be affected if the provisions were "fully implemented" today. In order for many of these provisions to be "fully implemented," they would need to have been enacted many years before current AFDC recipients ever went on to welfare. Most notably, under the time-limit provision in the PRA, families that accumulate 60 months of total AFDC use are terminated from the program. Since many of these families accumulate 60 months of total welfare receipt over a number of spells spanning many years, to be "fully implemented" today, this provision would have had to be in place years ago.

Furthermore, this analysis assumes that the provisions would produce no behavioral response. It is impossible to determine precisely what behavioral responses the PRA provisions would elicit and what the size of those responses would be. It is possible that the time limit provision coupled with a stringent work requirement would affect recipients' labor market behavior and reduce the number of families that reach the five year time limit. On the other hand, research shows that more than half of the families that will ever hit the time limit will do so in more than one welfare spell. This suggests that many of those who will be affected by the time limit provision have succeeded in leaving welfare but have been unable to remain off the rolls. There is nothing in the bill that improves supports to families once they leave the welfare rolls and enter low-wage jobs. This would argue that these families would be unlikely to have substantially greater success at remaining off of welfare than under current law, particularly given the deteriorating prospects of low-skilled workers.

Similarly, it is difficult to estimate the behavioral effects of the paternity establishment provision, the child exclusion proposal, or the provision denying aid to young unmarried mothers and their children. There are several reasons, however, why these effects might be modest:

- Research indicates that welfare is not among the primary causes of teen childbearing in general or out-of-wedlock childbearing in particular. Research also suggests that the benefit increment associated with having an additional child has little effect on the likelihood that a welfare recipient will have another child.
- State paternity establishment systems appear to have a substantial impact on state success at establishing paternity. This suggests that it is states, not recipients, who will have to change their behavior if paternity establishment rates are to improve substantially. While the bill does impose more stringent paternity establishment performance standards on states, it is likely that fewer resources will be available for child support enforcement since the child support enforcement system is placed under the outlay cap. Furthermore, the bill does not impose additional penalties on states that do not meet the paternity establishment performance standards — currently states do not generally suffer a financial penalty if they fail to meet the paternity establishment performance standards. In fact, states may benefit from poor paternity establishment performance — as long as a child who would otherwise be receiving AFDC does not have paternity established, states do not have to pay their portion of the child's AFDC grant.

While the behavioral effects may be modest, it is also plausible that they will be larger. Whether the effects are large or small, it is likely that they will take years to be realized. In the meantime, many children would be denied aid under the bill's provisions. Given the difficulty in estimating the size of behavioral effects and the likelihood that such effects take time to be achieved, this analysis assumes *no* behavioral response to these changes in the AFDC program and should be thought of as a benchmark for how many children and families these provisions could affect.

If two-thirds of those who enter the welfare system for the first time leave AFDC in less than 2 years, how can 48 percent of the current caseload have accumulated at least 60 months of AFDC use?

The way in which families use the welfare system is quite complicated. Some apply for aid when a temporary crisis hits, receive assistance for a short period of time, and never receive aid again. Most families who ever receive AFDC receive assistance for relatively short periods of time, but cycle on and off the rolls, often between jobs. A third relatively small group receives welfare for one long, continuous spell.

There are at least three ways to look at the AFDC caseload. First, one can look at a group of families who are entering the welfare system for the first time and determine how long they will remain on welfare *without leaving*. Second, one can look at that same group of families entering the AFDC system and determine how many total months of welfare receipt they will *accumulate over their lifetimes*, even if the families cycle on and off welfare. Finally, one can look at the current AFDC caseload at a *point in time* — take a “snap-shot” of the caseload — and determine how many months of welfare receipt these families have already accumulated. As is described below, these three ways of looking at AFDC recipients provide different kinds of information.

If one looks at a group of families entering the welfare system for the first time, research has shown that some 64 percent will leave AFDC within two years. Another 14 percent will remain on the rolls without leaving for at least five years.

However, if one asks the question, “Of those entering the welfare system for the first time, what percent will *eventually* accumulate at least five years of AFDC receipt?” one finds that some 35 percent will eventually accumulate at least five years of welfare receipt. More than half of those who accumulate at least five years of AFDC receipt will do so over multiple spells; the others will receive welfare for at least five years without leaving.

Finally, one can ask, “Of those receiving AFDC at a point in time, how many have already received assistance for a *total* of at least five years, either in a single spell or in multiple spells?” The answer to this question is that about 48 percent of those currently receiving welfare have already accumulated at least five years of AFDC receipt. It is important to note that the current caseload includes more long-term recipients than the group of families that *ever* receive AFDC benefits. This can best be understood by the following well-known analogy:

Consider a hospital room that has two beds in it. One bed is occupied by a single individual for an entire month. A different person every week uses the second bed. If you looked at the hospital room on any given day, you would conclude that one-half of the patients in that room were “long term” patients. However, if you looked over the entire month, you would see that four-fifths of the people who used that hospital room were “short term” patients.

The AFDC program is similar to the hospital room. Some families remain on the program for long periods of time while most receive assistance for short periods of time, although they often return to the program after leaving. When one looks at the caseload at a point in time, a larger proportion of the families have received aid for extended periods of time than when one considers all of the families that the AFDC program has ever assisted.

Brief Description and Preliminary Analysis of the Personal Responsibility Act

The Personal Responsibility Act (or PRA) is the welfare reform bill contained as part of the Republicans' Contract With America. The memo briefly describes its key provisions and gives a preliminary analysis.

It is important to understand that there are major differences between the original House Republican welfare reform plan introduced last year (HR 3500) and the Personal Responsibility Act. Like the Administration's Work and Responsibility Act, HR 3500 built on the Family Support Act of 1988 and required participants to engage in training and placement services for up to two years. It then required them to work if they had not found private sector employment.

In contrast, while the PRA does require work for a portion of the caseload, it does not require people to participate in the education or training services necessary to prepare them for work. Indeed, it removes the participation requirements of the JOBS program which was a key element of the Family Support Act. The PRA also does not create a "two years and you work" framework or contain any child support enforcement provisions, although there are a limited set of child support enforcement proposals in other parts of the contract. Instead, its focus is simply reducing the welfare caseload, in large part by dramatically limiting eligibility for children born to unmarried mothers and an unconditional cutoff of assistance (including any sort of work opportunity) after five years.

Section-by-Section Analysis

The Personal Responsibility Act contains the major welfare reform provisions of the Contract With America. It has seven titles as listed below and runs 53 pages:

I. Reducing Illegitimacy (16 pages)--This section denies cash aid to all children born to unmarried teenagers under age 18. The child is barred from aid for the entire 18 years of childhood unless the mother marries the father or another man who legally adopts the child. There are no exceptions, even for rape or incest. States have the additional option of permanently denying both cash and housing aid to children born to unmarried mothers who are between the ages of 18 and 20. The federal money saved by this provision is to be returned to the states for use in pregnancy prevention programs, orphanages, or similar programs, but cannot be used for direct support of the children or families. A family cap is required in every state.

The bill also denies cash benefits to children born to mothers of any age for whom paternity has not been established. In other words, even if the mother had cooperated fully in providing information needed to help locate the father, the child would still remain ineligible for cash aid. (The mother could continue to receive her portion of the grant.) Both the mother and child would remain eligible for Medicaid. Just over 50% of children on AFDC are born out-of-wedlock, and in roughly two thirds of these cases, paternity has not been

established. The provision seems to be effective immediately. If so this provision alone appears to render roughly one-third (3 million children) of all children currently on AFDC ineligible for aid.

II. Requiring Work (8 pages)--This section requires that a certain percentage of the caseload be required to work at least 35 hours per week (or 30 hours plus 5 hours of job search) rising from 2% initially to 50% after the year 2002. This applies to all persons regardless of the size of the grant they receive or the current state-by-state variation in AFDC benefits. For example, under PRA, some families in Mississippi would be required to work 140 hours for a \$120 monthly grant, plus whatever nutrition assistance was available. The legislation appears unclear as to whether states are required to provide child care either during work or program participation.

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- o A major effect of the bill would be to reduce the number of children receiving aid by making them ineligible for benefits. Because of the paternity establishment, teen parent, and unconditional 60 month cutoff provisions of the PRA, millions of children would be dropped from AFDC, whether or not their parents were able or willing to work. While further analysis is needed to determine the effects of the bill over time, nearly a third of children on AFDC appear to be ineligible immediately, and ultimately at least 60% of children would be cut off. Thus at least 5 million children would eventually be affected. If states adopted a cut off of children born to mothers age 18-21, or imposed a 2 year cutoff, the impacts would be even greater. Note, however, these effects could be significantly mitigated if states instead accepted the block grant,

though then state behavior would be unknown. Since no state maintenance of effort is required, some states might significantly cut back their own expenditures and reduce support for the poor.

To: Bruce Reed
Kathi Way

From: *WTE* David T. Ellwood

Re: Attached summary of Personal Responsibility Act

Date: November 17, 1994

Leon Panetta asked for the attached summary of the Personal Responsibility Act. The analysis is very preliminary.

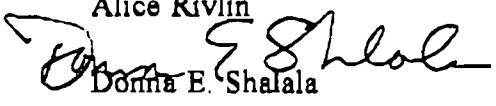
THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

NOV 17 1994

~~CONFIDENTIAL~~ MEMORANDUM

NOV 17 1994

To: Leon Panetta
Carol Rasco
Alice Rivlin

From: 
Donna E. Shalala

Subject: Welfare Provisions in Republican Contract With America

This accompanying paper describes the Personal Responsibility Act (or PRA) contained as part of the Republicans' Contract With America, indicating both the key provisions and the likely impact they will have. Understanding the differences between this proposal and the original Republican plan (HR 3500) will be crucial as we begin to work with Congress to fulfill the Administration's longstanding commitment to welfare reform.

2013-0854-S

DETERMINED TO BE AN
ADMINISTRATIVE MARKINGINITIALS: MS DATE: 7/1/13

cc: Laura Tyson, Robert Rubin

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In contrast, while the PRA does require work for a portion of the caseload, it does not require people to participate in the education or training services necessary to prepare them for work. Indeed, it removes the requirements and structure of the JOBS program which was the key element of the Family Support Act. The PRA also does not create a "two years and you work" framework or contain any child support enforcement provisions, although there are a limited set of child support enforcement proposals in other parts of the contract. Instead, its focus is simply reducing the welfare caseload, in large part by dramatically limiting eligibility for children born to unmarried mothers and an unconditional cutoff of assistance (including any sort of work opportunity) after five years.

Section-by-Section Analysis

The Personal Responsibility Act contains the major welfare reform provisions of the Contract With America. It has seven titles as listed below and runs 53 pages:

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The bill also denies cash benefits to children born to mothers of any age for whom paternity has not been established. In other words, even if the mother had cooperated fully in providing information needed to help locate the father, the child would still remain ineligible for cash aid. (The mother could continue to receive her portion of the grant.) Both the mother and child would remain eligible for Medicaid. Just over 50% of children on AFDC are born out-of-wedlock, and in roughly two thirds of these cases, paternity has not been

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THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

~~CONFIDENTIAL~~ MEMORANDUM

To: Leon Panetta
Carol Rasco
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DETERMINED TO BE AN
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INITIALS: ms DATE: 7-1-13

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This is a brief outline of some of the areas that White House offices initially can help in working through immigration issues that the Administration will face.

COUNSEL'S OFFICE

Interagency coordination of legal analysis of Prop. 187

Legal issues regarding government databases

OMB

Summary of budget proposal that analyzes specifically what immigration policy implementation it will support and what policy ideas are being discussed that would not be fully funded. E.g. Does the budget proposal permit the overhaul of INS data needed to implement the verification ideas being discussed? The President said he supported more reimbursement to States for the costs of illegal immigration -- will the budget proposal this?

COMMUNICATIONS/PUBLIC AFFAIRS

We are taking gratuitous hits on immigration; we need to begin to transform the debate (which is possible -- Kondracke wrote a positive piece on Administration immigration efforts). Communications and Public Affairs can help identify opportunities for events/statements/media hits on immigration and informing the public of the Administration's work (A.G.; Jamie Gorelick; Doris Meissner) -- we should develop a long-term plan with Justice.

We should discuss how to help heal some wounds that are beginning to show already in Southern California.

POLITICAL AFFAIRS/INTERGOVERNMENTAL

What are the political considerations in each of the main immigration states? E.g. Gov.-elect Bush said he wouldn't kick illegal immigrant children out of school. We need a detailed state-by-state political analysis.

LEGISLATIVE

Justice is developing a legislative analysis based upon the Republican proposals that we have seen in the last few years. Legislative Affairs will need to supplement this analysis with a White House perspective.

NEC/NSC?/VP?

With State Department and other relevant agencies, address international economic "push" factors.

Clinton Administration Readies Centrist Strategy

■ **Legislation:** A rightward shift is planned to reclaim lost voters and stave off a hostile Congress.

By JOHN M. BRODER
TIMES STAFF WRITER

WASHINGTON—The Clinton Administration will jettison, soften or delay a number of its more controversial proposals in an effort to respond to the election results and present a more conservative public image, officials throughout the Administration said last week.

White House officials insist that the changes are a shift in emphasis and a return to longstanding Clinton policies, rather than a fire sale on Clinton's principles. But it is evident that the Clinton of the next two years will be much more centrist in his language and legislative goals than that of the first two years.

Among the changes:

- A sweeping immigration reform proposal, which was to have been delivered to Congress in January, is now being reworked and will be delayed.

- Officials are willing to see some of the \$6.9 billion for social programs in the recently passed anti-crime legislation redirected to fund more prisons and police or to give block grants to cities to spend as they wish.

- Whatever health care reform plan is eventually presented to the new Republican Congress will be vastly narrower in scope than Clinton's initial proposal and much more incremental in its approach.

- A bill to ban the replacement of striking workers, once a high priority of the White House and Labor Department, will be abandoned as a sure loser in the new Congress.

These moves appear to mark a sharp veer to the right as Clinton tries to reclaim conservative and independent voters who have abandoned the Democrats in overwhelming numbers.

A senior White House official said a big emphasis for the remainder of Clinton's term would be the devolution of federal authority to local governments, whether in crime prevention, job, education or public health projects.

"The election was really about the role of government and the voters' feeling that Washington had gotten too big and too powerful," the official said. "You'll hear the President speaking a lot about federal partnerships with localities, getting money and power right into local hands."

The revised agenda alarms many Democratic liberals, who say they fear that the President will try to "out-Republican the Republicans" on a variety of social and fiscal issues.

"I don't have a problem with wanting to broaden the debate and wanting to reassess where you go as an Administration," said Rep. Kweisi Mfume (D-Md.), chairman of the Congressional Black Caucus and an outspoken advocate of liberal social policies. "But I fear that in their effort to gain the world, they will lose their soul. The last thing we need in this country is two Republican parties."

Top White House officials, under the direction of Chief of Staff Leon E. Panetta, are carrying out an emergency all-hands drill to right the listing Clinton ship, a project some have dubbed "reinventing Clinton," although it doesn't have an official title.

One top aide involved in the effort said the recommendations of the group don't add up to a sharp rightward tilt—though some unpopular initiatives, such as the initial health care proposal, have already been tossed overboard.

"A lot of what we've done is centrist," the official said, citing the deficit-reduction plan, efforts to streamline the federal government and a redesigned school-aid program.

"A few high-profile items have been perceived as big government, like the health care plan, even though the portrayals are not accurate. I don't deny that there have been some issues that allow our critics to paint with a broader brush the nature of this Administration," the aide said. "Shame on us."

The new Clinton, he said, would put added emphasis on already-passed programs that reduce the size and reach of the federal government, as well as on initiatives with which he could reach some compromise with Republican leaders, such as welfare and political reform.

But the second half of the Clinton Administration will be defined as much by what it doesn't do as by what it does.

White House and Justice Department officials have shelved a broad proposal to deal with illegal

immigration, which was to have been introduced in January.

The Clinton plan, while taking steps to reduce the flow of illegal immigrants and scale back the public benefits provided them, would not have gone as far as California's Proposition 187, which would deny to illegal immigrants all benefits except emergency medical care.

Now Administration officials are rethinking their plan but have not decided whether to make the legislation more punitive or to wait and see what the Republicans propose.

The likely House Judiciary Committee chairman, Rep. Henry J. Hyde (R-Ill.), has already said he plans to introduce a national version of Proposition 187, and there is already a bill, written by Sen. Alan K. Simpson (R-Wyo.), to make it easier to deport criminal immigrants, toughen employer sanctions and provide for a nationwide system of verification of immigration status.

Instead of moving forward with a new immigration plan, the Administration expects to be in a defensive position in January, a top Justice Department official said.

"We've shifted our thinking and planning to what's in the 'contract with America,'" the official said, referring to the Republican agenda to cut taxes, reform government and boost defense spending. "We've put immigration off."

Administration officials also say they are willing to consider shifting some of the anti-crime measure's \$6.9 billion in crime prevention money—the most contentious element of the legislation approved in September—to build more prisons.

cont'd.

hire more police officers and extend federal grants to cities.

The officials are concerned that if they do not yield on the crime prevention money—which Republicans said amounted to wasteful social spending in some instances and pure congressional pork in others—the new GOP leadership might respond by reopening the entire crime measure, including its ban on assault-style weapons.

Comprehensive health care coverage has also evaporated in the hot wind of Republican ascendancy. Responsibility for drafting a new Administration plan has been taken away from First Lady Hillary Rodham Clinton and Ira Magaziner, the Administration's senior adviser for policy development, and given to White House domestic policy adviser Carol Rasco and National Economic Council Chairman Robert E. Rubin, both considered market-oriented moderates.

Most White House officials expect that health care reform '95 will be, at most, a modest package of health insurance industry reforms—which have already been endorsed by Senate Majority Leader-to-be Bob Dole (R-Kan.).

On welfare reform, after spending the better part of two years painstakingly crafting a plan that would require welfare recipients to work after two years yet keep as many of the strands of the safety net intact, Administration officials indicated that they are unwilling to start again and write a new plan.

Instead, the Administration plans to reintroduce a bill very similar to the one it put forward earlier this year, said Bruce Reed, the presidential adviser who has

shepherded the Administration's welfare reform efforts.

He acknowledged that the bill won't survive as written, given the new GOP majorities, but he said Administration officials decided not to change their proposal preemptively.

"We'll wait and see what Republicans . . . put on table," he said. "Some on the far right have philosophical reasons to want the Republican Party to be the party of orphanages. I don't think that's the mainstream Republican view. . . . There will be considerable resistance to broadly unpopular and unworkable ideas."

Labor Secretary Robert B. Reich conceded that many of his legislative priorities—such as the provision to ban the replacement of striking workers—will not be worth pushing forward given the leanings of the new Congress.

He said his emphasis will be on implementing initiatives passed during the last two years and to consolidate existing worker-training programs. He also said his agency would strive to return money and autonomy to local governments to craft their own job-training programs.

At the Department of Health and Human Services, officials said they are not planning any controversial new initiatives, but sources said that in some areas—such as AIDS education and family planning programs—"the tone may change" to make them more palatable to conservative lawmakers.

AIDS education has always been a hot-button issue in Congress, where conservatives have long opposed spending federal money on

programs that they view as promoting sexual activity outside marriage.

This may mean that the Administration will have to go along with less graphic approaches that stress sexual abstinence rather than the use of condoms to reduce the risk of HIV transmission.

"We have to find approaches that are acceptable to a wide array of people," said Patricia (Patsy) Fleming, the Administration's director of AIDS policy.

Food and Drug Administration sources indicated that they would push ahead with efforts to label nicotine as a drug, while admitting that new tobacco regulations will almost certainly be more difficult to achieve under the new Congress.

The likely new chairman of the House Energy and Commerce Committee, Rep. Thomas J. Bliley Jr. (R-Va.), has vowed to shut down Congress' investigations of the tobacco industry, the chief economic force in his district.

Top officials of the Department of Housing and Urban Development described the mood there as near despair, with the Administration unable to get major programs for cities and the homeless through even a Democratic Congress.

One senior HUD official joked that the political appointees in the agency, Democratic activists who came into government hoping to make a difference, are considering "mass suicide."

Times staff writers Ronald J. Ostrow, Elizabeth Shogren and Mariene Cimons contributed to this story.