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FOLDER TITLE:

State Programs [1]

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RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

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RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

ANALYSIS OF STATES' WELFARE REFORM

UTAH UTAH SINGLE PARENT DEMONSTRATION PROJECT (SPED)	VIRGINIA VIRGINIA INCENTIVES TO ADVANCE LEARNING (VITAL) - (3 sites only)	WISCONSIN (A) PARENTAL AND FAMILY RESPONSIBILITY DEMO PROJECT (PFR), and (B) TWO-TIER AFDC DEMO	GEORGIA PRESCHOOL IMMUNIZATION PROJECT (PIP)	ILLINOIS
• A 1 time only up to 3 times the monthly grant for needs if AFDC families agree to have application denied. • Allow non-custodial parents to participate in J • Mandatory participation in JOBS/SPED for parents 16 years old. (SPED includes family counseling, parenting, drug, alcohol, etc.) • \$100 sanction for failure to participate in SPED \$100 sanction for failure to cooperate with child support requirements • Replacement of \$30 and 1/3 income disregarded to \$100 and 45%. • Case managers allowed to decide what factors verify for eligibility • Income resource limit to \$2000 and car asset \$8000 • Educational income disregarded while on AFDC and 1 year post AFDC. • Food stamp amount disregarded for full time participants in JOBS/SPED • Case management and supportive services for 12 months. Post AFDC. • Eliminate the 3 of 6 month requirement for transitional medical and child care. • SPED participants with high level participation and earning at least \$500/month receive incentive of \$40/month.	• VITAL families receive 100% of state's standard of need. • School team in each site, social worker, guidance counselor, teacher. • Family who fails to meet attendance, achievement, parental involvement must go to intensive counseling. • Family/participant unresponsive to counseling 10% sanction. • Continuous unresponsiveness parents/caretakers removed from grant.	(A) • AFDC 1st time parents, spouses and non-custodial 20 years old must participate in JOBS. • Employed parents non paying child support may be ordered by the court to participate in 40 hours/week work, JOBS, life, parenting skills. • 1 or 2 parent family \$200/month income disregard and 1/2 of additional earnings. • 100 rule of work a month for AFDC unemployed parents continue eligibility • Additional child benefits increase by 1. • 2nd additional child benefits increase by 1/2. • 3rd additional child no increase in benefits. (B) • In the 6 demo counties AFDC applicants from other states who have not lived there 6 months will receive prior state's benefits. • Benefits will change to Wisconsin amount after 6 months or if they move into the non-demo counties.	• Immunization program for preschoolers • 1 County 1500 Families in Demo Project. • 1000 Families in Control Group.	• Migration restrictions. • AFDC-up rules for young families (18-24) • 3 Demo Projects - [A] Youth Employment [B] Stabilizing Homeless Families [C] Long Term AFDC Clients
			VERMONT	MISSOURI
			• Has an approved waiver.	• LEARN FAIR type waiver approved for 5-7 school districts for AFDC children from 7th grade to graduation or GED attainment. <i>21st Century</i>

ANALYSIS OF STATES' WELFARE REFORM

NEW JERSEY FAMILY DEVELOPMENT PROGRAM (FDP)	CALIFORNIA * CALIFORNIA WELFARE REFORM DEMONSTRATION PROJECT	MARYLAND MARYLAND PRIMARY PREVENTION INITIATIVE	MICHIGAN TO STRENGTHEN MICHIGAN FAMILIES	OREGON OREGON JOBS WAIVER PROJECT
- Eliminates the marriage penalty. When marry a stepparent benefits for children don't reduce up to 150% of poverty. - Parent mandatory participation in FDP when an are over 2 years old. Counseling and vocational assessment mandatory for parents with children under 2. 20% sanctioning for 30 days for failure to participate prior to signing FDP plan. Removal from grant for 90 days for failure to participate in FDP activities - AFDC recipients employed for 30 hours per week or less must participate in FDP activities. 50% disregard for participants who are family child care providers 100% disregard of earnings from training < 25 i old. 24 months of medicaid extension post AFDC - No additional benefits for new born while on AFDC 10 month grace period (food stamps, medicaid are available - Additional disregard allowed to parents with new born child while on AFDC if they are working - Phase in the FDP over 3 years with the 3 largest counties first. 100 hour rule of work a month for AFDC unemployed parents continue eligibility - Inclusion of other family members for provision of services under FDP. - Attainment of high school diploma/equivalent for participants/family members before training.	- Teen parents with no high school required to attend school or training (CAL LEARN). \$50/month incentive, \$50/month sanction for no participation. - Job clubs for those who cannot participate in JOBS activities. - Families from other state for less than 12 months receive the lesser amount of AFDC. 6 months after demo a grant reduction 15% if on AFDC 6 months (except caretakers of 60 years old, disable, CAL LEARN) - Extension of \$30 and 1/3 income disregard without 12 month and 4 month limitations - No additional benefits for new born while on AFDC no grace period (food stamps, medicaid are available). 100 hour rule of work a month for AFDC unemployed parents continue eligibility.	- Pregnant family receive extra \$14/month for nutritional needs. Another \$14 last trimester. \$20 per year per person for health check-ups \$25 sanction a month for not doing Early Periodic Screening and Treatment for preschoolers \$25 sanction a month for families with school age children attending school less than 80%.	- All children's income excluded for eligibility determination. Same exclusion for dependent children for food stamps up to 19 years of age. - Allow non-custodial parents to participate in JOBS. - Equal access to JOBS for mandatory and volunteers - Allow job search before assessment for more than 3 weeks. - Replacement of \$30 and 1/3 income disregard to continuous \$200 plus 20% - Time limited / 3 months. - Medicaid waivers to prevent diversion of assets after death. - Monthly premium on Medicaid 100 hour rule of work a month for AFDC unemployed parents continue eligibility	- AFDC recipients with children 1 to 6 years old must be in JOBS full time 20 hours/week. - Extend job search beyond 8 weeks and 4 months limitation. - Mandatory participation in education for parents 16 years old. Mandatory participation in education for pregnant able women 20 years old. - Provide medicaid only recipients (non-AFDC). JOBS activities and supports. - Required to participate in mental health substance abuse diagnostic, counseling, treatment programs

* On 10 California received approval for alternative waivers.

ANALYSIS OF STATES' WELFARE REFORM

NO FEDERAL WAIVERS REQUIRED

NEW JERSEY	CALIFORNIA	MARYLAND	MICHIGAN
Equalization of the AFDC N segment	10% reduction across the board. - Pregnant/teen parents must reside with parents or caretakers	6.3% AFDC increase of basic grant effective 1/1/93	- Equalization of the AFDC N segment - Child support agencies enforce health insurance orders - Disclose child support obligations to employers for mandatory withholdings. - Report child support obligations to credit bureaus. - Denial/revocation of business/professional licenses for arrears. - SS# required for driver's licences and license plates. - Michigan treasury can collect arrears from refunds.

Welfare Demonstration Waivers, 1992-1993

Summary

In an effort to keep interested parties informed about the status of waivers granted to restructure the welfare system, we are publishing the following update of an article that was first printed in the *W-Memo* in the August-September 1992 issue. At that time, six states—California, Maryland, Michigan, New Jersey, Oregon, and Wisconsin—had received waivers under the expedited waiver approval process adopted by the Bush Administration. Since then, six more states have had waiver proposals approved—Georgia, Illinois, Minnesota, Missouri, Utah, and Virginia—and California and Wisconsin have received authorization for additional waiver packages. Several of these sets of waivers were approved during the transition period and HHS has retained the authority to repeal approval by June 30, 1993. The new administration appears poised to continue to allow experimentation in the states the waiver.

In a speech to governors on Feb. 2, 1993, President Clinton addressed the issue of waivers, saying, "My view is that we ought to give you more elbow room to experiment." He recalled that during the campaign he pledged to "approve waivers of experiments that I did not necessarily agree with." Furthermore, he said he would encourage "all of us to work together to try things that are different." In return, he asked governors to "let us measure these experiments and let us measure them honestly—so that if they work, we can make them the rule, we can all adopt things that work. If they don't, we can stop and try something else."

The following information on states' welfare restructuring waivers was summarized from the Terms and Conditions (or waiver agreements) between states and HHS. Section 1115 of the Social Security Act (SSA) authorizes the HHS secretary to waive compliance with specified requirements of the SSA that the secretary judges are likely—via experimental, pilot, or demonstration projects—to assist in promoting the objectives of the AFDC, child support enforcement, or Medicaid programs. Demonstrations must be cost neutral to the federal government and the participating state must agree to a rigorous evaluation of its demonstration project, usually based on an experimental evaluation design.

California

California has received approval for several waiver packages. In July 1992, the California Department of Social Services

received approval from HHS for the California Welfare Reform Demonstration Project. It was to be part of a five-year statewide welfare restructuring demonstration project that was contingent upon approval of a referendum on the Nov. 3, 1992 California ballot. The referendum failed so the demonstration was not implemented.

On Oct. 29, 1992, the California Department of Social Services received HHS approval of a second set of waivers (not contingent on the outcome of a referendum) as an alternative to the first set of waivers that needed voter approval. The demonstration period for these waivers is from Dec. 1, 1992 through Sept. 30, 1997. Not all of the provisions can be implemented, however, because the status of one of the changes—the two-tiered benefit structure, or "residency requirement"—was ruled unconstitutional on Jan. 28, 1993 by a federal judge for a U.S. District Court who decided it would discriminate against newcomers. The state is barred from implementing the measure indefinitely. Gov. Wilson's administration is appealing the decision.

Project Title: *California Assistance Payments Demonstration Project*

Description of Project Waivers

- The waiver provides for extension of the \$30 and one-third income disregard for all eligible families without the 12-month and four-month limitations.
- Families who move to California from another state and have not resided in California continuously for 12 months immediately prior to application will receive an AFDC grant amount equal to the lesser of the amount of aid paid by California or the maximum payment (not counting special needs) of the state from which they moved. (This provision is barred from implementation due to a U.S. District Court decision that ruled it is unconstitutional [see above].)
- AFDC benefits will be provided to eligible unemployed parent recipient families in which the principal wage earner works 100 or more hours per month as long as the family meets all other rules for continuing eligibility (i.e., waiver of the 100 hour rule for AFDC Unemployed Parent cases).

Other Changes not Requiring Waiver Approval

- AFDC payments for all households will be reduced by 5.7

percent (94.2 percent of the maximum aid payment in effect on Sept. 30, 1992). The state may further reduce the maximum aid payment from 94.2 percent of the Sept. 30, 1992 level for all AFDC cases by up to an additional five percent.

Project Title: *The Automated Fingerprint Image Reporting and Match (AFIRM)*

Lastly, on Jan. 8, 1993, the California Department of Social Services received from HHS approval of the following set of waivers. The project period will last from Jan. 1, 1993 through Dec. 31, 1995. Because the waivers for this project were granted by the Bush Administration during the transition period, HHS has reserved the right to withdraw any or all waivers described below by June 30, 1993.

Description of Project Waiver

California will be allowed to expand the existing Los Angeles County General Relief AFIRM project to include the county's AFDC population. The purpose of the project is to apply automated system technology to the AFDC program to prevent, detect and deter multiple case fraud, as is done in California's general relief program.

- Under AFIRM in the AFDC program in Los Angeles County, fingerprinting will be added as a condition of eligibility for adults and minor parents; failure to cooperate with fingerprint requirements will result in ineligibility for that individual. Protective payees will also be required to cooperate with fingerprint requirements; if the protective payee fails to cooperate, the county welfare agency may investigate to determine whether fraud exists.

Georgia

Project Title: *The Georgia Preschool Immunization Project (PIP)*

The Georgia legislature passed a measure that resulted in the Georgia Department of Human Resources receiving a waiver on Nov. 1, 1992 to implement an immunization program for preschool children of families that receive AFDC. The five-year demonstration project will be carried out in Muscogee County with at least 1500 families in the demonstration project,

and another 1000 families in the control group. Implementation of this project was to begin Jan. 1, 1993.

Description of Project Waivers

Georgia will apply fiscal sanctions to AFDC families participating in the demonstration project who fail to comply with immunization requirements for preschool children. The sanction will be imposed by removing the need of each non-immunized child from the calculation of the AFDC grant amount. A sanction resulting from the failure to have a child immunized will continue until the child is immunized.

- Heads of households of AFDC families participating in the demonstration will be required to show proof of age-appropriate immunizations or proof that the process of receiving immunizations has begun for all preschool children receiving AFDC.

Illinois

Project Title: *The Multi-Pronged Welfare Reform Demonstration*

The Illinois Department of Public Aid received approval for its set of waivers on Jan. 15, 1993. The four-year project, to be carried out in selected areas of the state, must be implemented no later than July 1, 1994. The five components of the demonstration are the Youth Employment and Training Initiative, the Homeless Families Support Project, the Parental Involvement Project, the Family Responsibility Project, and the Income Budgeting Project.

Description of Waivers

The Youth Employment and Training Initiative will be conducted in two designated high schools in the Chicago area, with a minimum total of 1,000 individuals aged 14 to 20 participating in either an experimental or a control group:

- Illinois will be allowed to lower the JOBS activity participation age from 16 to 14 for those who are enrolled in school and included in their family's AFDC grant. Noncompliance may result in sanctioning under JOBS rules. The state will also be allowed to replace JOBS assessments and employability

plans with youth orientation activities for participants in the demonstration.

The Homeless Families Support Project will involve a minimum total of 600 homeless families receiving AFDC from three sites, one each in Cook County, Dupage County, and Will County:

- This waiver allows the state to disregard earned income to allow the family to achieve a monthly income up to the level of the state standard of need for the first two consecutive years of employment. After the first two years, earned income disregards will revert to the standard \$30 and one-third AFDC disregard.
- The asset limit for participating AFDC families will be increased from \$1,000 to \$3,000.
- The state will lift the current 30-day limit on providing emergency assistance and allow emergency assistance for up to six months in any 12-month period. Federal financial participation will be provided.
- Transitional child care will be extended from 12 to 24 months for families terminated for reason of earned income and without regard to AFDC receipt in three of the six months preceding ineligibility due to earnings or hours worked.
- Transitional Medicaid will be extended from 12 to 24 months for families terminated due to earned income.

The Family Responsibility Project will be conducted in six large local offices, with a minimum total of 2400 families receiving or applying for assistance:

- When determining eligibility for AFDC-U cases, the state will exclude the following: the 100-hour rule; the quarters of coverage requirements; the 30 days of prior unemployment rule; and the failure to accept bona fide offers of employment rule.

The Paternal Involvement Project will be conducted in three sites in Chicago:

- JOBS Program services will be provided to noncustodial parents who: are between 18 and 35; are eligible for food stamps; have child(ren) receiving AFDC; agree to participate in the project for two years; obtain participation consent from the custodial parent; and have paternity of the child(ren).

The state also received a waiver for an income budgeting project to be conducted statewide, allowing the state to use a two-month prospective budgeting method and to budget retrospectively thereafter.

Other Changes not Requiring Waiver Approval

- Under the Illinois Consolidated Intake Process, the state may combine the AFDC and Child Support Enforcement intake processes, and allow intake workers of the IV-A agency ask child-support related questions during the IV-A intake interview.

Maryland

The Maryland Department of Human Resources received approval of the following waivers on June 30, 1992. The five-year demonstration project began on July 1, 1992, but sanction of AFDC payments will not become effective until Jan. 1, 1993.

Project Title: The Maryland Primary Prevention Initiative

Description of Project Waivers

Maryland will apply fiscal sanctions to AFDC cases that do not comply with specific requirements related to preventive health care and education as follows (Maryland increased the basic grant for AFDC by 6.3 percent in January 1993):

- Any member of an AFDC family who is pregnant will receive a special needs allowance of \$14 per month over the basic grant for increased nutritional needs of the child if regular prenatal care is received. An additional special needs allowance of \$14 per month will be provided for a pregnant woman in her last trimester with no other children. The special need allowances will not be provided if prenatal care is not received or verified.
- Families with adult recipients and school-age children who receive annual health check-ups will receive a special needs allowance of \$20 per year per person. The allowance will not be provided if the annual health check-up is not received or verified.
- Families that do not meet minimum standards for the Early and Periodic Screening, Diagnosis, and Treatment (EPSDT)

schedule for pre-school children will be subject to a sanction of \$25 per month for each child in the assistance unit not meeting the standards.

- Families with school-age children who attend school less than 80 percent of the time without good cause will be subject to a sanction of \$25 per month for each child in the assistance unit not meeting this standard. Good cause is limited to medically verified chronic or acute conditions of the child or the child's dependent where a teen parent is involved or the family receives counseling services.

Michigan

Project Title: *To Strengthen Michigan Families*

Michigan's Department of Social Services received approval of the following waivers on Aug. 26, 1992. The five-year statewide demonstration project was to begin on Oct. 1, 1992.

Description of Project Waivers

AFDC

- Two-parent families will be eligible to receive AFDC Unemployed Parent benefits without the current work history requirement (i.e., waiver of the 30-day unemployment requirement and requirement that the principal wage earner work 6 or more quarters in any 13 calendar-quarter beginning within one year prior to application for benefits).
- AFDC-UP eligibility will be extended to otherwise eligible two-parent families when the principal wage earner works 100 hours or more per month.
- The current \$30 and one-third income disregard will be replaced with a continuous disregard of \$200 plus 20 percent of the remainder of earnings.
- All income earned by dependent children will be excluded as both income and resources in determining eligibility of the family for AFDC.
- Allow noncustodial parents to participate in the JOBS Program, equal access to the JOBS Program for both mandatory and voluntary clients and job search before assessment for periods longer than three weeks.

Medicaid

- Waivers were approved to prevent the diversion of certain funeral related assets to persons not Medicaid eligible and discourage the shifting of resources into irrevocable annuity policies or use by nonclient joint owners with the use of a penalty.
- Michigan will also require Medicaid spend-down recipients to meet their spend-down requirement by paying their excess income to the state in the form of a monthly premium.

Food Stamps

- A food stamp waiver was approved that would exclude, as both income and resources, all income earned by dependent children, up to age 19, who are AFDC recipients and students.

Other Changes not Requiring Waiver Approval

- Require child support agencies to put into place mechanisms to identify those persons with access to health insurance coverage, and to enforce health insurance orders.
- Require noncustodial parents to disclose their child support obligations to employers for mandatory withholding of child support payments.
- Require hospitals to accept and record paternity acknowledgments as part of the birth registration.
- Require Friends of the Court to report child support obligations to consumer-reporting agencies at the time the order is established.
- Allow denial or revocation of professional business or trade licenses for persons who have child support arrearages.
- Include Social Security numbers on application and renewal of Michigan drivers' licenses and license plate tabs.
- Use the Michigan Department of Treasury powers to collect child support arrearages owed to recipients of AFDC.

Minnesota

Project Title: *The Minnesota New Vistas School Demonstration*

On Jan. 15, 1993, the Minnesota Department of Human

Services received approval of a three-year demonstration project will begin on June 1, 1993. Because the waivers for this project were granted by the Bush Administration during the transition period, HHS has reserved the right to withdraw any or all waivers described below by June 30, 1993.

Description of Project Waivers

This demonstration will operate for pregnant or parenting AFDC recipients who are still in school and who are participating in the New Vistas program. New Vistas is a voluntary program that aims to prevent poverty and unemployment among teen mothers through a partnership among the Minneapolis Public Schools, Honeywell Corporation, social service agencies, and government. It provides a range of education and services, and is expanding to include an apprenticeship component. Demonstration participants will receive training, on the job experience, and a pay check.

- All income earned through participation in the demonstration will be disregarded and excluded from the 185 percent of the need standard test.
- Participants will be allowed to qualify for the \$30 and one-third earned income disregard even though they earned income from participation in the demonstration and did not have a 12-consecutive-month period of ineligibility after earning such income.

Missouri

Project Title: 21st Century Communities Demonstration Project

On Jan. 15, 1993, Missouri received waivers from HHS to operate a five-year demonstration project in selected sites in the state, beginning Jan. 31, 1993. Several areas must still be negotiated between the state and HHS—including a final plan outlining how participants will move from supplemented to nonsupplemented jobs, a detailed evaluation plan, and a method for ensuring cost neutrality. These issues must be resolved by June 30, 1993 in order for the waiver approval to remain in effect. Additionally, because the waivers for this project were granted by the Bush Administration during the transition period, HHS has reserved the right to withdraw any or all waivers described below by June 30, 1993.

Description of Project Waivers

- For participating AFDC families, the waiver will change the asset limit to allow the exclusion of the combined value of resources up to \$10,000. Resources exceeding the \$10,000 maximum will be considered available resources subject to the \$1,000 resource limit.
- Child support payments paid directly to the family that exceed the AFDC grant amount will be disregarded when determining eligibility and the amount of benefits.
- The 100-hour rule that terminates AFDC eligibility if the principal wage earner in a two-parent family works 100 hours or more a month will be eliminated for demonstration participants.
- The earned income disregard will be changed so that the state can apply the \$30 and one-third disregard for up to 48 months for demonstration participants.
- The state will establish a voluntary work supplementation component under the JOBS Program, increasing the limit on the length of participation from nine months to 48 months. Expenditures cannot exceed the AFDC amount payable to the recipient's family for a 48-month period if the family had no other income. Federal financial participation will be provided.

New Jersey

Project Title: Family Development Program (FDP)

New Jersey's Department of Human Services received approval of the following waivers on July 20, 1992. The five-year demonstration project began on Oct. 1, 1992.

Description of Project Waivers

- Subject to two exceptions, AFDC benefit amounts will not be adjusted for families in which a child is added to the assistance unit if the child was born: (1) after Aug. 1, 1993 for families which received AFDC for Oct. 1, 1992 and filed an application prior to Oct. 1, 1992 and (2) ten months following the month of application, for applications filed on or after Oct. 1, 1992.
- Exceptions: (a) benefits will not be reduced for the first born of a dependent child regardless of the date of birth and (b) if

an assistance unit leaves AFDC due to earnings, remains employed for at least 90 days, and terminated employment for good cause or an assistance unit leaves AFDC for any reason and remains off AFDC for 12 consecutive months, then children in the unit or children born within 10 months after the month of reapplication for AFDC.

- Families that add additional children as described above will receive an additional earned income disregard applied for each employed member of the family equal to the current law disregard subtracted from 50 percent of the state's AFDC payment standard adjusted for family size, including the newborn children.
- AFDC benefits will be provided to married families in which the husband is not the father of the children receiving AFDC benefits as long as the family income is no more than the higher of 150 percent of the poverty level or the state need standard for the family size.
- All AFDC parents whose youngest child is two years of age and over will be required to participate in JOBS. All AFDC parents of children under age two will be required to participate in counseling and vocational assessment.
- Any participant in the demonstration who fails to participate as required prior to signing the FDP contract will have their AFDC payment reduced by 20 percent for no less than 30 days. Any FDP participant who refuses to cooperate in mandatory JOBS activities will be removed from the AFDC grant for no less than 90 days.
- AFDC recipients who are employed 30 or more hours per week will be required to participate in JOBS, if appropriate.
- JOBS participants who are employed as family day care providers will receive a 50 percent income disregard from earnings.
- Earnings from non-JTPA training programs for JOBS participants under age 25 will be disregarded.
- Provide 24 months of transitional Medicaid coverage for a family made ineligible for AFDC because of increased earnings or hours of work.

Oregon

Project Title: Oregon JOBS Waiver Project

The Oregon Department of Human Resources received approval of the following waivers on July 19, 1992. The five-year demonstration is required to begin no later than July 1, 1993.

Description of Project Waivers

- AFDC recipients and applicants with a child (or children) aged one to six may be required to participate full-time (more than 20 hours per week) in JOBS.
- Participation in job search may be required beyond the current eight week and four month limitation for nonexempt AFDC recipients assessed by the state as job ready.
- Require AFDC recipients who are custodial parents under age 16 to participate in basic education on the same basis as custodial parents aged 16 to 18. Medically able pregnant AFDC recipients under age 20 may be required to participate in basic education on the same basis as nonpregnant parents aged 16 to 18.
- AFDC recipients, who are required to participate in JOBS, may also be required to participate in mental health and substance abuse diagnostic, counseling, and treatment programs.
- Provide JOBS Program activities and supportive services to pregnant women with no dependent children who are recipients of the Oregon Poverty Level Medical (PLM) program and who volunteer to participate in JOBS but are not AFDC recipients.

Utah

Project Title: Utah Single Parent Employment Demonstration Program (SPED)

The Utah Department of Human Services received approval to implement the Utah Single Parent Employment Demonstration Program on Oct. 5, 1992. It is a five-year project that will begin no later than March 1, 1993.

Description of Project Waivers

AFDC and Child Support

- A one-time AFDC diversion payment (not to exceed three times the monthly grant for the household size) will be allowed to meet basic or special needs of AFDC applicants who are not likely to warrant ongoing assistance and who agree to have their AFDC application denied.
- All AFDC parents and eligible children age 16 or older (and not in school) must participate in JOBS or other SPED activities. All participation exemptions for JOBS will be

eliminated except for children under age 16. SPED activities may include, for example, family counseling, parenting counseling or classes, drug and alcohol programs and counseling, and weight reduction classes.

- The state will be permitted to reduce monthly benefits by \$100 for failure to meet the SPED participation requirements without good cause and by \$100 for failure to cooperate in child support cases without good cause. The reductions will end when participation requirements are met.
- The earned income disregard will be changed to \$100 and 45 percent of gross earnings minus the disregard.
- Case managers will be allowed the latitude to decide which eligibility factors to verify in order to streamline the AFDC, food stamps, and Medicaid verification process. Those factors that are chosen to be verified will be the same for all three programs.
- The resource limit will be increased to \$2,000 per household.
- Noncustodial parents will be able to participate in JOBS.
- SPED participants involved in a high level of participation and those still on assistance but earning at least \$500 per month will be rewarded with an enhanced monthly grant payment of \$40 per month.

Food Stamps

- The motor vehicle asset exemption will be increased to \$8,000.
- Educational income will be exempted while receiving AFDC and for one year after the family leaves AFDC.
- When the amount of the food stamp award is determined, \$90 of the AFDC grant will be excluded for each person participating in full-time self-sufficiency activities or employment; this disregard will be continued for up to one year after a family leaves welfare.

AFDC and Medicaid Transitional Benefits

- JOBS supportive services, activities, and case management will be provided for up to 12 months after a person leaves AFDC.
- Requirements will be eased for obtaining transitional Medicaid and child care benefits; for example, the qualification requirement that clients must have received AFDC in three of the last six months will be eliminated.

Virginia

Project Title: *Virginia Incentives To Advance Learning (VITAL)*

The Virginia Department of Social Services received approval of the following waivers on Sept. 11, 1992. The two-year demonstration project will operate in three sites—the Falling Creek Middle School in Chesterfield County, the Thomas Boushall Middle School in Richmond City, and the Lafayette Wynona Middle School in Norfolk City—from Sept. 8, 1992 to Sept. 30, 1994.

Description of Project Waivers

- The demonstration project is for families of children in grades six, seven, and eight who receive AFDC and attend Falling Creek and Thomas Boushall Middle Schools, as well as for those receiving AFDC who attend Lafayette Wynona Middle School and live in the Diggs Town Housing Project.
- As of Oct. 1, 1992, participating families began receiving AFDC benefits totaling 100 percent of the state's standard of need.
- Teams of school personnel—such as the psychologist, the social worker, a guidance counselor, or a teacher—are being established at each demonstration site. These teams will recommend demonstration participant attendance, achievement, and parental involvement goals to the demonstration project coordinator from the IV-A agency. The project coordinator will then determine attendance, achievement, and parental involvement goals for the family.
- A family who fails to meet demonstration attendance, achievement, or parental involvement goals will receive intensive state-provided counseling services. If the demonstration project coordinator finds that a family of a demonstration participant is unresponsive to the counseling services, the family will have its AFDC benefits reduced to 90 percent of the state's standard of need. Once the family responds to counseling services, AFDC benefits will again be calculated at 100 percent of the state standard of need. However, if the family continues to be unresponsive to counseling services after AFDC benefits have been lowered to 90 percent, then the needs of the caretaker/parent(s) will be excluded when determining eligibility for or the amount of AFDC for the family. In making these findings, the demonstration project

coordinator may take into account recommendations by the team at the school or any other relevant information.

Wisconsin

The Wisconsin Department of Health and Social Services has received waiver approval of the following demonstration projects—the Parental and Family Responsibility Demonstration Project, approved on April 10, 1992; the Two-Tiered AFDC Benefit Demonstration Program, approved on July 27, 1992; and the AFDC Special Resource Account Demonstration Project and the Vehicle Asset Limit Demonstration Project, both approved on Jan. 19, 1993.

Project Title: Parental and Family Responsibility Demonstration Project (PFR)

Description of Project Waivers

The five-year Parental and Family Responsibility Demonstration project will begin operation on July 1, 1993 in six counties. The project will determine whether providing incentives and opportunities in the welfare system, combined with enforcement of child support orders and sanctions for failure to cooperate, will reduce the teen pregnancy and parenting rates within the project areas. AFDC recipients under age 20 who are first-time parents, their spouses, the adjudicated fathers of their children, and noncustodial parents will be targeted under the demonstration.

- Persons targeted under the demonstration will be assigned to a case manager who will assist the family in developing a comprehensive education, employment, and services plan. Parents will be required to participate in JOBS, including parenting and life skills instruction, which will be included as countable activities under the program. Failure to participate without good cause will result in a sanction until such time as the recipient cooperates with the program requirements. In addition, noncustodial parents of children covered under the demonstration who are under employed or unemployed and are not paying child support may be ordered by the court to participate 40 hours per week in work, JOBS, and parenting and life skills instruction.
- Single-parent and two-parent households will be eligible to keep the first \$200 earned and one-half of additional earnings

per month. The spouse of a person participating in the demonstration who is not the natural or adjudicated parent of a child may, at the option of the family be included as an AFDC recipient (waivers were approved to allow the state to consider the needs and income of the stepparent in the AFDC household and eliminate the current 30 day unemployment requirement and 100 hour rule under AFDC-UP). In doing so, the increased income disregards will also apply to him/her.

- Current AFDC policy on benefits for additional children will be modified under the demonstration. The payment amount for demonstration project families with one child will be equal to that paid to those AFDC recipients not participating in the demonstration. The payment increase for demonstration project families into which a second child is born will be equal to one-half the payment increase received by nondemonstration project families. There will be no AFDC payment increase for the third or additional children born into demonstration project families.

Project Title: Two-Tier AFDC Benefit Demonstration Project

Description of Project Waivers

Beginning July 1, 1994, Wisconsin will operate a three-year demonstration project in Kenosha, Milwaukee, and Racine Counties, and up to three additional counties to test the efficacy of implementing a two-tier AFDC benefit system.

- In the demonstration counties, the amount of the AFDC benefits will be equal to the benefit amount available to a typical family of the same size in the prior state of residence for applicants who have not resided in Wisconsin for a least six months and either: (1) apply for benefits in Wisconsin within 90 days after moving to Wisconsin; or (2) apply for benefits more than 90 days but fewer than 180 days after moving into Wisconsin and are unable to demonstrate that they were employed at least 13 weeks after moving to Wisconsin.
- Recipients meeting the above criteria will receive the AFDC benefit amount from the prior state for six months. The AFDC benefit amount will be changed to the Wisconsin benefit amount after six months of residence in Wisconsin. AFDC cases in the demonstration counties which are receiving prior state AFDC benefits who move to a nondemonstration

county will have their AFDC payment converted to the Wisconsin benefit amount.

Project Title: AFDC Special Resource Account Demonstration Project

Description of Project Waivers

This 42-month demonstration project will operate state-wide from July 1, 1994 through Dec. 31, 1997, except for cases assigned to a control group.

- The asset limit will be increased from \$1,000 to \$10,000, if the money is saved in special resource accounts.
- Interest earned on funds in a special resource account will not count as income if it is kept in the special account or withdrawn for an approved purpose (see below).
- Withdrawals from special resource accounts will not be considered in determining AFDC eligibility and benefits amounts if the funds are used for either: (1) education or training for the parent or a child recipient, or (2) improving

the employability of a member of the family. Money that is withdrawn from the special resource account that is not used for either of these purposes will be treated as income, except for up to \$200 per 12-month period if needed for an approved emergency.

Project Title: Vehicle Asset Limit Demonstration Project

Description of Project Waivers

This 42-month demonstration project will operate state-wide from July 1, 1994 through Dec. 31, 1997, except for cases assigned to a control group.

- The first \$2,500 of the combined equity value of vehicles owned by family members receiving AFDC and AFDC-UP will be excluded when determining eligibility.

—Kelly Thompson and Rick Ferreira

MODEL STATE PROFILE ON WELFARE REFORM

Attached is a draft of the first state profile on welfare reform prepared by Helene Grady on Illinois.

The report has not received even a first edit, but is being circulated for comment concerning the format and type of information included. The file is intended to include four basic elements:

- (1) basic factual information about poverty and welfare in the state and the state's efforts in the welfare reform arena
- (2) descriptions of model programs that can be used either as potential site visits at a later date or can be pitched as stories to local journalists
- (3) profiles of recipients in the state who can be mentioned in speeches or again given to journalists looking to find stories
- (4) a summary of the coverage by major newspapers in the state of the welfare issue -- both news and editorial.

We plan to proceed over the remainder of the summer and into the fall with the preparation of such reports on as many states as possible, prioritizing those states with members on critical committees or with major media markets.

The goal of this project is to give us information that can be used as part of our public education effort and ultimately sales campaign of the welfare reform plan. One audience that is clearly emerging as potentially valuable is the Hill where many members do not necessarily know about programs or policies in their own states.

Please get back to Jeremy with comments about the draft Illinois profile as soon as possible.

We are also looking for help with this project. If you have interns or junior staff who may have some time to put toward this project, we can assign one or more states to people as their time permits. Please let Jeremy know if you can contribute any assistance. Thanks.

ILLINOIS
DRAFT

DRAFT

<u>DEMOGRAPHICS</u>	<u>State</u>	<u>U.S. (*)</u>	<u>Rank</u>
Population (7/1/92)	11,631,000	255.1m (T)	6
Child Population (4/1/90)	2,961,000	63.9m (T)	4
Percent of Population that are children (7/1/92)	25.9%	25.7% (A)	29
Per Capita Personal Income-FY 89	18,858	17,567 (A)	11
Poverty Rate 1991	13.5%	13.7% (A)	27
1989	8.8%	12.7% (A)	21
1983	7.7%	15.4% (A)	32
1979	11.0%	12.4% (A)	28
Change in Rate (1979-1991)	+2.5%	+1.3% (A)	

Aid to Families with Dependent Children

<u>AFDC -- Benefits</u>	<u>State</u>	<u>U.S. (*)</u>
Total assistance payments-FY 92	882.6m	22,223.5m (T)
AFDC Grant-Jan 93 (Mother-two children-0 income)	367	367 (M)
Food Stamp benefit-Jan 93	285	285 (M)
Combined benefits-Jan 93	652	652 (M)
Percent of poverty threshold-Jan 93	70%	70% (M)
Percent change since 1980	-25.3%	-22.4% (A)

<u>AFDC -- Caseloads</u>	<u>State</u>	<u>U.S. (*)</u>
Average Monthly AFDC Caseload (people)-FY 92	228,600	4,768,600 (T)
AFDC Reciprocity Rate-FY 92	5.9%	5.3% (A)
Change in AFDC Reciprocity-FY 88-92	+2%	+20% (A)
Average Payment per Family-FY 92	322	388 (A)
Average Number in Household (10/90-9/91)	4.0	3.7 (A)
Food Stamp Reciprocity FY 92	9.94%	9.95% (A)

<u>AFDC -- Income Data</u>	<u>State</u>	<u>U.S. (*)</u>
Percent of Families with Unemployed Parent-9/92	4.8%	5.7% (A)
Percent with Earned Income-10/90-9/91	5.7%	7.9% (A)
Percent Receiving Public Housing/ HUD Rent Subsidy-10/90-9/91	19.3%	21.0% (A)
Number of Persons JOBS Money Obligated- FY 91	12,578	460,914 (T)

Child Support Enforcement

<u>Collections and Expenditures</u>	<u>State</u>	<u>U.S. (*)</u>
Total Collections-FY 92	183.3m	7,951.1m (T)
AFDC Collections-FY 92	58.8m	2,252.6m (T)
Child Support Collections per \$ of Total Admin. Expend. -FY 92	2.90	3.99 (A)
Average Number AFDC Cases in which a Collection was Made-FY 92	23,639	830,713 (T)
Percentage Change in Total Real Collections since 1985	+29%	+21% (T)
Total Number of Paternities Established-FY 92	18,900	515,393 (T)
Number of out-of-wedlock births-1990	62,148	1,165,384 (T)

*Type: A=average, M=median, T=total

Source: 1993 Green Book

STATE WELFARE POLICY

The State of Illinois has played an active role in a recent wave of individual state welfare reform efforts, many of which have been labeled "punitive" measures. The State tends to support programs that place more personal responsibility on the recipient for him or herself and for his or her family. For instance, Illinois' One Step at a Time targets AFDC mothers living in public housing who have limited education, no employment history, children age one or older, and have been on public aid for two years or longer. The program requires enrollees to participate in a series of "steps toward employment." Another initiative, the Relocation to Illinois provision, implements recently enacted State legislation which limits, for families who move to Illinois, for a 12 month period, AFDC payment levels to that of their former state of residence. Illinois' Learnfare bill is designed to encourage teenage welfare mothers to stay in school. Finally, a bill to cut additional benefits to welfare mothers having more than one child had passed in the State Senate earlier this year but failed in the House.

Similarly, the federal government recently approved Illinois' Multi-Pronged Welfare Reform Demonstration. The program consists of five distinguishable components, each of which is designed to contribute to eventual self-sufficiency by either augmenting service delivery, enhancing family stability or promoting fiscal responsibility. The programs include: 1) Youth Employment and Training Initiative; 2) Homeless Families Support Program; 3) Family Responsibility; 4) Paternal Involvement Project; and 5) Income Budgeting Project.

Clearly, Illinois has taken one leading role in welfare reform among the states. The State has introduced a number of programs designed as measures to encourage personal responsibility as well as some demonstrations in improving the efficiency of service delivery and providing support services to those recipients who are trying to work.

MODEL PROGRAMS

Project Match: A Long-Term Welfare-to-Work Program

CONTACT: Toby Herr, 312-587-1194

MISSION: 1) to provide long-term assistance to welfare dependent families as they move through multiple career stages toward economic self-sufficiency; and 2) to document and disseminate lessons learned about the process of leaving welfare.

SUMMARY: Understanding the difficulty involved in leaving welfare and persistent poverty, Project Match makes a commitment of long-term support (3-5 years) to its participants. The program's service goals include helping participants enroll in and complete training and education programs, obtain and keep jobs, advance to better jobs, and become quickly reemployed when they lose their jobs.

Participants may move through Project Match in a variety of ways. After receiving an initial assessment, a participant is placed in one or more of a range of activities, including education, training, employment, and community volunteer work. The combination and sequence of activities vary for each participant as does the length of time in the program. Key services include job development (i.e., help to find a job), job and school retention support (e.g., help to keep a job or stay in school), and recognition for attainment of incremental milestones (e.g., working for two months, regularly attending GED classes).

SCOPE: Project Match has worked with more than 740 residents of the Cabrini-Green community in Chicago. Service sites include the Winfield/Moody Health Center, the program's primary service site, and a second site set up by the Department of Health and Human Services at the Cabrini-Green Head Start. Northwestern University's Center for Urban Affairs and Policy Research and the Erikson Institute of Chicago serve as research sites.

EVALUATION: A study of participants suggests the relative success of the Project Match approach. The average number of months worked among participants increased by about one month in each of the three years studied, and hourly wages increased by 23% between year one and year three.

FUNDING: Sources include mostly State grants, but also federal funds, and foundation and private donations.

Women's Self-Employment Project

LOCATION: 166 W. Washington Street Suite 730
Chicago, IL 60602
Connie Evans, Executive Director 312-606-8255

MISSION: 1) to raise the income and degree of economic self-sufficiency of low- and moderate-income women through a strategy of self-employment; and 2) to serve as a catalyst for developing viable options for alleviating poverty.

SUMMARY: WSEP is the only non-profit, city-wide financial services/entrepreneurial training program targeting poor women in Chicago. Since 1986, WSEP has successfully supported the efforts of low-income women to increase family economic self-sufficiency, leave welfare, create new options for their children, achieve empowerment, demonstrate credit-worthiness, and launch their own micro businesses. WSEP has distributed over \$500,000 in small, short-term loans and has provided business tools and information to nearly 3000 women.

WBI: The Women's Business Initiative, a WSEP program, offers 150 Chicago women receiving AFDC a chance to get self-employment training and begin their own small businesses, without losing their AFDC benefits. WBI provides business training sessions twice a week for twelve weeks in which participants: 1) complete a comprehensive business plan; 2) develop their products and services; 3) network with and provide peer support to their colleagues; 4) practice business skills, including marketing and presentation.

Participants receive public aid in the form of subsidized child care, continued eligibility for AFDC cash assistance and Medicaid, and eligibility for child care and Medicaid for up to one year after leaving AFDC cash assistance. Finally, women who participate:

- 1) Must be committed to opening and operating a business;
- 2) Will complete a comprehensive business plan;
- 3) Must arrange to attend classes regularly and on time;
- 4) Can apply to WSEP's Revolving Loan Fund for a micro business loan.

FUNDING: WSEP is the only agency in Illinois to receive a Job Opportunities for Low-Income Individuals (JOLI) grant from the U.S. Dept. of Health and Human Services (\$500,000 for three years). WSEP also receives private foundation money.

LEGISLATION: Rep. Barbara Flynn Currie introduced HB707 (Illinois Self-Employment Training Legislation), co-sponsored by Sen. Alice Palmer, and signed into law by Gov. Edgar in July 1992. This law permits AFDC clients to accumulate up to \$5000 worth of assets used for self-employment ventures without losing their AFDC eligibility for two years.

The Albany Park Community Center

LOCATION: 3403 West Lawrence Avenue #300
Chicago, IL 60625

CONTACT: Frank Albanese, Executive Director
312-583-5111

MISSION: to increase the stability of families and to aid the healthy development of children. The programs are designed to strengthen families and to protect children, while assisting with their development. Their primary objectives are to promote a suitable environment in which to raise children, a stable neighborhood, the steady employment of adults -- especially heads of households -- and a healthy living environment for individuals and families.

SUMMARY: The Albany Park Community Center, Inc. is a not-for-profit, community-based organization located in the multi-ethnic, working poor neighborhood of Albany Park. The Center operates a wide-range of programs and services at eight locations in and around the Albany Park community. Since 1975, the Center has provided programs in areas such as: early childhood education and day care, family programs, programs for school-age children, literacy and adult education, and community service.

One objective of the child education and day care programs is to assist parents who meet income and program guidelines in maintaining economic self-sufficiency. The Pre-School Day Care serves 40 children from 3 to 5 years old. The center is open from 7:30 am to 5:30 pm and provides the service primarily for working-poor parents who meet income and program guidelines. The School-Age Day Care program meets these same needs for families with children aged 5 to 13 who need provision after-school and on holidays and vacations. The Center additionally promotes self-sufficiency through its Adult Literacy Tutoring Program, its Adult Basic Education classes for adults 16 years or older not enrolled in high school, its GED preparation classes, its Adult Education Information and Referral program, and its Life Skills/Lifelong Learning program.

FUNDING: The Center is a United Way agency. It also receives State money and private donations from foundations and individuals.

**The Martin Luther King, Jr. Community Services, Inc.
Single Parent Employment Development Program
Freeport, IL**

CONTACT: Kara Fiene, 815-233-9915

MISSION: to provide single parents in the Freeport area assistance in finding jobs and gaining self-sufficiency.

SUMMARY: The Single Parent Employment Development Program was created to assist clients in accessing employment with long-term career potential that could lead to self-sufficiency. This component includes a ten-hour per week on-the-job training for those clients who are eligible. The main component of SPED, the Single Parent Initiative Resource and Linkage Program (SPIRAL) connects single parents with transportation, childcare and other resources essential to their attaining and maintaining employment. An Advisory Committee consisting of Human Resource professionals that represent various area businesses meets quarterly to discuss practical ways to assist the women.

Any single parent in Stephenson County who is 16 years of age or older is eligible for these services. Support is provided through groups, workshops, and/or individual contacts. Some of the targeted areas for support groups include:

- *family issues
- *preparing for college
- *career decisions
- *home management skills
- *self-esteem
- *healthy living
- *parenting concerns
- *alcohol and substance abuse prevention
- *parent-child interaction

In the Career Matched Mentoring Program the SPIRAL Advisory Committee members are matched with clients interested in their field of work. The mentor has monthly contact with the participant by phone, home visits, and worksite visits. Participants receive assistance in setting career goals and guidance with regard to the steps they need to take to reach those goals. In a similar program, the Mom-to-Mom Mentoring, "mentor mothers" are paired according to common interests with single parents to whom they provide education, friendship and support. All of these mentor relationships are supervised by directors at the Center.

FUNDING: The Single Parent Employment Development Program has been funded in part by the "Community Partnership Fund," a 1990 grant developed by the Illinois Department of Public Aid. The Martin Luther King, Jr. Community Center is also a United Way Member Agency.

Tri-County Urban League, Inc.
Employment Program
Peoria, IL

CONTACT: Annie Gordon, Associate Director
672-4362

MISSION: to serve the community with several programs designed to ease the employment training and retention process for low-income adults in the Peoria area. Its education, training, support and personal fulfillment programs target young adults, displaced homemakers, teenagers and entire family units.

SUMMARY: The Employment component of the Tri-County Urban League consists of several programs to assist participants in career guidance and placement. Its programs include:

- *Job Placement and Referrals: designed to assist individuals in obtaining gainful employment to match their skills, talents and capabilities.

- *Pre and Post Job Guidance: helps those minority participants who need to learn the basic skills for obtaining employment and keeping a job. This program includes follow-up counseling for any problems that interfere with participants' job retention.

- *Vocational Guidance: includes sessions on career exploration, educational opportunities, and job training, as well as support groups on specific issues. This component focuses on helping displaced homemakers with skills development.

The League's New Horizons Center also offers programs to promote family stabilization and education. Its components include: a Parent- Child Education Center, an Effective Black Parenting Class, Teens Organized for Pride and Success, and Man to Man, a series of workshops specifically designed for males ages 13-19. A speaker meets weekly to discuss subjects related to sexuality, parenting, family, careers, cultural awareness, etc.

The Tri-County Urban League is an affiliate of the National Urban League and is also a member of the Heart of Illinois United Way.

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INDIVIDUAL EXPERIENCES

[001]

Mary Hartsfield

c/o Women for Economic Security
312-663-3574

Mary, a single mother of three children, had been on AFDC for sixteen years but has now broken free of the welfare cycle. At sixteen years old, Mary had a baby and started on AFDC under her mother's benefits; at 18 she was independently on AFDC. She dropped out of high school and had tried GED classes and Job Searches, but neither of these worked out for her. Mary had had three or four low-paying jobs (b)(6)

(b)(6)

Mary identifies several obstacles in her long road off of welfare. Primarily, even though she had had a few jobs, Mary quickly realized that it did not pay for her to work. She had had little work experience and little education; therefore, when she found a job, it was always for very low pay. She could not afford child care for her three children and had no insurance with these jobs. Additionally, Mary cites transportation, both to find a job and to afford to get to work everyday, as one of the biggest obstacles to her self-sufficiency. Another major problem that Mary discusses is the difficulty that she had raising her children in a welfare home. She had to send one of her sons to Iowa to live with relatives in order to save him from the gang pressure that especially afflicts welfare children because the gangs offer them the money that their parents cannot.

Two programs in particular played instrumental roles in Mary's road to self-sufficiency: the Legal Assistance Foundation and Women for Economic Security. The Legal Assistance Foundation took Mary's landlord to court for illegal eviction a year ago and won Mary's case. This win has helped to keep her head above ground for awhile. The second group, Women for Economic Security, has given Mary the self-confidence as well as the basic skills and information that she needed to attain her GED and to motivate her to continue her schooling. Mary has worked as a volunteer for WES for 3 years now, is off welfare thanks to her court settlement, and serves on the Social Services Advisory Council Board for the State of Illinois. Additionally, Mary has testified before the regional field hearing of the House Ways and Means Committee in Chicago and has appeared in several media articles and pieces.

From my conversation, I feel that Mary is a very enthusiastic and involved resource on the grass-roots level who could present herself and her experiences very well to the press, to members of the Working Group, and anyone else who might be interested in her experiences and opinions.

Referred by: Jackie Lynn
Women for Economic Security
200 S. Michigan Avenue
Suite 1400
Chicago, IL 60604
312-663-3574

Interviewed by: Helene Grady
401-4886

Maria Joan
708-980-4171
DuPage County, IL

Maria is a 38 year-old single mother of four boys ages 19, 15, 14, and 6. (b)(6)

(b)(6) her husband broke into her home with a gun and stole everything she owned. (b)(6)

(b)(6) she acquired housing with the help of a section 8 voucher. She receives only public child support; one father of her children owes them more than \$59,000 in child support payments but has not been found.

In describing the problems within the welfare system that hold women such as herself back, Maria emphasizes child support enforcement, child care, transportation, and education. Maria (b)(6) because she has realized that for her work does not pay. She cannot afford child care for her youngest son who will start school this year. She could work only part time after he is in school. In order to have better schools for her children, Maria moved to the suburbs of Chicago, but she cannot afford the transportation costs of getting into the City for work. Maria has also had problems keeping her sons away from the gangs that feed on the boys' economic disadvantages. (b)(6)

Maria has become very active in fighting for rights for the economically disadvantaged. She works as a volunteer for Women for Economic Security and works with advocacy groups. She has had much exposure to the press; she has written an article entitled "My Life" and has been interviewed by the Chicago Tribune. She testified at the Energy Assistance hearings in Illinois, has been interviewed by Channel 2 local news in a piece entitled "The Hidden Poverty in DuPage County," and has appeared in a videotape produced by "Voices for Illinois Children." Among other topics, Maria advocates strongly for increased funding of Head Start (three of her four children finished a Head Start program), abortion rights, mandatory AIDS testing for teenagers, and restoration of the Low-Income Home Energy Assistance Program.

From my conversation with her, I consider Maria a very informed and articulate (b)(6) who can express her experiences well and who would be more than willing to talk with anyone about those experiences and about her opinions/suggestions.

Referred by: Jackie Lynn
Women for Economic Security
312-663-3574

Interviewed by: Helene Grady, 401-4886

Mary Gonzalez

312-476-3927

"Back of the Yards," Chicago

Mary, a 48 year-old wife and mother of two children (a 13 year-old daughter and a 17-year old son), (b)(6) and is now fighting to stay off of welfare. (b)(6)

(b)(6) She receives severance pay and holds flea markets weekly in order to survive without public aid. Although she is not currently on welfare, Mary has been involved with Women for Economic Security where she interacts largely with welfare recipients dealing with problems similar to hers.

In describing her experiences with the welfare system, Mary has emphasized several points for discussion, including child care and the poverty level. Child care, Mary believes, is the biggest thing holding women back from self-sufficiency. Mary also points to the low poverty level; many families such as hers are above the poverty level but, with no insurance and few benefits, still need public aid to stay on track.

Mary's experience with Women for Economic Security has been very positive. She explains that their life skills class (a 9 week course in basic skills and self-esteem) for AFDC women

(b)(6) Currently, Mary works out of her own home, starting a program called "Mary's Kids" for children ages 6-15 with which she tries to create a family atmosphere for these children from primarily broken-down homes. Her group, consisting of children from her immediate neighborhood, has started a garden for the 4-H club, goes on outings, etc.

Although she is not currently on welfare, I think that Mary could be a good example of the many borderline families struggling to stay off public aid. She hates the system and knows why she hates it. Mary has some exposure to the press, having been interviewed by cable television and having spoken at the People's Inaugural, a program for the homeless in Chicago in January. Although this is not as much experience as some others, Mary seems very open about her story and willing to talk to the public.

Referred by: Jackie Lynn
Women for Economic Security
312-663-3574

Interviewed by: Helene Grady, 401-4886

Beatrice Lynn Hardy
312-434-9613

Beatrice Lynn is a 31-year old widow and mother of three children. (b)(6)

However, she left her husband five years ago and because she was not receiving child support from her husband, (b)(6)

(b)(6) At the time, she had one child in school full-time, one part-time and one at home.

Lynn describes several obstacles that she encountered while (b)(6) The thing that she hated the most about the system was the way that it forced her to live a lie for three years. (b)(6)

(b)(6) Other problems that Lynn encountered include: lack of child care, inability to afford transportation, and child support enforcement. Lynn explains that even when the government was collecting the child support, she never saw the money because they simply used it against her benefits.

Eventually Lynn became involved with the Women's Self-Employment Project to which she was referred by an art teacher who saw some potential in her work. (b)(6) she joined WSEP's Buddy System program. Here she worked with four other women in similar situations who also wanted to start a business. This "ladies success circle" provides WSEP with collateral for their loans through peer pressure rather than financial means. Lynn used her first (b)(6) loan to begin a graphic arts business, Lynn's Designs. After 18 months, she had expanded her business from business cards and signs to Afro-centric posters and calendars, t-shirts and murals. Her second loan, for (b)(6) bought more supplies, and Lynn's business continues today. She is now supporting herself and her children (b)(6)

Although Lynn does not have any prior experience with the press or with public hearings, I would not hesitate to contact her about a visit or an interview at any time. She cares very much about the system and about welfare recipients and would be willing to expose her story for the sake of education.

Referred by: Connie Evans, Executive Director, WSEP
312-606-8255

Interviewed by: Helene Grady 401-4886

Joan Kyles
312-643-8467
Chicago, IL

Joan, a 28-year old single mother of three children, (b)(6)
(b)(6) Joan graduated high school but
during her first year in college, she had a child and (b)(6)
(b)(6) Joan was not receiving child support and
never has received support from the father in seven years.

During these seven years (b)(6) Joan has
encountered several obstacles that have made it difficult for her
to beat the system. Her primary problem has been the fact that
welfare inhibits mothers from working even when they try to work.
Joan had held two jobs (b)(6)
(b)(6) She could not afford self-
sufficiency with a job without her benefits also. Joan was lucky
with child care in that her mother took care of her children for
her.

Two years ago, Joan got involved with the Women's Self-
Employment Project, and it has helped to change her life. Joan
(b)(6) when she heard about the program that
could lend her money and offer her support in her business
initiative. The most valuable aspects of the program for Joan
have been the sisterly support of people in similar positions and
the ability it offers for her to hold onto her AFDC benefits for
two years while she is self-employed. These assets have made it
possible for Joan to start her own home-cleaning business called
Kyles Cleaners. She works out of her own home, her business is
successful, and (b)(6)
(b)(7)a

Joan has never testified at a hearing and does not have any
press exposure. She has been very open about her story, however,
and although she might not be as politically motivated as some of
the other women I interviewed, her story is an interesting and
exemplary one. She is willing to speak with anyone else who
might be interested.

Referred by: Connie Evans, Women's Self-Employment Project
312-606-8255

Interviewed by: Helene Grady, 401-4886

PRESS REPORT

Chicago Tribune

Welfare reform has been a very prominent part of the Tribune's editorial and news coverage over the past year. The paper, though officially politically "independent," seems to take a liberal stance on the issue. Generally, its editorials and commentaries have recognized the need for broad reform of the welfare system, the inadequacy of the 1988 Family Support Act because of states' inability to meet matching requirements, and the potential danger of many programs that make up the recent wave of state reforms such as those demonstrations in NJ, WI, and Illinois. The writers seem to see access to child care, education, and training as essential to any type of self-sufficiency program. In general, while usually defending welfare mothers and children, the paper tends to support Clinton's vision for welfare reform but also wants to see concrete actions implementing his ideals.

Most of the coverage of the issue has been through editorials, but some commentaries and news stories have also appeared. Key reporters seem to be Carol Jouzaitis who writes news stories on the issue of reform and on Clinton's administration as well as Hugh Dellios who also covers the issue as a news topic. Various columnists have contributed their opinions to the paper and several non-designated editorials have appeared over the last year and a half.

The coverage has repeatedly included the expert opinion of Doug Dobmeyer from the Illinois Public Welfare Coalition (312-829-5568). Highlighted programs include: 1) Illinois' Project Chance, a job training and literacy program whose funding has been cut this year; 2) Illinois' Earnfare; 3) the Day Care Action Council of Illinois (Shelley Peck, 312-561-7900); 4) Options for People, a successful non-profit community welfare-to-work program (312-921-3000); 5) Suburban Job Link (John Plunkett 312-522-8700); and 6) Chicago Commons West Humboldt ETC (Jody Raphael 312-772-0900).

The specific articles include:

Feb. 9, 1992: Commentary; Clarence Page; "The Flip Side of Welfare 'Reform'":

Page highlights NJ's child benefits reform proposal as an example of a recent wave of behaviour-modification approaches to reform. Wary of workfare and other state proposals that only "impose new hardships instead of removing old ones," he implies

that a stronger national stand for "genuine reform" needs to be adopted. Finally, Page describes President Bush's campaign tactics as merely renaming the provisions of the 88 FSA as his own ideas.

Feb. 11, 1992: Editorial; "Reform Welfare, but Cautiously":

This piece comments on Bush's support of the new wave of state welfare reforms that demand something from recipients in return for public aid and on Bush's vow to make waivers easier to obtain. It defends the notion of welfare, saying that most recipients are not dependent from generation to generation. It implies, however, that reform is needed; but cautions strongly against federal waivers being automatic (cites the New Jersey waiver as an example of the danger of the lack of federal control).

April 20, 1992: Editorial; "Welfare reform, Wisconsin-style":

This piece discusses the political pressure surrounding welfare reform which makes "the line between genuine reform and opportunistic bashing a thin one." It considers the Wisconsin initiative for reductions in benefits to teens having babies an "unhealthy mixture of both" of these circumstances which "panders to middle-class resentments." The points of the piece include: 1) reform is needed but should not result in a cutback in aid for children 2) a defense of AFDC families; they do not generally have more children for the additional benefit.

April 29, 1992: News; "Welfare reform revisited in tightfisted legislature" by Hugh Dellios:

Dellios outlines pending action in Springfield to reform welfare by: 1) freezing benefit levels for people moving into Illinois and 2) stopping additional payments per child to AFDC mothers who have more than one child. The article presents both sides but emphasizes the opposition's argument which says that these reforms are based on misperceptions about the quality of life on AFDC. The opposition also points out that the recession has left people bitter and in favor of cuts in public aid. Dellios quotes Doug Dobmeyer from the Illinois Public Welfare Coalition as an expert opinion for the opposition.

May 1, 1992: News; "Lawmakers look to trim welfare list" by Hugh Dellios and Robert Vitale:

The authors review pending Illinois legislation, particularly the "Learnfare" pilot program that would force teenage welfare mothers to go to school. The article cites Lynda Wright, a former recipient and worker for the Illinois Public Welfare Coalition (is no longer with the Coalition), and Joseph Antolin, Deputy Director for the IL Dept. of Public Aid.

July 19, 1992: "Voice of the People" Column; "How to make the

welfare system work" by Sandra O'Donnell:

O'Donnell advocates for more federal funding of the '88 Family Support Act with lower state matching requirements. She also stresses the principle of making work pay, recognizing the need to include child care and health care in a self-sufficiency program for working parents.

September 9, 1992: News; "Clinton tells his welfare reform plan" by Mitchell Locin:

Locin covers the campaign rhetoric on welfare reform: Clinton v. Bush.

February 2, 1993: Editorial; "Earnfare earns its keep":

The author supports Illinois' Earnfare program which "places former transitional assistance recipients into part-time jobs with Illinois employers. The State pays the minimum wage for a 62-hour-a-month job, plus \$111 a month in food stamps and some commuting costs." Employers get free labor for six months and the opportunity can lead to a permanent job for the client.

February 3, 1993: News; "Clinton focuses on jobs, welfare" by Carol Jouzaitis and Michael Arndt:

The report reviews basic points of Clinton's reform vision and its relation to the Stimulus plan.

February 4, 1993: Editorial; "Welfare as we'd like to know it":

This column comments on Clinton's plan to "end welfare as we know it." It points out that the '88 Act never got off the ground because the recession kept the states from meeting their matching requirements. It supports reform but adds that Clinton's bold proposals are not yet supported with concrete action; it leaves the burden of welfare reform on Clinton.

February 11, 1993: News; "State plans to launch 5 welfare programs" by Rob Karwath:

Karwath outlines five Illinois waiver proposals approved by HHS. He highlights Illinois' Project Chance and quotes Doug Dobmeyer as an expert opinion.

March 3, 1993: "Voice of People" column; "Closing off promise of Project Chance" by Shelley Peck (Day Care Action Council 312-561-7900):

Peck discusses the need for child care for AFDC mothers in getting off welfare; cites Project Chance as a successful model that is being cut by the Illinois government.

March 9, 1993: News; "Poor need more time, study says" by Nancy Lawson:

Lawson reports that recipients need more than two years to get off welfare. Advocates hope Clinton's limit will be flexible. Key source for the article is: Jody Raphael from Chicago Commons West Humboldt ETC.

March 30, 1993: News; "A welfare option that works" by Julie Poppen:

Poppen highlights small non-profits whose welfare-to-work efforts have been successful. Two programs are highlighted: Options for People (312-921-3000) and Suburban Job Link (John Plunkett, head, 312-522-8700).

April 15, 1993: News/Commentary; "Cap on welfare still a family matter" by Sharman Stein:

Stein discusses the question of whether AFDC mothers would continue to have children if the additional benefit was revoked; generally defends the mothers but presents both sides of the issue.

April 26, 1993: Commentary; "Poor suffer as states jump on the welfare 'reform' bandwagon" by Michael Gauf:

This piece comments again on the wave of state "punitive" reforms, saying that reform should not mean simply budget-cutting. Rather, states need to concentrate on self-sufficiency programs that might cost money.

Chicago Sun-Times

Welfare reform has not been as prominent an issue in the *Sun-Times* as it has been in the *Tribune*. This paper, generally considered politically conservative, has presented a series of editorials on welfare reform that fashion a moderate stand on the issue. Overall, the editorial board tends to support more federal involvement, decreasing state responsibility, as well as overall reform of the system. No model programs or key contacts are highlighted in the editorial coverage.

***Because the Library of Congress has no access to an index for the *Sun-Times* after the early 1980s and because the paper itself could only release to the public the listings of editorials, only these editorials were used in compiling this report.

The specific editorials include:

December 11, 1992: "Clinton can't ignore inner city problems":

This piece criticizes Clinton's lack of direct focus on inner city problems since his campaign. It supports welfare reform as is discussed in *Mandate for Change*.

February 8, 1993: "Edgar should lead a review of DCFS":

The author sees Clinton's opening of the debate on welfare reform as an opportunity for Illinois to evaluate its own programs. It offers one State program by which relatives are paid money to take in children from their extended family as an alternative to foster care as an example of things that need to be reevaluated.

February 9, 1993: "Send the IRS after deadbeats":

Here, the paper advocates a stronger message on child support enforcement: "Paying child support is as important as paying taxes." It suggests that because state agencies do not have the capabilities for such an enormous task, that collection be turned over to the IRS.

February 16, 1993: "Put unspent U.S. cash to work":

This piece proposes that Congress eliminate state matching requirements for JOBS programs. Because of the recession, states cannot afford to pay their share and lose their federal dollars, money which then lies unspent.

April 22, 1993: "Setting welfare cap is worthy proposal":

This commentary supports the Illinois proposal to cap

payments to mothers who have additional children while on welfare. It considers current incentives "backward." Further, it does not see children as the potential victims of such reform because the families would still receive food stamp benefits, child care or health care.

June 8, 1993: "Rosty plan means JOBS funds":

Again, this piece asks that state matching requirements be revoked. It supports Rep. Rostenkowski's proposal that would reduce matching requirements and make other changes in the JOBS program.

Peoria Journal Star

The *Journal Star's* coverage of Illinois welfare reform has been fairly complete, even though it rarely discusses a national welfare reform plan. The paper presents a relatively moderate stance on the issue, usually discussing both sides, with the exception of one key reporter named Toby Eckert who presents a liberal opinion. Issues such as Illinois' welfare reform proposals including Learnfare, a cap on additional benefits per child, a requirement for able-bodied recipients to work, and a program to force teenage welfare mothers to go to school are discussed widely. Key expert opinions include Doug Dobmeyer from the Illinois Public Welfare Coalition and Joseph Antolin from the Illinois Department of Public Aid. Other than State proposals, the paper does not highlight specific model community programs.

The specific articles include:

February 17, 1992: News; "Welfare reform bills stress stick" by Toby Eckert:

Eckert reviews the pending legislation in Illinois sponsored by Sen. Frank Watson (R-Greenville). He highlights two bills in particular: 1) a cap on additional benefits to mothers with more than one child; and 2) a requirement for able-bodied recipients to go to work. Eckert presents both sides of the debate: Watson defends his bills and Doug Dobmeyer (Il Public Welfare Coalition) represents the opposition.

March 29, 1992: Commentary; "Edgar hints at some form of welfare reform" by Toby Eckert:

Eckert criticizes the reform bills pending in Springfield as unreasonable alternatives. He defends welfare families and emphasizes the need for job training and education components in any reform bill, as he states: "Simplistic slash-and-burn approaches will do little to further genuine reform. Unless lawmakers are willing to make the investments needed to truly improve the lot of the needy, we're stuck."

May 1, 1992: News; "Tie vote stalls welfare reform" by Toby Eckert:

Eckert reports on the stalling of the bill to cap welfare benefits for mothers due to a 7-7 tie in a Senate committee. He discusses Learnfare a bill which passed through the committee that would require teenage welfare recipients and their children to attend school. He presents both sides as Joseph Antolin speaks for the State and Lynda Wright (Public Welfare Coalition)

defends welfare families.

January 27, 1993: News; "Bills offer incentives to leave welfare track" by Toby Eckert:

Here Eckert reviews legislation introduced by House Republicans which would add a \$50 increase in benefits to encourage teen parents on welfare to stay in school. The bills would also impose copayments on Medicaid recipients and require child immunizations before AFDC families would receive benefits. Eckert reviews the support for the bill and also presents the opposition, represented by Doug Dobmeyer (Public Welfare Coalition) who is quoted saying, "The bills were manufactured somewhere on Pluto and have no basis in reality."

February 4, 1993: News; "Welfare plan might work in 'ideal world'" by Pam Louwagie:

Louwagie writes in response to Clinton's speech to the NGA in which he emphasized three ideas for welfare reform: work, an expanded EITC, and a national database for tracking "deadbeat dads." The article surveys local responses to his ideas. It talks to Brent Hursey-McLaughlin, assistant to the director at Peoria's South Side Mission, who is apprehensive about the reality of reform; Amy Owens and Arleatha Foster, residents of the New Promise Shelter, who discuss the need to make work pay; and Dean Schott, from the Illinois Department of Public Aid, who verifies Illinois' increase in welfare recipients in recent years.

April 25, 1993: Commentary; "Better off on welfare" by Shari Mannery:

Mannery presents Cynthia Davis, a high school grad and single mother living in public housing and on AFDC, as a case study example of how it does not pay for welfare mothers to go to work.

May 5, 1993: News; "Vote targeting mothers on welfare delayed in House" by Bill O'Connell:

O'Connell presents an update on this bill as it reaches the House. William Oppen from the Illinois Dept. of Public Aid, supported by Gov. Edgar, the Illinois Catholic Conference and Voices for Children, speaks against the bill.

June 23, 1993: News; "Child-support deadbeats pay up or paint" (AP) by Jennifer Dixon:

The paper prints Dixon's article which discusses a Wisconsin law to force deadbeats into community service if they do not pay their obligations. It recognizes the necessity of better child-support enforcement.

July 12, 1993: News; "Welfare compromise created budget deal" by Toby Eckert:

Eckert reports on the role of a welfare compromise in helping the two parties to agree on a budget. The Republicans allowed an increase in AFDC benefits while Democrats agreed to fund certain welfare reform initiatives.

Springfield State Journal-Register

Although welfare reform has been a prominent issue in Illinois and its legislature, it has not been covered extensively in the *State Journal-Register*. The editorials that the paper has printed seem to take a conservative stand, supporting tough, "punitive" reforms like some of those that have been introduced within the State. The paper additionally seems to have put the pressure on President Clinton to live up to his promise to "end welfare as we know it." Where it supports this ideal, it does not necessarily feel confident that the present Administration can handle this responsibility. No key news reporters seem to concentrate on welfare issues, and the paper has not highlighted any specific programs or individuals involved in welfare reform.

***Because of an inability to attain copies of the paper from March 1993 to the present, articles from the April 19, May 4, May 5, May 12, June 2, and June 4 issues have not been included in this report.

The specific articles include:

July 22, 1992: Editorial; "Welfare Reform has to include 3 key elements":

This piece calls for strong reform in order to target "the real drain on the welfare system...the long-term recipient, like the teenage mother." It proposes a program of "education + marriage + work." Finally, the author praises state "punitive" reforms such as the ones in Wisconsin and California.

February 3, 1993: News; "\$31 billion Clinton plan for economy" provided by the New York Times News Service:

The article reviews the President's speech to the NGA, emphasizing his ideas for welfare reform.

February 8, 1993: Editorial; "Clinton must take lead in reforming the welfare system":

This editorial questions Clinton's leadership in welfare reform; it says that he has called for the reform, but asks why he has been stalling on making a move. It emphasizes that he could not be stalling because of a lack of Republican support on the Hill for welfare reform because most Republicans support reform measures. Finally, it makes two suggestions for reform: that the proposal sticks to the two-year limit and that states be granted more freedom through waivers.



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GOVERNOR'S OFFICE

M E M O R A N D U M

TO: Interested Parties

FROM: Tom McCaffery *TM*
Washington Representative for Health & Welfare

DATE: July 7, 1993

SUBJECT: Welfare Reform Efforts In California

Find enclosed some material you may find useful with regard to the national debate on welfare reform.

Over the past two years Governor Wilson has proposed major reforms in California's welfare program. These reforms have sought to increase work incentives for welfare recipients and have emphasized the importance of personal responsibility and self-sufficiency. In its recent adoption of budget-related legislation, the California legislature enacted many of the Governor's reform proposals.

If you have any questions or desire additional material, please do not hesitate to contact me.

SUMMARY OF CALIFORNIA WELFARE REFORM

During his tenure as California Governor, Pete Wilson has proposed major reforms to the State's Aid to Families with Dependent Children (AFDC) program. His proposals have sought to promote work over welfare and self-sufficiency over welfare dependency. In its recent action to adopt a budget for the fiscal year 1993-1994, the California legislature enacted many of Governor Wilson's reform proposals. Find below a brief summary of the major reforms:

Work Incentives

In California, roughly half of all AFDC recipients on aid in 1987 were on aid five years later. The reform legislation provides financial incentives for AFDC recipients to work. Under current law, AFDC recipients often find themselves no better off for working because after an initial four month income "disregard" period, their work earnings result in an almost dollar-for-dollar reduction in their welfare grant. The reforms will permit recipients to permanently disregard a portion of their earnings, thereby preventing the dollar-for-dollar reductions and removing the present disincentive to work.

The budget legislation reduces AFDC grants by 2.7 percent and uses the savings to pay for the \$13.3 million increase in General Fund costs associated with implementing the above work incentives. This reduction will act as a further incentive to work. The recipients can "earn back" the 2.7 percent reduction by working a few hours each month at a minimum wage job.

Cal Learn

Research has shown that single parents who graduate from high school have higher incomes and lower rates of welfare dependency. The recent reforms create the Cal Learn program to encourage teen parents to stay in school and to graduate. Under Cal Learn, teen parents with a C average would receive a bonus of \$100 per quarterly report card and \$500 for graduating. Teens who earn below a D average or drop out would be penalized \$100 per quarterly report card. To help teen parents stay in school, Cal Learn will provide child care, transportation, and intensive case management services.

Child Care

A lack of affordable child care is often cited as a barrier to employment for AFDC recipients. If parents have no means of caring for their children while at work, they will be less inclined to work. Under the reform proposals, over \$7 million in supplemental child care payments will be provided to AFDC recipients. AFDC recipients who work will be eligible for a support payment to cover any child care costs which exceed the current \$175 or \$200 child care income disregard (up to the 75th percentile of the local

market rate).

GAIN Expansion and Reform

The GAIN program (California's JOBS program) has demonstrated much promise in increasing an AFDC recipient's income and reducing his/her dependency on welfare. The reform legislation builds on the successes of GAIN while correcting some of its deficiencies. State funding of GAIN will increase by \$41 million, thereby allowing California to draw down an additional \$40.2 million in federal jobs funding. This funding increase will allow over 47,000 more AFDC recipients to be served.

The legislation also makes some much needed reforms to the GAIN program by limiting GAIN services to "one time through" after which recipients will be required to wait for services until others are served. Also, the sanction process will be shortened so that those who are required to participate can be returned to the program more quickly or be sanctioned so that others can be served.

Savings Allowances

Under current law AFDC recipients are disqualified from aid if they save more than \$1,000 or have equity in an automobile over \$1,500. The California reforms will increase resource/savings limits to \$2,000 and will increase the auto equity limit to \$4,500. Also, "restricted" savings accounts of up to \$5,000 will be allowed. These accounts can only be used for a child's college education, towards a down payment on a home, or for starting a business.

The auto equity reform will help recipients acquire a dependable means of getting to and from work and therefore will make them more employable. By allowing individuals to save and build a "nest egg", the reforms will help recipients make the transition from welfare to independence.

Alternative Assistance

The reforms will permit AFDC-eligible individuals who refuse cash assistance to receive child care and medical coverage as an alternative. This will assist people in providing their families with needed services while diverting them away from dependence on cash assistance.

Reform Will Make Welfare Work

GOVERNMENT has an obligation to promote that which works and scrap that which doesn't. When it comes to welfare policy, what works, the only solution that works, is work itself.

Today, more than half of all American women work outside the home. The majority of mothers with children hold down jobs to support their families. Like it or not, working outside the home is the reality for most American women in the 1990s.

But for some reason, we don't expect that reality to apply to women on welfare in California. We administer this program as if it were still the widow and orphans fund it started out as in the 1930s — a time when working mothers were the exception, not the rule.

The messages we are sending out today are: You needn't work or stay in school. You don't have to work to support your children; you shouldn't even consider returning to the workforce until your child is 3; and you needn't worry about the financial implications of expanding your family.

My welfare reforms ask recipients to meet reasonable obligations to society. The first is that recipients refrain from having more children while on public assistance.

Second, we must insist that recipients strive to meet the minimum standard of parental responsibility by remaining — or becoming — drug-free.

Third, we must insist that teenage parents who go on welfare stay in school. The 15-year-old girl who drops out of high school to have her child must go back to earn the education and job skills she must have as a responsible parent and contributing adult. We can't have children who give birth to children fail to become adults.

And we're going to ask recipients to work, even if it is part-time work, to meet their needs.

We've got to change a system that teaches generation after gen-

Being on welfare is not an acceptable career choice

eration that welfare is a perfectly acceptable career choice. As a society, we must set and teach a simple standard. We must say that work at any honest job is entitled to respect and is a thousand times more honorable than choosing welfare as a profession.

Ironically, welfare is often seen as a young girl's ticket to "independence." Her way to live with money and away from her parents. It's time to require girls under 18 who get pregnant to live at home.

It's also time to require them to stay in the classroom. I'm proposing to do just that with our Cal Learn program, which provides incentives for teenage mothers to continue their education.

I know that it's not easy for people on welfare to make the transition to the workforce. They need our help. So, we have expanded child care and child support for recipients moving from welfare to work. But they need something else to make the transition. They need skills to earn a living and to earn their own self-respect in the bargain. And the best way to learn work skills is by working.

That's why I've sought to expand our job training program, known as GAIN, and make it focus on moving people into a job quickly.

Welfare recipients are understandably reluctant to get jobs when the system punishes them for working. To penalize people for work amounts to criminal stupidity on the part of the government. Only government would expect you to get a job, and then take away your only means to go to work.

So one of the most important of our work support proposals is to allow recipients to save and build equity in a car, as well as other assets they need to gain independence.

Most of us have to take into account the financial implications of having children. But the welfare system allows recipients, by giving them a cash grant, to have kids without worrying about the financial consequences.

I believe that we need to prepare families receiving Aid to Families With Dependent Children for the reality of the working

world: you do not get a raise when you have a baby. The expanding welfare grant should end.

California has the nation's fourth highest welfare cash grant. We're reducing it not just to save tax dollars, but to provide incentives to recipients to work — even to work a few hours a week to earn and keep as much or more than enough to make-up for the grant reduction.

We've already come a long way. In Sacramento, we've frozen welfare cost-of-living increases, reduced the Maximum Aid Payment, and received federal waivers to free California from the 100-hour rule that penalizes two-parent families for working and encourages families to break up.

My welfare reforms reflect the age-old principle that the family is the best social service agency ever created.

Franklin Roosevelt said that welfare dependency was "a subtle destroyer of the human spirit." FDR was right. When the human spirit crumbles, so do our families, our communities, our cities and our future.

The ultimate purpose of a humane welfare system is not to increase its grants, increase its caseload or expand its benefits.

The ultimate purpose of welfare is to end welfare, to liberate recipients and their kids, to lead lives of hope, dignity and opportunity.

Pete Wilson is governor of California.

EDITORIAL

In Hard-Times Budget, at Least Some Winners

Reform compromise rewards welfare recipients who work

The state budget compromise does more than parcel out California's fiscal pain. The bipartisan agreement substantially reforms the beleaguered welfare system to reward poor parents who work.

Gov. Pete Wilson wins big because welfare reform has been a priority for him. Democrats, led by Sen. Mike Thompson (D-St. Helena) and Assemblyman Tom Bates (D-Berkeley), win big because they have worked for years to reduce welfare dependency without harming poor children. But the biggest winners are the poor parents who can count on more help as they make the transition from welfare to work.

Under California's proposed new system, which would take effect when the Legislature passes implementing legislation, the state would no longer penalize welfare mothers and fathers who work. They would keep one-third more of their earnings. They could also count on increased subsidies for day care for their children.

Other changes would allow welfare recipients to save up to \$5,000 for college, a home or a business. In addition, they could own more reliable transportation—a car worth up to \$4,500 instead of a relic valued at no more than \$1,500, the current limit.

The new approach also addresses teen-age mothers, the people most likely to become long-term welfare recipients. Young parents who go to school and maintain a C average could count on an extra \$100 per quarter. Those who graduate from high school would collect a \$500 bonus. Those who refuse to go to school and those who fail would lose \$100 in benefits. Although these rules would punish poor children for the failures of their parents, the rewards and penalties are certainly worth

trying.

The state's best bridge between welfare and work is the successful Greater Avenues to Independence program. GAIN provides remedial education, job training, counseling and other workplace skills. Preliminary studies indicate GAIN works for the majority of those lucky enough to get a place in the program (because of inadequate funding there have been waiting lists).

The proposed budget gives GAIN \$38 million in additional money. The

big boost is warranted by both the program's results and the need.

The improvements are not without a price. To pay for the GAIN expansion

WELFARE WATCH

■ One in an occasional series



and other reforms, the state would use the savings from a cut in welfare checks. The Democrats successfully fought to limit the reduction to 2.7%. A single mother with two children, the typical welfare family, would receive \$607 instead of \$624 per month. That reduction comes atop welfare cuts of 10% made since Wilson took office.

In this year's torturous budget process, Democrats and Republicans compromised to achieve a workable welfare reform that could become part of a model for national reform. President Clinton has promised a national overhaul that will put more poor parents to work without throwing their children into homeless shelters or food lines. But that reform will take time, and this state cannot afford to wait.

California's new bipartisan approach to welfare recognizes the realities of today's workplace: Most mothers hold jobs and depend on day care. Most poor parents want to work—and if parents collect a small paycheck and a partial welfare check, neither they nor their children should be penalized.

**AFFIRMATIVE OPTIONS
FOR WELFARE PROGRAMS**

**Center for Law And Social Policy
Center on Budget and Policy Priorities
Children's Defense Fund**

February 26, 1992

LIST OF DOCUMENTS

All of the documents are the result of a collaborative effort among the Center for Law And Social Policy (CLASP), Center on Budget and Policy Priorities (CBPP), and the Children's Defense Fund (CDF). For each piece, we've cited the organization that was primarily responsible for developing it.

True Welfare Reform Removes The Barriers to Work; Cutting AFDC Benefits Only Increases the Barriers	(CLASP)
Some Options for Affirmative Welfare Reform	(CLASP)
Improving Child Support Enforcement Can Relieve Budgetary Pressures on AFDC and Help Poor Children	(CLASP)
Child Support Assurance: Another Approach to Welfare Reform	(CLASP)
State Reforms Could Assist More Unemployed Workers	(CLASP/CBPP)
Raising State Minimum Wages Can Promote Work and Boost Incomes Among the Poor, Potentially Lowering AFDC Costs	(CBPP)
Welfare Rules Punish Families for Going to Work; Fill-the-Gap Budgeting Could Remove Some Barriers to Work	(CLASP)
Welfare Rules Should Stop Penalizing Stepparent Families	(CLASP)
Welfare Rules Should Stop Penalizing Married Families	(CLASP)

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For Further information:

CBPP - Susan Steinmetz, Julie Strawn - (202) 408-1080

CLASP - Mark Greenberg, Jodie Levin-Epstein - (202) 328-5140

CDF - Arloc Sherman, Jim Weill - (202) 628-87874c

TRUE WELFARE REFORM REMOVES THE BARRIERS TO WORK; CUTTING AFDC BENEFITS ONLY INCREASES THE BARRIERS

Many states want to increase participation in the workforce by parents in AFDC families. Many AFDC families face barriers that make it difficult or impossible to get or keep a job. There are a number of steps a state can take to reduce or eliminate those barriers. However, one approach now being advocated – cutting AFDC benefits – does not reduce any of the barriers to work, and will actually make it harder for many families to succeed in the workforce.

Some advocates of "welfare restructuring" seem unaware of what federal law already requires. Under current federal rules, most families receiving AFDC benefits can have their grant cut if the parent fails to accept a job, quits a job, or reduces her earnings without good cause. Further, a family's grant can be cut when a parent required to participate in a work, education, or training program, fails to do so without good cause. Since 1990, every state has been required to operate a program of work, education, and training for AFDC families. States already have the tools to require participation. But as states have operated their programs, they have increasingly found that many AFDC families face serious barriers to succeeding in employment.

What are the barriers facing many AFDC families? There are four critical ones:

- **Education and Training:** In many states, half or more of AFDC parents lack a high school diploma. Even among recipients who have completed high school, states are often finding severe deficits in basic skills. Yet increasingly, even the lowest paying jobs are requiring high school completion or basic skill levels that many recipients lack.
- **Health Care:** So long as a family receives AFDC, the family is eligible for Medicaid. A family losing AFDC due to employment may be left with no health care coverage. Recent changes in federal law provide that some – but not all – families leaving AFDC due to employment will be eligible for up to a year of continuing Medicaid. But even families who get the year of Medicaid coverage may be left with nothing at the end of the year. No parent should be forced to give up health care coverage for her children in order to work at a job that does not provide decent health insurance or enough pay for basic needs and health insurance.
- **Child Care:** For a parent of young children, it may be literally impossible to work without child care assistance. As with Medicaid, recent changes in federal law provide that some – but not all – families leaving AFDC due to employment will be eligible for up to a year of child care assistance. But available statistics suggest that the vast majority of families leaving AFDC due to employment are not receiving this child care assistance. And even families who get the year of child care may be left with nothing at the end of the year.
- **Income Support:** In about half the states, a full-time minimum wage job means immediate loss of AFDC eligibility, even though a family of three will still have income well below the poverty level. In most of the remaining states, the family will

lose AFDC eligibility after four months of minimum wage employment. When a parent's work expenses are considered — especially if she lacks health care or child care coverage — the earnings from employment may not even be enough to pay her rent.

For families facing these barriers, the problem is not lack of incentive. Study after study indicates that the vast majority of AFDC parents would rather be working. The problem is that it is difficult or impossible for a parent to get and keep a job if the barriers to employment are not addressed. Accordingly, real welfare reform includes:

- **Expanded access to education and training** — ensuring that the state is making use of all available federal funds for education and training for AFDC families under the Family Support Act; three-fourths of the states did not spend all available funds last year;
- **Assuring health care and child care for low wage working families** — developing policies to ensure that every eligible family gets access to transitional Medicaid and child care when the family leaves AFDC and exploring new policies to broaden the availability of health care and child care for the working poor;
- **Strengthening income support to the working poor** — possible approaches include raising the state minimum wage; developing a state earned income tax credit; state policies to ensure that eligible families receive the federal earned income tax credit, preferably through the advance payment option; strengthening the operation of the state child support enforcement system; and revising AFDC eligibility rules (e.g., raising the standard of need; converting to a fill-the-gap budgeting system) to make it possible for a working poor family to keep receiving AFDC so long as the family is still in poverty.

In sharp contrast, some politicians are advocating cutting welfare benefits as an "incentive" to encourage more AFDC families to go to work. The major problems with this approach are:

- Cutting welfare benefits does nothing to make a parent who has never graduated high school or who lacks basic literacy more qualified for employment;
- Cutting welfare benefits does nothing to address the need for health care and child care for low wage employment. In fact, cutting welfare benefits makes the problem worse. Under current rules, when a family gets a low wage job, the family may still be able to receive AFDC. Whether and how long the family can receive AFDC depends on the state benefit level. So long as the family still receives AFDC, it is eligible for Medicaid and child care assistance; if the family loses AFDC, it may lose that assistance. When the state cuts its benefit level, it reduces the situations where a working poor family is still eligible for AFDC. As a result, the state actually reduces the situations where a working poor family has health care and child care assistance.

- Cutting welfare benefits does nothing to reduce the burdens on a family unable to meet its basic needs from the earnings of a low wage job. Instead, cutting welfare benefits lowers the state AFDC eligibility level, and reduces the situations where a family with a low wage worker is eligible for a cash supplement through AFDC. As a result, cutting the state's AFDC benefit level actually reduces the income available to families through low wage employment.

Cutting welfare benefits increases the barriers to employment for those who are able to work. It also deepens the poverty of families who are unable to work. If a politician believes the state's assistance to children in poverty is too generous, he or she ought to try to make that case. But no one should believe that cutting welfare benefits makes sense as a way to remove the barriers to work for poor families.

SOME OPTIONS FOR AFFIRMATIVE WELFARE REFORM

In the following pages, we've identified some thoughts for approaches for affirmative state welfare reform. This is very preliminary, and we welcome your thoughts about how to expand and modify the listing.

We had several guiding principles:

First, in many cases, families are forced to depend on AFDC because of failures of other systems: the child support enforcement system, the unemployment compensation system, and the failure of states to update their minimum wage laws to keep pace with inflation. Addressing these problems is both a way to help families and reduce some of the burdens on the welfare system. For two decades the welfare system has been substituting for responsibilities previously assumed by employers, absent fathers and other government programs, all of which were reducing their support for low-wage workers and women and children. These proposals do not create new burdens; they start restoring some prior equilibrium, as inadequate as that was.

Second, much of the current criticism of the AFDC structure draws on two points that advocates have been making for years: the AFDC program punishes people when they get married and punishes people when they go to work. Because we are so often trying to defend the system against cutbacks, and because we know that people get married and go to work despite the penalties, we are sometimes not as explicit as we once were about how the system fails. But this is a time to say "the system shouldn't punish people for marrying or working, and here are a set of proposals to stop it from doing so."

Third, no genuine welfare reform is going to save money, at least in the short run. Some of our proposals actually do offer savings to the state: expanded child support efforts reduce welfare costs and generate revenue to the state under federal rules, and increasing the minimum wage could reduce welfare spending by increasing income for low wage workers. Although difficult to quantify, there should be long term returns to investments in education, training, child care, health care, and income support for poor families, but in the short run, these investments have costs. We do not seek to obscure this point. We think it is important to convey that there are many things wrong with the current system, but excessive generosity is not one of them. Some proposals now being considered in states do save money, but only because they cut needed assistance to families. A state may decide that it wants to reduce welfare spending, but no one should operate on the misconception that the resulting cut is somehow a positive program of "welfare reform."

The package we've identified has the following elements:

1. Strengthen Child Support Enforcement.
2. Propose enactment of a commission to develop a Child Support Assurance demonstration project.

3. Reform state Unemployment Compensation laws to expand eligibility for low-wage workers.
4. Action to raise the state minimum wage.
5. Adopt Fill-the-Gap budgeting to reduce the work penalties in the AFDC Program.
6. Raise the standard of need or seek a waiver to reduce or eliminate the stepparent penalties in AFDC.
7. Take permitted state actions and/or seek waivers to reduce or eliminate penalties on married families in the AFDC Program.

We welcome your thoughts on expanding the list.

IMPROVING CHILD SUPPORT ENFORCEMENT CAN RELIEVE BUDGETARY PRESSURES ON AFDC AND HELP POOR CHILDREN

Child Support Enforcement Is A Realistic Antipoverty Strategy

Most state welfare reform proposals have focused on changing the behavior of mothers. Yet, most poor children also have fathers and their role in providing for their children should also be considered. Indeed, it should be remembered that Title I of the Family Support Act makes child support a major part of the overall strategy to encourage family self-sufficiency. And studies show that most absent parents do have enough income to help support their children. In fact, several studies find average income for noncustodial fathers to be in the \$25-\$30,000 a year range.

Child Support Enforcement Also Saves States Money

To date, few states have seriously considered integrating child support enforcement into their welfare reform or budget reduction strategies, despite its positive potential. If state child support agencies help insure that fathers pay more support, this would 1) reinforce male responsibility; 2) provide income to AFDC families from a nongovernmental source; 3) offset Medicaid costs when health insurance is also obtained; and 4) decrease the need for welfare by decreasing the number of mothers and children who need/qualify for AFDC or Medicaid.

This failure of states to move aggressively on child support enforcement is particularly ironic in light of states with budget difficulties because funding for state child support programs is largely federal. Indeed, all states --even ones with very limited programs -- actually make money on their child support programs (a total of \$40.3 million in FY 1989). The more states invest up front as the state share, the more they make through incentive payments and welfare cost recoupment. Thus, in addition to the four policy considerations listed above, states could make money by doing a better job.

What Could Be Done

There are four areas that could be looked at in developing a state-specific plan to improve child support which would both help families and generate more revenues. They are:

- Increase the number of people who get services thereby generating incentive payments and reducing the need for AFDC/Medicaid.

This can be done by a) developing simple application forms and making them available at welfare, food stamp, and unemployment offices; b) using the 90 percent federal funding available to computerize the parent locate and recordkeeping systems; and c) establishing a state registry to track and monitor all child support orders. Many of these reforms can also be financed by charging fees to and assessing costs and interest on noncustodial parents.

- Simplify the paternity establishment process so more children become eligible for support awards.

This can be done by a) initiating an in-hospital procedure for voluntarily establishing paternity; b) developing an affidavit system for voluntary paternity establishment for those cases not reached in-hospital; and c) streamlining the paternity process in contested cases.

- Set more realistic and adequate support awards and make sure medical insurance is included thereby increasing noncustodial parents' responsibility, where appropriate. This can be done by a) establishing realistic child support guidelines; b) periodically adjusting existing orders through simple administrative processes; and c) making sure all new/modified orders provide health insurance when available.

- Improve the tools available to enforce cash and medical support awards.

This can be done by a) immediate income withholding in all child support cases where the payor is employed; b) enacting laws requiring proof of payment of child support before any license is issued; c) automatic credit reporting of all child support debts; and d) enforcement of health insurance orders by requiring employers to place children on insurance when this has been ordered and to provide claims information to the custodial parent.

Further Information:

Roberts, Paula, *Turning Promises Into Realities: A Guide to Implementing the Child Support Provisions of the Family Support Act of 1988* (2nd Edition, 1991). This can be obtained from the Center for Law and Social Policy 1616 P Street, NW, Suite 450, Washington, DC 20036, \$18.00 (which includes postage).

CHILD SUPPORT ASSURANCE: ANOTHER APPROACH TO WELFARE REFORM

In the last few decades, every industrialized democracy has experienced a dramatic increase in the number of single-parent families headed by mothers. Many of them have developed a family income approach that works as follows:

1. The government sets an amount equal to what is required to raise a child in minimum decency.
2. Each month, it pays this amount (the guaranteed benefit) to the mother.
3. The government obtains reimbursement for the payment from the father.

Usually, the amount required from the father is determined under a formula which is similar to the American "percentage of income" child support guidelines. If, under the formula, the absent parent owes less than the guaranteed benefit, then the government collects that lesser amount and makes up the difference from government funds. If the absent parent owes more than the guaranteed benefit, the government collects what is owed and pays it all to the family. If the mother goes to work, the guaranteed child support amount stays the same. Even a part-time job along with the guaranteed child support payment gets families out of poverty. Indeed, one researcher has estimated that, if implemented in America, the ideal system would reduce the poverty rate by almost 40 percent and cut the number of AFDC cases nearly in half.

Recently, there has been interest in this concept in the United States. Here, it is usually referred to as a Child Support Assurance System (CSAS) or Child Support Enforcement and Insurance on the federal level. Senator Dodd of Connecticut has introduced a bill authorizing pilot projects on the idea (S.1411). The National Commission on Children and the Republican House Wednesday Group have endorsed the concept as well.

On the state level, New York runs a pilot project version of CSAS called the Child Assistance Program (CAP). In CAP, an AFDC mother with a child support order is potentially able to combine earnings, child support and a CAP supplement to attain income up to 150 percent of poverty. There is no limit on family resources and any food stamp benefit the family is entitled to is paid in cash rather than stamps.

Preliminary data on this seven-county pilot project indicates that CAP has 1) encouraged AFDC mothers to obtain support awards; 2) substantially increased work effort among the mothers participating; and 3) decreased the amount of cash assistance paid to families.

State legislatures could authorize their governor to seek a federal waiver to run a CSAS pilot or a project like CAP. This could be done independently of federal CSAS legislation or it could be done to position the state to take advantage of any federal legislation authorizing specific pilot projects which is likely to be enacted in the next two years. Of particular use might be establishing a state commission to study this approach as an alternative to more punitive ideas being considered.

Further Information

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STATE REFORMS COULD ASSIST MORE UNEMPLOYED WORKERS

One reason for the increased AFDC caseload during this recession is the failure of the Unemployment Compensation system to protect against unemployment to nearly the degree it used to. Only 37% of the unemployed received unemployment compensation benefits in 1990; this compares to 50% in 1980. In some states, only about one in five of the unemployed receive benefits. See Table 1 for the percentage receiving benefits in your state.

Restrictive unemployment compensation rules particularly hurt poor workers. A study by the Congressional Research Service found that workers with lower monthly earnings or lower hourly wages were less likely to receive any benefits. When unemployment insurance fails, families have to fall back on welfare. The CRS study found that over one third of unemployed family heads not receiving unemployment insurance relied on cash welfare.

There are many reasons why the system serves so few, but one part of the problem is that state rules often screen out low wage workers who lose their jobs. For the nation as a whole, 3.5 million initial claims were denied in 1991; half of those denials were for failure to meet state monetary eligibility requirements. (See Table 2 for the percentage of denials for failure to meet monetary requirements in your state.)

In many states, these monetary eligibility requirements — e.g., requirements for base period earnings, for earnings distributed over a number of months, for earnings that exceed some multiple of the state's benefit amount — have not been carefully reviewed in some time. Often, they are screening out workers who ought to be receiving assistance, and legislators could well agree.

Monetary qualification rules for unemployment insurance benefits are supposed to be a test to ensure that workers receiving unemployment benefits have a sufficient connection to the work force. But many state rules go much further. They set earnings qualifications that a formerly high-paid worker will meet but a formerly low-paid worker will not, even if they had worked the same number of hours. For example, if the base period earnings requirement is \$3000 or \$4000, a high wage worker will be able to satisfy the requirement in far fewer weeks of work than a low wage worker.

The monetary eligibility rules are often much stricter in practice than they seem on paper, because of a little-understood aspect of how eligibility is calculated. States build eligibility around a base year, which in most states, is defined as the first four of the last five completed quarters. For example, if someone applies for unemployment compensation in February 1992, the base period would be October 1990 — September 1991, because the current quarter (January-March 1992) and the most recently completed quarter (October-December 1991) are not counted. In effect, this means that the state excludes from three to six months of a worker's most recent work history when determining eligibility. When the exclusion of the worker's most recent earnings is combined with other state rules for measuring base period earnings, significant numbers of low-wage workers may be screened out from receiving benefits. As low and moderate-income employment has become more temporary or sporadic, these effects have been exacerbated.

One way to test how a state's system works is to use the example of a parent who had been on AFDC, has now been working for six months in a minimum wage job, and has just been laid off. Will she qualify for benefits in the state? Suppose the state has the seemingly modest requirement for base period earnings of \$2000. Working at the minimum wage of \$4.25 for 35 hours a week, a worker would need 14 weeks to reach the \$2000 figure. However, in the example above, where the base period is October 1990 to September 1991, she would need 14 weeks within that base period. So, if her job had lasted from August 1990 to January 1991, she will not have 14 weeks in the base period, even though she has been working for six consecutive months.

A worker ineligible because her earnings don't appear in the base period can always wait and re-apply after a new quarter begins. But that often does not happen, and the benefits are not available at the critical point when they are needed.

All of this pushes more and more families onto AFDC. The low-wage workers disproportionately pushed out of the unemployment system by these strict eligibility rules are also those least likely to have resources or other income, so they are often AFDC-eligible.

While employers may object to improving unemployment insurance rules, such improvements really have the effect of shifting back to employers a fairer share of the burden of compensating unemployment — a share closer to what they used to have. Declining unemployment insurance rates have had the effect of shifting tax burdens from employer taxes to general revenues, and added to political pressures on the General Assistance and AFDC programs. Sympathetic legislators and welfare officials may well be willing to push some of the burden back. The welfare department might help by surveying families coming in for AFDC assistance, to find out how many have recently lost their jobs or had some work history in the past year, and "ought" to be in the unemployment compensation system. It also bears noting that recent federal action extending additional unemployment benefits to workers who exhausted their state benefits does nothing to assist those unemployed workers who failed to qualify for state benefits to begin with.

Framing the issue this way also highlights that AFDC and AFDC-UP are sensitive to economic cycles — that the recession has been the driving force in caseload growth, and that the erosion of unemployment insurance has increased the role of AFDC as a counter-cyclical program. State legislators are reacting to the recession and AFDC caseload growth as separate problems when they are related, and one factor tying them together is unemployment insurance erosion. Highlighting the connection may lead to improvements in the unemployment insurance system and reduce AFDC costs. At the same time, it may also help clarify for policymakers and the public the nature of the AFDC program and the demographics of its recipients.

RAISING STATE MINIMUM WAGES CAN PROMOTE WORK AND BOOST INCOMES AMONG THE POOR, POTENTIALLY LOWERING AFDC COSTS

The level of the minimum wage is important to the poor since, according to data from the Congressional Budget Office, a majority of the working poor have earnings at or near the minimum wage.

The federal minimum wage equaled \$3.35 an hour from 1981 to 1990, and was then raised in two steps to \$4.25 an hour. This increase made up only a fraction of the ground lost to inflation.

- Throughout the 1960s and the 1970s, the earnings of a full-time year-round worker at the minimum wage typically exceeded the poverty line for a family of three.
- By contrast, in 1992, the earnings of a full-time worker at the minimum wage will equal just 78 percent of the estimated poverty line for a family of three – and will leave a family of three \$2,400 below the poverty line. For minimum wage earnings to equal the three-person poverty line, the minimum wage would need to equal \$5.40 an hour.

Opponents of an adequate minimum wage argue that it causes substantial job losses, and that state minimum wages make a state unattractive to business. But a recent study by labor economist David Card of Princeton University suggests that moderate increases in the minimum wage at the state level would boost the income of workers without significantly reducing job opportunities. Card studied the period from 1987 to 1989 when California's state minimum wage of \$4.25 an hour was above the federal level of \$3.35 an hour. He compared employment and earnings trends in California to trends in other areas of the nation with similar labor market conditions, except for a lower minimum wage. Card found "no evidence that the rise in the [California state] minimum had an adverse employment effect. Indeed the evidence suggests that an increase in the [California state] minimum wage *raised* both wages and employment among low-wage workers in the state."¹ Card's results are consistent with other recent studies finding that concerns over the effects of the minimum wage on job opportunities are overstated.

Currently, a handful of states – such as Iowa, New Jersey, and Oregon – have state minimum wages above the federal level. States could assist the working poor, including working AFDC families, by raising their state minimum wages to the level that would lift a family of three out of poverty. State minimum wage laws could also be extended to workers who are not covered under the federal minimum wage, such as certain workers employed in small businesses.

There are some distinct advantages to injecting the minimum wage issue into the current debate about budget cutting, welfare "reform," and recipient behavior:

- Increasing the minimum wage (and therefore recipients' earnings) has the effect of increasing the returns from work. This is particularly true if the recipients are allowed

¹David Card, "Do Minimum Wages Reduce Employment? A Case Study of California, 1987-89," Department of Economics, Princeton University, May 1991.

to keep a more reasonable share of the earnings, as when the state has or adopts the fill-the-gap method for counting income. If the state is concerned about recipient work behavior, it should maximize the returns of work.

- While recipients keep some of the wages, some go to the state as countable income (in AFDC or a General Assistance program), reducing welfare costs in tight budgetary times.

- The gain to recipients and the state comes at a modest cost to employers, but for more than a decade, employers have been shifting the cost of supporting families of less educated or skilled workers onto the families and onto the taxpayers by paying lower and lower minimum wage. A higher state minimum wage leads in the direction of restoring the responsibility borne by the private sector in the 1960s and 1970s.

WELFARE RULES PUNISH FAMILIES FOR GOING TO WORK; FILL-THE-GAP BUDGETING COULD REMOVE SOME BARRIERS TO WORK

The rules of the welfare system punish families for going to work. When an AFDC family gets a job, the family's AFDC grant gets cut. In all but about ten states, there is close to a dollar-for-dollar reduction in the AFDC grant based on employment earnings after the first four months of employment.

States could reduce the AFDC work penalty by changing their AFDC budgeting rules. Under federal law, states have an option to adopt "fill-the-gap" budgeting. In fill-the-gap budgeting, there is a less severe reduction in AFDC when a family goes to work, and more working families are able to keep getting some AFDC assistance and retain Medicaid eligibility so long as the family is poor.

To understand how fill-the-gap budgeting is different from ordinary AFDC budgeting, some background is needed. Every state has an AFDC "standard of need," the monthly amount that the state says (in theory) a family needs to live on. The state also has an amount that it pays to a family with no income. In most states, there is a "gap" between the standard of need and the amount paid to a family with no income. For example, the state's standard of need might be \$800, and the payment to a family with no income might be \$400. In this case, there is a \$400 gap between the standard of need and what the state will pay.

In most states, when a family has earnings or other countable income, the family's AFDC eligibility and benefits depend on whether the countable income is more or less than the amount the state pays to a family with no income. For example, suppose the standard of need is \$800 but the payment amount is \$400. If the family's countable income is \$300, the family gets an AFDC grant of \$100, since the \$400 payment level is the starting point. If the family's countable income is \$450, the family gets no AFDC grant, because its countable income exceeds the payment amount. Even though the family is still deep in poverty and has income well below the standard of need, the family is ineligible for assistance.

The alternative approach is called "fill-the-gap" budgeting. In "fill-the-gap" budgeting, the state might, for example, say that the state will pay 50% of the deficit between the family's income and the standard of need. So, if the need standard is \$800, the state would pay \$400 to the family with no income. If the family's countable income was \$300, the state would pay the family \$250 (50% of the deficit between the \$800 standard of need and \$300 of countable income). If the family's countable income was \$450, the state would pay \$175 (50% of \$800-\$450). So long as the family's countable income is below the standard of need, the family is still eligible for some AFDC payment and retains Medicaid eligibility.

A state choosing to adopt fill-the-gap has some additional options beyond just paying a percentage of the deficit. For example, the state might pay a percentage of the deficit up to a maximum, or might pay the entire deficit up to a maximum. People interested in pursuing fill-the-gap will want to examine the range of possible approaches.

Compare how a family fares under ordinary AFDC budgeting and fill-the gap. In this example, the standard of need is \$800 and the amount paid to a family with no income is \$400, and the state pays 50% of the deficit.

HOW FILL-THE-GAP WORKS

Family has:	Ordinary Rules AFDC pays:	Fill the Gap AFDC pays:
No other income	\$400	\$400
\$100	\$300	\$350
\$200	\$200	\$300
\$300	\$100	\$250
\$400	----	\$200
\$500	----	\$150
\$600	----	\$100
\$700	----	\$50

Note the advantages of fill-the-gap:

- The family retains AFDC eligibility so long as its income is below the standard of need. The family also will retain Medicaid eligibility while below the need standard, and need not be fearful that entering employment will mean loss of Medicaid after the Medicaid transitional period.
- The AFDC grant is reduced as the family's countable income goes up, but at each step, the family has more total income by increasing its earnings. For example, a family with \$300 in countable income has total income of \$550; a family with \$350 in countable income has total income of \$600.
- The fill-the-gap approach takes a positive approach to reducing AFDC's work penalties. At a time when welfare recipients are being assaulted politically for having very low work rates, and a range of punitive approaches (e.g., lowering benefits for nonworking recipients) are being proposed, it is essential to show how strong are the current work penalties in the program, how cynical are the punitive proposals, and how a range of positive proposals exists. Fill-the-gap reduces work penalties by letting recipients keep a considerably larger share of earnings and reducing the likelihood that getting a job means loss of Medicaid. While fill-the-gap encourages work, it does so in a manner that helps rather than hurts children, in contrast with approaches that simply involve cutting benefits.
- A switch to fill-the-gap could be combined with an informational program for recipients and expanded JOBS efforts in a strong pro-work initiative that meets the public's desire and legislators' needs to address welfare-work linkages, while recognizing that the public also is uncomfortable with cutting benefits to children.

There is reason to believe that much of the public would support a change in AFDC rules to reduce the penalties on work. In a recent Field Poll in California, 77% agreed with the statement "The AFDC program should be changed to allow poor mothers to keep more of their earnings without losing benefits;" only 17% disagreed. Moreover, at a time that some politicians and some of the public are sensitive to high tax rates (e.g. some think a 28 percent rate on capital gains is too high), it may be possible to build a broad consensus around the need to lower the effective tax rate of close to 100% in AFDC.

There are also some disadvantages to "fill-the-gap." Among them:

- Adopting fill-the-gap may weaken constituencies for raising benefits for the families with no income. Indeed, in California, where a very minimal fill-the-gap structure was adopted last year, Governor Wilson advocates cutting basic benefits, and asserts that families shouldn't be hurt because they can simply work some number of hours a week and fill the gap.
- Some legislators may be opposed to any approach that increases the number of families receiving AFDC, even if this is a necessary approach to reduce work penalties in the program.
- There are equity issues: if there is money to go to grant increases, should it go to families with earnings or to the poorest families with no other income?

If you are interested in pursuing the fill-the-gap approach, keep in mind that:

- The state can adopt this approach by a state plan amendment, and does not need a federal waiver.
- The state cannot just apply fill-the-gap to families with earnings. All kinds of income must be treated the same way. For example, a family with \$300 of child's social security benefits must be treated the same as a family with \$300 in countable earnings.
- How much fill the gap budgeting helps and costs will depend, in part, on the state's need standard. If the need standard is \$450 and the amount paid to a family with no income is \$400, there is not much of a gap, and the impact of the change in budgeting will be much less.
- Some states are permitted to use fill-the-gap budgeting for child support, but most states are not. Under federal law, 42 U.S.C. §602(a)(28), only those states which, in 1975 allowed AFDC recipients to retain a portion of their monthly child support payment without experiencing a dollar-for-dollar reduction in AFDC are permitted to use fill-the-gap for child support.

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WELFARE RULES SHOULD STOP PENALIZING STEPPARENT FAMILIES

The welfare system sharply penalizes children if their mother gets married. In most states, a stepparent has no legal duty to support the children of his or her spouse. But the welfare system severely cuts or eliminates benefits when a mother marries, by counting much of the income from the stepparent when calculating the family's AFDC eligibility. The effect of the rules is often to reduce or eliminate benefits to the family even if the stepparent is working at a minimum wage job. This imposes a sharp penalty on getting married.

To the extent state legislators or officials are concerned that AFDC discourages family formation, legislators should want to change the current stepparent rules. Proposals to penalize unmarried recipients are unduly coercive and attempt to reach into the most private aspects of the lives of the state's residents. But removing large economic marriage penalties in public systems is a positive, non-coercive way of letting poor people make sound, family-forming and family-preserving decisions. This gives legislators a solid, pro-family option that helps rather than hurts needy children and parents.

One of the less-noticed features of New Jersey's recently enacted welfare restructuring package was a part of the legislative package that would substantially reduce the stepparent penalty in AFDC. And in Vermont - one of a small group of states in which stepparent rules are even more restrictive because stepparents have a legal duty to support their stepchildren - the Agency for Human Services has proposed to eliminate that legal duty, to reduce stepparent penalties.

For most states, there are two ways the state could reduce the stepparent penalty: by raising its standard of need, or by seeking a federal waiver to eliminate the stepparent income counting rules.

Reduce the Stepparent Penalty by Raising the Standard of Need

Under federal rules, when there is a stepparent in the home, and the stepparent is not legally responsible for his stepchildren to the same extent as is a natural or adoptive parent, then all of the stepparent's income counts as available to the AFDC family except for three deductions:

- the first \$75 of earned income;
- the amount of the state's standard of need for the stepparent and his legal dependents in the home who are not in the AFDC unit; and
- amounts actually paid by the stepparent to persons outside of the home for child support, alimony, or other payments to legal dependents.

42 U.S.C. §602(a)(31). An example shows how this works. Suppose a mother and her child are receiving AFDC, and she then marries a man who brings two children of his own into the household. Suppose he has gross earnings of \$900 a month — below the poverty line for a family of three. Suppose he is making no payments for child support, alimony, or for other legal dependents. To calculate the amount available for AFDC purposes, the state

would take \$900, subtract \$75 and subtract the standard of need for the stepparents and his dependents. In the median state, where the standard of need for three is \$544, the result would be \$281, so \$281 would be treated as countable income to the AFDC family. In most states, this would lead to a \$281 cut in AFDC benefits; in about half the states, the family would lose AFDC eligibility and Medicaid altogether due to \$281 in countable income.

The reason why the penalty is so sharp in most states is because the state standard of need is so low. The standard of need is the amount of money a state supposedly considers necessary for a family to live on. This is not the amount that the state pays to a needy family, and raising the standard of need has no effect on the amount of aid paid to a family with no income. Unfortunately, many states have set extremely low standards of need, which have no real relation to the true needs of families. As a result, the state's allowance to the stepparent and his dependents is far below the poverty level, and so too much of the stepparent's income is considered available to the AFDC family.

There is one way the state can reduce the stepparent penalty: by raising the state "standard of need." If, for instance, the standard of need were set at the poverty level, then stepparent income would still be counted if the AFDC parent married an individual with substantial income. But there would be little or no penalty if she married a low-income wage earner who truly lacks the capacity to support the children of his new wife.

Raising the standard of need has other consequences, but they are all positive consequences that address other inequities in AFDC rules. For example:

- When a minor parent lives at home, part of the income of her parents is counted as available for AFDC purposes. Like stepparent rules, the calculation of the amount considered available depends on allowing a deduction of the standard of need for the minor's parents and their other legal dependents. When the standard of need is raised, the state reduces the extent to which it denies or reduces assistance when the parents of a minor parent are extremely poor.
- A family is ineligible for AFDC if its income exceeds 185% of the standard of need. If the standard goes up, fewer families may be denied benefits because of the 185% rule. But the only families who might have been denied benefits under the 185% rule are working families with work-related expenses, so raising the cap helps these low-income working families.
- When an AFDC family receives a lump sum of income, e.g., recovery from an accident, the family may be disqualified from AFDC from a period of time. This rule has been repeatedly criticized for its harsh and unfair consequences, as it can result in denial of assistance long after the lump sum is gone and while the family is desperately in need. The length of a lump sum disqualification is determined by dividing the lump sum by the state's standard of need. So, by raising the standard of need, the state shortens inequitable lump sum disqualifications predicated on unreasonably low needs standards.
- If a state uses fill-the-gap budgeting, i.e., permits continued eligibility for families with

countable income below the standard of need, then raising the standard of need will expand the number of poor families eligible for assistance.

In short, raising the standard of need can both reduce the stepparent penalty and alleviate other inequities in the AFDC system that result from using an unreasonably low standard of need.

Eliminate the Stepparent Penalty Through a Federal Waiver

The state could also apply for a waiver of the federal rules that currently require such stringent counting of a stepparent's income. For example, a waiver might say that a stepparent's income should not be counted at all, or should only be counted after the stepparent's income exceeds 150% of the poverty guidelines. This kind of approach has possible advantages and disadvantages. A possible advantage is its directness: instead of the many side-effects of raising the need standard described above, the state could target stepparent rules. Another possible advantage is that the waiver could allow the state to precisely identify when, if ever, stepparent income should be counted. The major disadvantage is that HHS insists that all waivers be cost-neutral to the federal government. Since more liberal stepparent rules would have some costs, the state would have to identify a corresponding saving, or bear the additional costs itself.

WELFARE RULES SHOULD STOP PENALIZING MARRIED FAMILIES

A good welfare system would not deny assistance to needy children just because their parents are married. But the current system often does just that. AFDC eligibility rules are much stricter when parents live together than when one parent leaves the home.

How are the rules stricter? If a one parent family applies for AFDC and is poor enough, the family need only show that the other parent isn't home. But if a two parent family applies, they must show that one parent is either incapacitated or is unemployed and meets various "work history" rules. This screens out many families, especially young families that may not have much work history yet.

For many years, it was up to each state to decide whether to provide AFDC-UP (Unemployed Parent) benefits for two-parent families; about half the states did not do so. In 1988, Congress changed the law to require all states to provide benefits to some two parent families for at least part of the year. But the eligibility rules are still much stricter for two-parent families, and some states have chosen to make their rules for two-parent families more strict than federal law requires.

Criticizing the AFDC program because so few of the parents are married is like criticizing Social Security for having so many recipients who are aged or disabled: the demography is a product of the program's design, not a commentary on the behavior of the recipients. Rather than stigmatizing the adult welfare population for having such a high proportion of single-parent families, policymakers should break the self-fulfilling prophecy and allow more two-parent families to receive benefits. This will bring some additional needy families into the program, but it will also allow more single parents to marry or remarry without risking loss of basic income support.

To assure that parents are not punished for being married, there are some things the state can do under current law. And, the state could try to seek a waiver of federal law requirements that treat two-parent families worse than one-parent families.

Without seeking a waiver, here are three areas where the state can exercise discretion:

Provide continuing benefits: Under federal law, states that were not operating AFDC-UP programs before 1988 are free to limit benefits to two-parent families to a period of six months. A pro-family approach would provide year-round benefits. There is no need to cut off benefits after six months as a "work incentive." The state has sufficient tools through its JOBS Program to ensure that at least one parent in an AFDC-UP family is actively looking for work or engaged in appropriate JOBS activities.

Assure that school and training count: Under the Family Support Act, a state has a set of options to broaden the circumstances in which participation in education and training activities can count toward satisfying the "quarters of work" requirement to qualify for benefits by counting quarters of attendance at school or participation in JTPA as quarters of work. 42 U.S.C. §607(d)(1). Broadening the qualification should particularly help young parents who have been in education but not in the work force.

Provide permitted temporary assistance: States have the option to provide temporary assistance when a parent has been away comes home. Under federal rules, the state can choose to provide benefits for a temporary period when the absent parent returns. 45 C.F.R. §233.10(b)(4). Otherwise, the family will lose eligibility as soon as the absent parent comes homes.

If a state wants to undertake more comprehensive reform, it might seek a waiver to:

- **Reduce or Eliminate the 100 Hour Rule.** Under federal rules, an AFDC-UP family loses AFDC eligibility if the principal wage earner is employed for 100 hours a month, even if the family's wages from employment are so low that the family would still be financially eligible for AFDC. This is a particularly harsh and unjustified penalty: 100 hours of employment at the minimum wage would lead to gross earnings of \$425 -- plainly insufficient to meet family needs.

The findings from a demonstration project in Fresno California waiving the 100-hour rule suggest that waiving the rule could both increase work among AFDC-UP families and lead to AFDC savings. It found that during a period where the number of AFDC-UP cases increased by 17%, the number of AFDC-UP cases with earnings increased by 90%. The percentage of the AFDC-UP caseload with earned income increased from 10.8% to 18%. During the three years of the demonstration project, the number of cases reporting employment of more than 100 hours a month increased from 8 a month to 48 a month. See "Linking AFDC-U Parents to Employment: Fresno County's Link-Up Project (Final Evaluation, May, 1991).

Under federal law - 42 U.S.C. §1315(d) - the Department of Health and Human Services is expressly authorized to grant waivers for use of modified definitions of "unemployment" for AFDC-UP families, including complete waivers of the 100-hour rule. Criteria for these waivers was contained in FSA-AT-90-5 (April 2, 1990). While the period for applications has passed, the federal law authorized up to 8 waivers, and less than 8 were approved, so a state might still seek to apply for one of the waivers.

- **Eliminate the "quarters of work" rules.** Under federal rules, a two-parent family may only be eligible for assistance if it demonstrates a connection to the work force, through quarters of work or qualifying for unemployment compensation. The state could cut administrative costs and expand eligibility for two parent families by eliminating or substantially liberalizing any qualifying test except unemployment.
- **Eliminate all special qualifications for two parent families.** A waiver might go a step further, and say that any two-parent family that meets financial eligibility guidelines ought to be eligible for assistance.

dedicating the revenues from federal gas taxes to the Social Security Trust Fund, we can reduce workers' payroll taxes while providing important incentives for increased fuel efficiency.

6. **Expand scientific research on, and use of, risk assessment as part of a national effort to set environmental priorities.** In an era of constrained resources, we need to target our environmental-protection efforts (and limited dollars) at those problems that will yield the greatest reductions in risk, whether to human health or ecological conditions.

10

Replacing Welfare with Work

WILL MARSHALL AND ELAINE CIULLA KAMARCK

THE NEW SOCIAL DILEMMA

America has lost the initiative in the war on poverty. Despite rising social spending and moderate growth, the U.S. has made negligible progress against poverty since 1973. Our poverty rates are twice those of other advanced countries. And poverty in America increasingly wears a child's face: One out of every five of our children is poor. Most alarming of all is the emergence of an angry and demoralized "underclass" that is at once dependent on government yet isolated from society at large. The U.S. is in danger of developing a caste system in which scattered pockets of impoverished and mainly minority citizens are permanently barred from taking part in the nation's productive and civic life.

The nature of America's social dilemma has changed in important ways since Lyndon Johnson launched the Great Society in 1965. Far fewer elderly Americans and far more children are poor today. Teen pregnancy and family breakdown have reached staggering proportions. Suburban flight by a growing black middle class has left behind heavier concentrations of urban poverty and deprived many communities of role models and stabilizing institutions. Blue-collar jobs have been vanishing from our cities, so that black males without college educations face lower earnings and poorer job prospects than a decade ago. Some women's use of

crack cocaine has brought new tragedies: the birth of addicted "boarder babies" and the advent of "no-parent families."

The percentage of Americans living in poverty fell sharply in the 1960s, remained stable throughout the 1970s, and then rose in the 1980s. Between 1959 and 1973, the poverty rate fell from 22 percent to a record low of 11 percent; today over 14 percent (35.7 million Americans) are poor.¹

All Americans pay dearly when social ills are allowed to fester. Our country is forfeiting the productive potential of millions of citizens who lack the education and skills to compete in an information-based, global economy. At the same time, our taxes rise to finance higher public spending for police, courts, prisons, remedial education, emergency medical care, drug treatment centers, and shelters for the homeless. And America's great cities continue to deteriorate as those who can afford to flee to the relative safety and better schools of the suburbs and job-creating enterprises steer clear of city centers ravaged by crime, drugs, and other symptoms of social disintegration.

Agreement is widespread across the political spectrum that the welfare system fails to address our most virulent social ills. At best, it offers palliatives rather than cures; at worst, it fosters dependence rather than self-sufficiency, seeking only to cushion the blow of poverty rather than helping people to escape it. Deeply unpopular at all levels of society, welfare is failing both the needy people it is supposed to help and the working people who pay for it.

The facts are grim, the case for action urgent. Yet for 12 years, Republican presidents have pursued a course of studied inaction and neglect. A growing gap between rich and poor, the spread of poverty among children, and a yawning racial chasm that threatens to divide America into separate, unequal societies—these are the most shameful legacies of the Reagan-Bush years.

The new President must do better. He must launch a new generation of social innovations intended to empower the poor and help them liberate themselves not only from poverty, but also from a debilitating dependence on welfare. This chapter proposes a plan for replacing welfare with a work-based social policy that reinforces mainstream values, rewards individual initiative, and demands responsible behavior from recipients of public assistance even as it expands opportunities to achieve self-sufficiency. Such a strategy would:

- Replace permanent welfare with a two-year transitional program.

- Shift public subsidies from welfare to work.
- Assure all Americans access to health care.
- Create social insurance for children through guaranteed child support.
- Offer people who cannot find private jobs work in community service.
- Expand welfare-to-work efforts by nonprofit groups and businesses.

THE WELFARE DEBATE

America's welfare system is beset by conflicting impulses. According to Harvard sociologist David Ellwood:

Welfare brings some of our most precious values—involving autonomy, responsibility, work, family, community and compassion—into conflict. We want to help those who are not making it but in so doing, we seem to cheapen the efforts of those who are struggling hard just to get by. We want to offer financial support to those with low incomes, but if we do we reduce the pressure on them and their incentive to work. We want to help people who are not able to help themselves but then we worry that people will not bother to help themselves. We recognize the insecurity of single-parent families but, in helping them, we appear to be promoting or supporting their formation. We want to target our money to the most needy, but in doing so, we often isolate and stigmatize them.²

Republican leaders have exploited public hostility toward welfare, using it as a racially charged symbol for liberals' supposed profligacy and penchant for social engineering. At bottom, they say, the problem is cultural; no amount of social spending can compensate for a lack of individual responsibility and initiative among the poor. Nonetheless, they have not been honest or daring enough to call for welfare's abolition or to replace it with something better; even Ronald Reagan, nemesis of America's welfare queens, affirmed his support for a social "safety net." This stance merely serves to thwart fundamental reform, leaving us with the worst of all worlds: a stingy welfare system that offers poor citizens bare subsistence but little dignity or hope of advancement.

Many Democrats, however, have played into conservative hands by reflexively defending the welfare status quo. They argue that our social dilemmas are rooted not in culture but in economics—in society's failure to provide sufficient resources for the poor.

Yet to many working Americans, this stance seems to absolve poor citizens of the responsibility to do their part by working hard, playing by the rules, and avoiding self-destructive patterns of behavior: teenage pregnancy, the avoidance of marriage, crime, drug abuse, and the failure to stay in school or to work. While commendably compassionate, the liberal approach too often puts inordinate faith in bureaucratic mechanisms to do for others what only they can do for themselves.

The welfare debate thus remains deadlocked over an uninspiring choice between conservative prescriptions for "less of the same" and liberal demands for "more of the same." But shrinking or expanding the safety net is a false choice. The real challenge facing national leadership today is to combine equally valid insights about culture and economics, collective and individual responsibility, in a new strategy for building ladders out of poverty and dependence.

The new administration must marshal a sustained, national commitment to end dependency on welfare and break the walls that separate the underclass from the rest of society. It will require what America has lacked for 12 years: strong presidential leadership. The new President must rekindle a sense of moral urgency and reciprocal obligation, and spell out the harmful consequences for all Americans of continued inaction. And he must be willing to embrace radical changes in social policy. Just as we did in the 1960s, Americans need to launch a new era of social experimentation in the 1990s. But in the next round, we must do a better job of demanding results, both to restore public confidence in the efficacy of governmental action and to avoid immortalizing programs of dubious worth.

SOCIAL WELFARE: FOUR FAILURES

A sweeping overhaul of America's welfare system must begin with a candid assessment of its shortcomings. Social scientists fiercely dispute whether or not welfare itself breeds a self-destructive "culture of poverty." But beyond this argument is broad agreement that the system suffers from four failures:

1. **Welfare undercuts the incentive to work and isolates the poor from the economic and social mainstream.** Nearly half of those who go on welfare stay for under two years. But for those who do not escape the system quickly, welfare can become a way of life:

Fully a quarter of those on the rolls remain there for more than 10 years.

Social supports inevitably reduce the pressure to work. But even for people determined to work, the low-skill, low-wage jobs they are most likely to get cannot compete with the welfare economy. Those jobs rarely pay enough to propel the typical welfare family out of poverty. They seldom offer health insurance, child care, or other benefits like food stamps or housing vouchers. "There's no question that lots of women on welfare can't earn their way out of poverty—probably more than half couldn't, and many can't earn as much as they are receiving in welfare," said Irwin Garfinkel, a professor at Columbia University School of Social Work.⁴

To close the gap in skills that typically frustrates welfare recipients' efforts to find good jobs, some welfare experts propose expanding education and training. Unfortunately, in recent years academic and anecdotal evidence has called this strategy into question. In 1980 *The Washington Post* tracked down approximately one-third of the original 1965 Job Corps members. The men claimed that only two in their group made any significant break from poverty as a result of training and education provided by the Job Corps.⁵ More damning was the fact that the participants said their current lives are virtually indistinguishable from those of their peers who were not in the Job Corps in 1965. Two studies, one of a Seattle/Denver income maintenance experiment and another of a New Jersey/Maine training program, support the conclusion that adult education and training provide limited benefits for recipients.⁶ And government-funded job training programs frequently have been criticized as elaborate boondoggles that train workers for minimum-wage jobs like flipping hamburgers.⁷

Moreover, even when training programs seem to work, the cost per person is so extravagant that it calls into question the cost-effectiveness of such programs. In the 1988 presidential campaign Michael Dukakis touted his E.T. Program (education and training) which had been very successful in getting welfare mothers off welfare and into jobs. The program was criticized however, because the cost per client was so great. The Job Training Partnership Act links trainees with private industry and labor unions at a much lower cost per person. But its training program is managed by private industry.⁸

The myriad of disincentives to work that are built into the current system create what Housing and Urban Development Secretary Jack Kemp has called two economies: an incentive-driven

market economy and an inner-city "socialist" economy of bureaucratic commands and controls. The first rewards work and taking risks, the second, passivity and dependence. Says Kemp, "Since at least the late 1960s, our ever-expanding web of welfare rules has gradually cut the ties between the poor and the rest of American society, creating a separate and unequal economy in the inner cities, segregating the poor from the rest of us and shattering the link between effort and reward."

The result is that the poor are isolated from the rest of society, in every sense. To the tax-paying public, the welfare system appears to undermine rather than reinforce mainstream values. Means-tested programs represent a direct transfer from taxpayers to the poor, many of whom are not working and have other problems that keep them dependent on public largess. The recipients of targeted programs are seen as personally deficient, undermining public support for programs designed to help them. For this reason, William Julius Wilson and other analysts have called for replacing means-tested and race-specific programs with universal programs that, like Social Security, address the needs of working and middle-class people as well as the poor.

Physical isolation reinforces social isolation. The effects of physical isolation—for instance, the concentration of poor in public housing projects and in racially segregated neighborhoods—work to isolate poor blacks in particular from communities where they could find work and be referred to work. A study by Wilson, as reported in *The Los Angeles Times*, that compares the experiences of poor blacks to poor Mexican immigrants concludes that Mexican immigrants were better able to find jobs, "because they could plug into a tight subculture established by a chain of prior immigrants, some of whom came from the same villages."¹⁰

2. Welfare penalizes marriage and underwrites single parent-hood. Welfare rules traditionally have imposed a stiff "marriage penalty": Women recipients who marry a man with a job usually exceed AFDC limits on household income and thus lose their benefits. Couples who choose to live together instead of marrying suffer no such loss of income. Moreover, some conservatives argue that welfare makes marriage less necessary by allowing women to secure a steady income and other benefits by, in effect, marrying the state.¹¹

Because marriage is the means by which most women escape welfare, eliminating the marriage penalty must be a top priority of welfare reform. As chapter 7 details, children from single-parent families are more likely to be poor than children from two-parent

families. Family structure—particularly the rise in out-of-wedlock births in the black community—is a powerful variable in explaining the rise in childhood poverty, especially among blacks. Family structure also explains the growing distance between the wealthiest and the poorest blacks: The proportion of black families earning \$50,000 or more annually jumped from 7 to 15 percent between 1970 and 1989. At the same time, families earning \$10,000 or less increased from 23 to 26 percent. Or, to put it another way, two-parent black families now earn 78 percent of that earned by two-parent white families, while female-headed single-parent black families earn only 30 percent of that earned by two-parent white families.¹²

According to Wilson, the disappearance of traditional manufacturing jobs that pay low-skill workers relatively high wages has contributed to higher poverty rates and to a dearth of "marriageable males" in poor communities.¹³ In contrast, Lawrence Mead links rising urban poverty rates to non-work, which he regards as a by-product of a welfare system that induces recipient passivity.¹⁴ Whatever the causes, non-work and non-marriage have both been on the rise: In 1969, the proportion of able-bodied poor who did not work all year was 12 percent; in 1987 it was nearly 22 percent. In 1960 the proportion of out-of-wedlock births to black women accounted for 21.6 percent of all births to black women but by 1989 this figure had risen to 64.5 percent.¹⁵ While the disappearance of marriage among poor urban blacks may have been caused initially by the absence of work for the men, several decades of poverty and fatherless families has meant, as Wilson himself now acknowledges, that other, cultural factors could be at work as well.¹⁶

Over a period of time, all of these factors have made marriage a rarity in too many poor and inner-city communities.

3. The welfare system is inefficient and empowers bureaucrats rather than the poor. Washington spends roughly \$150 billion a year at what the public thinks of as "welfare"—about 75 means-tested programs targeted on the poor. And welfare benefits are hardly generous: The median benefit (income support and food stamps combined) for a family of three in 1992 was \$647 a month, 72 percent of the poverty level. In addition to providing cash income, these programs immunize children against disease, offer poor mothers prenatal care, give underprivileged youngsters a head start in education, and provide food, shelter, health care, and drug and alcohol abuse counseling to millions of poor Americans.

It is important to understand from the outset that although

welfare rolls are growing, welfare spending is *not* driving America's enormous federal deficit: All 75 of the government's targeted benefit programs account for 12.5 percent of the national budget, or 3.9 percent of gross national product.¹⁷

The problem is not that we are spending too much, but that too little of what we spend goes directly to the poor. Despite spending more than \$3 trillion on antipoverty programs since 1965, conditions in poor communities have gotten worse rather than better.

The problem is twofold. First, much of the spending has been absorbed by an expanding bureaucracy for delivering social services that eats up a disproportionate amount of the funds available for fighting poverty. For instance, in 1984 a study found that two-thirds of every dollar spent by Cook County (which includes Chicago) went to social service providers rather than to the poor.¹⁸ A housing project in Louisiana has a 32 percent vacancy rate, an 11 percent uncollected rent rate, and hundreds of stories like the one in which a woman spent ten years waiting for a broken window to be fixed. Yet the housing authority responsible spent \$4.7 million operating the project.¹⁹

Second, through the creation of multiple categorical grants, each of which has its own rules for eligibility and its own bureaucratic systems, the government has created a crazy quilt of services—most of which are targeted toward the same population. The absence of integrated social services means that a 15-year-old welfare mother with a new baby faces an obstacle course of scattered programs that often defeats the efforts of even the most energetic. As often as not, the absence of home-based services means that government programs do not reach the intended audiences.²⁰

4. Welfare fails to buttress American values. The welfare system does not encourage and reward the values most Americans live by: work, family, individual responsibility, and self-sufficiency. Many Americans, comfortably well-off and poor alike, believe it subsidizes dysfunctional behavior. In the words of Kimi Gray, a former welfare mother and leader of the nation's first experiment in tenant ownership of public housing, welfare rewards failure, not success.²¹

The perverse impact of the welfare system gained national attention in May 1992, when *The New York Times* ran the story of Sandra Rosado, a young girl who had saved \$4,900 to go to college. This violated AFDC limits on personal savings, and Ms. Rosado's mother was fined for her daughter's industriousness.²²

Not only does the current welfare system fail to reinforce mainstream values, it also fails to reflect the new realities of working

men and women in America, particularly working mothers. For much of our history, women who were mothers were actively discouraged (if not actually prohibited) from going to work. Ironically, it was primarily black mothers who worked—because they had to. When the predecessor of AFDC was launched in 1935, however, most women were not expected to work outside the home—especially if they were mothers. This program grew out of the Mothers' Pension laws, a Progressive Era innovation that gave aid to the children of widows. A 1913 report on the mothers' movement asserts that, "No woman, save in exceptional circumstances, can be both the homemaker and the breadwinner of her family."²³

Today these "exceptional circumstances" are the norm. Most women are both homemaker and breadwinner. The sources of this revolutionary change are both cultural and economic. The women's movement legitimized the idea that women could seek careers other than motherhood, and its agitation led to increased opportunities and wages for female workers. In addition, just as women were moving into the work force in large numbers, America's economy began to slow down. After decades of robust growth, median family income suddenly stopped growing in the early 1970s. To maintain a middle-class standard of living, families sent more women into the labor market, had fewer children, bought fewer homes, and borrowed more money.

These factors have led to an interesting and ironic phenomenon. Middle- and lower-middle-class women, many of whom would prefer to stay home with their children, are now forced for economic reasons into the workplace, where their taxes go to the support of, among other things, women who are on welfare. One black working mother put this changed reality in focus during a discussion of welfare: "I don't think it is fair when I am a hard-working average person and I have limited my family to two because I can't afford to have more children. I don't see why I as a working person should take care of your children."²⁴

With most mothers now working outside the home, welfare programs predicated on the idea that mothers do not or should not take jobs are strikingly at odds with the reality faced by most American families. A November 1991 Gallup Poll found that 79 percent of those polled favored requiring "able-bodied people on welfare, including women with small children, to do work for their welfare checks." And with most American women having fewer children for economic reasons and most American families sending mothers out into the work force for economic reasons, it was

inevitable that people would begin demanding similar restraint from welfare recipients.

STATE WELFARE REFORM

Passage of the Family Support Act of 1988 opened the door for state-by-state efforts to reform the welfare system. Not surprisingly (as the reforms flow from a common critique), they share a common theme—a growing public and expert consensus that antipoverty programs should tackle the behavioral roots of poverty as well as provide the poor with financial support. The engine behind the new state reforms is as much cultural as monetary, reflecting the widespread perception that the welfare system does not reinforce either family values or values of personal responsibility.²³ Advocates and critics alike dub this “the new paternalism”—an insistence that welfare and other social benefits be conditioned on changes in the recipients’ behavior.

In the past few years, several states have taken the lead in efforts to reform the system. While the Family Support Act conditioned welfare benefits on participation in education and training programs, the states’ efforts go much further in demanding what legislators deem to be responsible behavior from welfare recipients. New Jersey, for example, now denies payments for a second child born to mothers on welfare, but it does allow family members to increase their earnings and to keep more of what they earn when a second child comes along.

Wayne R. Bryant, the New Jersey Assemblyman who pushed for the change—and whose district is overwhelmingly black and poor—believes that poor people should not be immune to the same economic incentives and disincentives that working people face. While that means that welfare mothers should hesitate before deciding to have another child, it also means that government must make sure that work does not reduce their standard of living. Bryant’s plan thus offers a substantial work incentive: It allows welfare recipients to collect their full benefits while earning an income equal to 50 percent of their grant in order to support another child.

A second prevalent theme of state welfare reforms is recognition of the importance of the two-parent family. While aware that family disintegration is a long-term and complex phenomenon (which does not easily lend itself to government intervention), reformers have become alarmed at the near disappearance of mar-

riage and of two-parent families among the poor. The stark differences in well-being between the children of two-parent and one-parent families have led reformers to, at a minimum, get rid of the disincentives to marriage and, in some cases, to actively encourage it.

Wisconsin has proposed a “Wedfare” or “Bridefare” initiative that would encourage young couples to marry and work by allowing married welfare recipients to keep more of their earnings than single ones. The plan also seeks to make fathers more responsible for their children by ensuring the establishment of paternity for all AFDC applicants. Once paternity has been established and it has been determined that the father cannot pay child support, all unemployed, noncustodial parents (almost always fathers) will be required to participate for 40 hours per week in a combination of education, parenting, and work activities put on by the state. In addition, attendance of all parents (including spouses and noncustodial fathers) under 20 years of age in parenting classes is mandatory under the new plan.

Under the 1988 Family Support Act, states can require minor single parents to live with their parents in order to receive AFDC benefits. The Wisconsin plan will exercise this option statewide to remove any incentive that may exist for teens to get pregnant so they can move out of the house. Work incentives allow participants to keep more of their earnings each month and still be eligible for AFDC benefits, medical assistance, food stamps, and child-care expenses. Since 1988, Wisconsin has operated its “Learnfare” program that reduces welfare payments to teenage mothers or to families whose children fail to attend school regularly. Using a carrot-and-stick approach, Ohio gives a \$62 bonus to teenage parents on welfare who go back to high school and another \$62 per month if they attend class regularly—or a \$62 penalty for each month they fail to do so.

Maryland requires welfare recipients to keep their children in school and obtain preventative health care for them or face an across-the-board 20 percent reduction of state welfare payments. California also is considering a welfare plan that would limit benefits for additional children and would give grants only to the parents or legal guardians of teenage mothers living with them. The plan proposes cutting welfare grants by 25 percent and limiting the first year of benefits for people who have recently moved into the state.

Many of the efforts to reform welfare now under way in the states are too recent to evaluate. In most other human social

systems, some combination of rewards and punishments, carrots and sticks, operates to produce the desired behavior. But some social scientists, such as Douglas Besharov of the American Enterprise Institute, argue that the emphasis should be on rewarding positive behavior rather than on imposing penalties: "Benefits send the same signal as penalties, with fewer drawbacks. Tangible rewards for doing the right thing can uplift and encourage; penalties threaten to discourage recipients who may already feel psychologically beaten down. . . ."

FROM WELFARE TO WORK: ENABLING STRATEGIES FOR WELFARE REFORM

While the new emphasis on individual and reciprocal responsibility is long overdue, it is doubtful that incremental changes in the existing welfare system can bring about dramatic behavioral changes or lasting improvements in the lives of the poor. To truly seize the initiative in the war on poverty, the new administration also must replace the welfare system with a new strategy for enabling America's poor. While the welfare state is organized around the goal of income maintenance, the enabling state should be organized around the goals of work and individual empowerment. Above all, it should help poor Americans develop the capacities they need to liberate themselves from poverty and dependence. And it should do so directly, bypassing whenever possible public bureaucracies and service providers and placing responsibility and resources directly into the hands of the people we are trying to help. An enabling strategy should see the poor as the prime agents of their own development rather than as passive clients of the welfare system.

Building on a generation's worth of experience with social welfare programs and a generation's worth of experience with the failures of welfare bureaucracies, the new administration should adopt a different strategy for the war on poverty guided by four principles.

1. **Welfare reform should make work pay.** It makes little sense to exhort welfare mothers to take low-productivity, low-wage jobs if the result is to lower their family's standard of living.²⁷ Instead of paying people to stay on welfare, it makes more sense to transfer public subsidies to work—to supplement wages so that welfare recipients will not be worse off if they take a job. This change alone, however, will only make the poor's financial plight more acute

unless accompanied by other steps intended to make work pay, substitute parental for public support, ensure universal access to health care, and otherwise buttress their efforts to work while also caring for their children. Therefore, a comprehensive strategy for replacing welfare with work also must include the following components:

Eligibility for welfare should be limited to two years. After two years, able-bodied recipients would no longer be eligible for AFDC payments. Thus, welfare would be a way station on the road to work and productive citizenship, not a final destination. Placing a two-year limit on welfare, as President Clinton has advocated, while at the same time increasing the opportunities for poor people to become self-sufficient, is a first and critical step toward ending welfare as a way of life.

Those unable to find jobs in the private sector should be offered an opportunity to work in community service corps at the minimum wage. To this end, the new President should press for adoption of the national service program described in chapter 6. By mixing poor women with youths from low-income and middle-class families, we would avoid isolating poor people in a "make-work" public jobs program. Unlike existing requirements for workfare, community service volunteers would be earning their way rather than simply working off a welfare check. Yet they would not be earning enough to dissuade them from seeking a better job.

If we are serious about making work rather than income maintenance the foundation of our social policy, we must acknowledge that many jobs pay too little to lift a family out of poverty. *The new administration should adopt PPI's proposal for a "guaranteed working wage"—essentially an expanded earned income tax credit—which would ensure that no family with a full-time, year-round worker will live in poverty.*²⁸ To help working mothers pay for child care, we should also make the child care tax credit refundable.

Medicaid, the public health insurance program for the poor, is linked to AFDC. Leaving the welfare rolls means losing medical protection—a serious disincentive for welfare recipients hoping to find a job. *A work-based system can only work if everyone has access to health care.* The best solutions, as Jeremy Rosner proposed in chapter 5, are to use the power of consumer choice and competition rather than government price controls to discipline soaring health care costs, and to let the states experiment with different ways to extend basic medical protection to all.

The new administration should expand efforts by nonprofit organizations and even private businesses to place welfare recipients in private jobs. That approach is likely to have a higher payoff than obliging welfare recipients to enroll in costly adult education and job training programs. While underscoring their responsibility to strive toward self-sufficiency, such programs rarely lead many to permanent jobs. Studies show that education and training do raise the earnings of welfare recipients, but rarely by enough to lift them out of poverty.⁹ "The end result is often a skilled worker, and potential employee, who still doesn't have a job and continues to collect a welfare check," says Peter Cove, founder of America Works and a pioneer in welfare-to-work experiments.¹⁰

An alternative to expanding public education and training programs is to let private entities—nonprofit and for-profit—bid for the chance to place welfare recipients in private jobs and keep part of the money a state saves when someone leaves the rolls. For example, America Works is a private company that makes a profit by placing welfare mothers in New York and Connecticut in jobs with decent wages and benefits. For every person it moves from welfare to work, it collects \$5,000, or about a third of what it costs the state to support an average family on welfare for a year. The state, which pockets the rest, has saved over \$20 million by contracting with America Works.

Cove attributes America Works' success to intensive, personalized support for welfare mothers after they take a job. America Works' staff works with mothers and their employers to cope with child care, transportation, housing, and other problems that typically lead poor people to lose jobs. Why don't welfare agencies do the same? Because, Cove says, they have no incentive to do so: Public employees are hard to fire and they are paid whether or not they succeed in helping welfare recipients find and keep jobs. To encourage both private nonprofit and for-profit job placement ventures, the new administration should change AFDC rules to allow money saved when people leave welfare to be reinvested in further efforts to move people onto payrolls. Doing so would shift federal money from training and education programs that perpetuate dependence to private efforts that get people off welfare.

Finally, an innovative welfare-to-work strategy should include expanded public support for small "microenterprise" loans that can enable enterprising poor people to become self-employed. In inner cities and impoverished rural areas, microenterprise programs can foster self-employment by providing small, uncollateralized loans and business advice to groups of poor people trying to start their

own businesses. Many such projects are patterned on the Grameen Bank in Bangladesh, which has helped thousands of poor rural women start small enterprises and which uses peer support and pressure to achieve a 98 percent repayment record. Using similar methods, the Women's Self-Employment Project in Chicago makes loans of \$10,000 or less to poor women, who have used them to open dress shops and catering businesses. The Southern Development Bancorporation likewise fosters economic activity among low-income residents of rural Arkansas.

The new administration should increase federal support for microenterprise experiments and reduce legal and regulatory barriers—such as limits on assets and prohibitions on work in the home—that prevent poor people from choosing self-employment rather than welfare. It should also use federal funds to leverage the spread of community development banks, which make larger loans to build housing and stimulate small business development in poor communities.

2. Welfare reform should strengthen families and assure child support. The breakdown of families, though not exclusively a problem of the poor, lies at the heart of the self-defeating patterns of behavior that help perpetuate the urban underclass. The poverty rate for families headed by single mothers is six times that of two-parent families. Social researchers have found strong correlations between single-parent families and high rates of crime, teenage pregnancy, gang membership, and welfare dependency.¹¹

An enabling strategy should remove disincentives to marry and reinforce parental responsibility by toughening child support enforcement. Many poor mothers depend on welfare because they receive little or no financial help from the fathers of their children. *The new administration should adopt a national child-support system, as described in chapter 6, to ensure that absent parents pay a percentage of their incomes for child support through tax withholding.* While lowering welfare payments, ensured child support would pose no disincentive for work. And if absent parents are unable to pay, government would guarantee a minimum child-support payment. Ellwood calls such a system "Social Security for children." It would also give single parents—who have to juggle the roles of breadwinner and homemaker—the option of working part time.

3. Welfare reform should stress community initiative and empower the poor, not the social service providers. When citizens enter the world of public assistance, they surrender control of their lives to bureaucrats, social service providers, and other presumed

experts—what Robert Woodson of the Center for Enterprise Development calls the “poverty pentagon.” These providers are trained to tell poor people what they must do to receive standardized social services, not to consult with them about what they really need to solve their problems. Moreover, too little of the money we spend to fight poverty trickles down through these paternalistic bureaucracies. *An enabling state would use vouchers, bank-style debit cards, savings accounts, tenant management and other non-bureaucratic means to empower poor people to take charge of their own lives.*

Vouchers concentrate purchasing power in the hands of the poor, allowing them—rather than welfare professionals—to choose the services and providers that best suit their needs. Vouchers can improve the provision of social services that are essential to self-sufficiency and independence for the poor, the disabled, and others: child day care, home health care, employment training, care for the disabled, and counseling. Moreover, vouchers can help sustain and increase political support for social service programs, spur innovation in the delivery of such services, create new entrepreneurial opportunities for social service professionals, and help bring low-income and other service recipients into the mainstream of the nation's economy and society.²²

While government can direct the war on poverty, it needs the “little platoons” of civil society to wage the battles on the ground. In addition to the vital work already done by religious and charitable organizations, the voluntary or independent sector plays an increasingly important role in fighting social ills in ways less coercive, more flexible, and more sensitive to local conditions than public bureaucracies. During the 1980s, as Washington cut aid to cities, nonprofit Community Development Organizations cropped up around the country to build low-income housing and encourage commercial development. Community development banks, like Chicago's Shorebank, are likewise trying to arrest the decay of urban neighborhoods by offering loans to local entrepreneurs and businesses. *An enabling strategy should use government to leverage such community institutions and encourage businesses to enter the market for social provision.*

Nothing better symbolizes the failure of antipoverty programs than the squalor in public housing. Created during the Depression to provide houses to people temporarily down on their luck, public housing has become a permanent repository for the most abjectly poor Americans and a breeding ground for the problems associated with the underclass: drugs, crime, broken families, and

dependency. *The new President should seek to restore public housing's transitional status and expand opportunities for tenants to manage and even own their own housing units.* The experiences with tenant management in Chicago, Washington, and St. Louis confirm that when residents are given responsibility to regulate their own affairs, rent collections improve, crime, unemployment and welfare dependency rates fall, and people fight to preserve and improve their communities. Another essential step—pioneered by Chicago Housing Authority Chief Vince Lane—is to bring working families back into public housing, to provide role models and to foster sound values.

Whether the government or the private sector is delivering social services those services should be integrated so that they work to the maximum benefit and ease of the clients, not the bureaucrats. This initiative is especially important for those services directed toward young mothers and their children for the reasons discussed in chapter 7.

4. An enabling strategy for welfare reform should buttress America's basic values, especially reciprocal responsibility. Only a social policy grounded in the values and experiences of most Americans—work, individual responsibility, family, and community—is likely to yield results and win sustained public support. Social responsibility is a two-way street: Government can help only those determined to help themselves. An enabling state should condition social supports on recipients' willingness to work and strive toward self-sufficiency.

It follows, therefore, that welfare should reward, rather than punish, productive behavior. Welfare abounds with perverse disincentives: a \$1,000 limit on assets for AFDC recipients penalizes thrift and saving; in 26 states, AFDC parents who take a full-time job at minimum wage lose their benefits almost immediately; a federal rule pegging public housing tenants' rent at 30 percent of their income means their rent goes up automatically if they get a raise or a better job; many states do not allow mothers to receive welfare benefits if they marry; and many cities discourage self-employment by barring people from operating small businesses out of their homes. *A comprehensive reform approach should abolish all disincentives to productive behavior in the system.*

The current welfare system focuses too narrowly on income transfers, offering low-income and poor Americans few incentives to save and build personal assets. In fact, the welfare system's limit on assets encourages welfare recipients to spend their money. Yet, as social policy analyst Michael Sherraden notes, people rarely

spend their way out of poverty." While income supports fuel consumption and foster a "live-for-today" mentality, building assets leads people to save, defer consumption, plan ahead, and work harder to parlay what they have into bigger assets, such as a home.

This is the classic formula for upward mobility in America—a formula that rewards work and deferred gratification. Yet social policy assumes it is not for the poor. Just as middle-class families build assets with public support—for example, tax breaks for buying homes and investing in private pensions—the next administration should create "Individual Development Accounts" (IDAs) for low-income families. Like Individual Retirement Accounts, IDAs would be tax-favored and restricted to specific uses: college, home ownership, retirement, and starting a small business. But government would also offer matching contributions to encourage the poorest families to save.

CONCLUSION

The enabling strategy is designed to reinforce work, family, individual responsibility, and community. It renegotiates the terms of America's social compact: Instead of no-strings-attached income supports, society's help will henceforth be based on reciprocity. While government's responsibility is to expand opportunities for the poor to enter the mainstream of American life, the poor have a reciprocal responsibility to work hard, exercise individual responsibility, and avoid behavior that has high social costs.

The elements of this enabling strategy are mutually reinforcing. A temporary welfare system will make work imperative while the guaranteed working wage will make it rewarding. A competitive welfare-to-work system will rely on community initiative and market incentives to prepare welfare recipients for work and place them in good jobs. Ensured child support will lessen dependence on public assistance, offset AFDC's marriage penalty (it would not count against income limits), and underscore the notion that both parents must take responsibility for their children before government steps in. National service will offer income and other supports in exchange for work that mainly will benefit needy people and communities. And universal health coverage will eliminate one of the most serious obstacles facing the vast majority of welfare recipients who want to work and be independent.

The purpose of this work-based approach is to liberate the poor from poverty and dependence, not to save public money. On the

contrary, a true compact of mutual obligation requires that government make significant new social investments: wage subsidies, child-care support, universal health care, national service. The greatest challenge facing the next administration is to convince the public that higher spending today will yield lower social and economic costs over the long run as the poor become taxpayers rather than tax consumers and add rather than subtract from our nation's productivity. It must also shift resources from existing social programs that are not yielding demonstrable gains. The costs of community service will be partially offset by reductions in welfare spending: By one estimate, a two-year limit on AFDC would save \$18 billion.¹⁴ Finally, we can also do more for less by relying less on bureaucratic service delivery and more on the voluntary sector and market incentives to empower poor citizens.

MANDATE FOR ACTION

1. **Make welfare temporary.** The new President should propose that AFDC eligibility be limited to two years for all able-bodied recipients.
2. **Subsidize work, not dependence.** We should expand the Earned-Income Tax Credit in order to lift all families with a full-time worker out of poverty.
3. **Create a civilian GI bill.** The U.S. should offer young people a chance to earn federal college and job training benefits by volunteering to serve needy people in their communities. Community service also should offer minimum-wage jobs to welfare recipients unable to find a private job after their AFDC eligibility has expired.
4. **Establish a social insurance system for children.** A minimum child-support benefit guaranteed by government will reinforce parental responsibility and lessen single mothers' reliance on public assistance.
5. **Change AFDC eligibility so that married recipients can keep some portion of their benefits.** The system should foster marriage and offer a transitional stage.
6. **Ensure universal access to health care.** A work-based social policy requires that welfare recipients not lose medical protection when they take a job. The new administration should adopt the market-based approach presented in chapter 5.
7. **Stress job placement over education and training.** The

new administration should shift money from education and training programs to private efforts—by nonprofit groups and businesses—to place welfare recipients in jobs with decent pay and benefits.

8. **Promote microenterprise.** The new administration should permit states to use federal community and rural development and job training funds to make direct loans to nonprofit groups that lend to microbusinesses and poor entrepreneurs. Such groups could also raise money from business and foundations.
9. **Encourage saving money and building assets.** The new administration should spend \$1 billion to leverage community-based efforts to encourage low-income Americans to save through Individual Development Accounts. Community development corporations and other nonprofit groups would compete for federal grants and raise money from other sources in order to match IDA deposits of up to \$2,000 a year.
10. **Expand choice through vouchers.** The new administration should convert into vouchers the \$4 billion now spent under Title XX of the Social Security Act, AFDC and transitional child care, and the child care and development block grant.
11. **Foster management and ownership by tenants.** The new administration should expand funding for tenant management and ownership projects. It should also encourage further experiments like Chicago's Mixed-Income New Communities Strategy, which sets aside a percentage of housing units for working families.

11

A New Federal Compact: Sorting Out Washington's Proper Role

DAVID OSBORNE

INTRODUCTION

The federal government is in crisis. The American people believe Washington doesn't work. The typical American believes nearly half of every federal tax dollar is wasted. Only 17 percent of the public approves of Congress. Only 13 percent of senior federal executives would recommend that young people start their careers in government. And 17 of every 20 Americans want radical change: In a late May poll, 51 percent said the federal government needed "fundamental changes," another 34 percent called for a "complete rebuilding."

These problems have many sources. Beneath most of them, however, lies a very simple truth: The world has changed dramatically since the 1930s, while government has not. In most of its activities, the federal government is using an outmoded way of doing business—a bureaucratic, centralized, command-and-control methodology inherited from the industrial age. The federal government also suffers from historical overload: Too many programs have been piled up over too many years. Today, entire departments stagger under their weight, while state and local governments, which carry out many of these programs, strangle in red tape.